

JAPANESE MANAGEMENT AS APPLIED IN THE PHILIPPINES

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This paper attempts to examine how the Japanese management system is applied in a different social and cultural framework such as that of the Philippines. The outstanding characteristics of the Japanese management system are described, and its economic rationality for Japanese employers and employees, explained. On the basis of survey results which covered top Japanese managers stationed in the Philippines and Filipino managers, the paper examines the basic Japanese management policy and the extent of its modification in the Philippine setting. It includes an evaluation by Filipino middle managers of this modified system. One of its conclusions is that the Japanese management system is welcomed and its durability seems to be assured if the basic aims and goals that motivate and control an immense amount of Filipino behavior and values are met.

1. Introduction

Direct foreign investment will inevitably carry, in one way or another, the management system of an investing country into a host country, and the effectiveness of that management system is a great concern for the parties of both countries. This paper tries to examine how the Japanese management system, which has evolved in the sufficiently homogeneous and egalitarian society of Japan, to accommodate itself to the economic rationality of the people, is introduced in the different social and cultural framework of the Philippines.

The paper first depicts the outstanding characteristics of the Japanese management system and explains the most probable reasons

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why it bears economic rationality for Japanese employers and employees. After briefly looking at the scope of the survey, it examines the basic management policy applied in the Philippines and the extent of its modification. This is followed by an evaluation of the modified system by the Filipino middle managers with respect to the extent and the reasons for its rejection or acceptance.

2. Characteristics of Japanese Management System

Japanese management style first attracted a certain interest in 1958 when James Abegglen, an American anthropologist, unveiled the uniqueness of its industrial relations to Western observers (Abegglen, 1958). Henceforth, the term *Japanese management* generally refers to the aspects of its industrial relations or its employment system.

Abegglen argues that the Japanese management system, though it has certain strengths, retains considerable irrationality and inefficiency from the Western viewpoints. Nonetheless, Japan has continued to record an impressive economic growth, which has possibly appeared to Western observers as a "miracle," or which possibly destroyed their stereotyped views on capitalistic economic development (Yoshihara, 1979: viii). The Japanese management system has thus generated interest in academic circles in the past two decades or so; the focus has been to attribute the secret mechanism of Japan's unprecedented postwar economic achievement to the "unusual" characteristics of its industrial relations, among other factors. More recently, it raised hopes among government and private concerns that it can strengthen international competitiveness on the part of Western developed countries, and that it can facilitate economic development on the part of developing countries.

There are no blueprints nor established rules which unanimously regulate Japanese industrial relations, however. The Japanese management system, far from being static, is a system which absorbs the dynamic changes of Japanese business environment. What is now broadly applied to management-labor relations is mainly a product of bitter corporate experiences of high turnover and low commitment of skilled labor in the early stage of its industrialization (Hyodo 1971) and of severe labor disputes in the post-World War II period (Urabe and Omura 1983: Chs. II and III). However, the management styles implemented in Japanese corporations vary significantly from each other depending on the size of the enterprise and the type of industry. It is also a hybrid system which has largely

evolved by adapting the Western management system to the Japanese milieu, so as to positively and flexibly cope with the ever-changing social and economic environment (Urabe, 1978:12). Though it would be difficult to verify that a similar system of labor management is not found elsewhere in the world (Ouchi, 1981: Part I), it is still generally believed that the Japanese management system has philosophy and practices which are not easily found in foreign management systems, and which function effectively in Japanese business organizations. Thus, the Japanese management style, though still undefined, appears to be unique compared to Western management systems.

Japanese corporations generally believe that the effective development and utilization of manpower are essential for successful business operations. Employees undergo continuous "in-house" training to acquire the expertise peculiarly fitted to the needs of an enterprise and this expertise is utilized to the maximum degree through "in-house" promotion.

In order to reinforce the effectiveness of intrafirm training and promotion, emphasis is placed on a cluster of policies which also work to maintain and improve good human relations within a firm. The objectives of these policies are: 1) to encourage the feeling of mutual dependence between employees and enterprise, so as to enhance employee's sense of belonging to the company; 2) to minimize differentials among employees of different job status in terms of wages, fringe benefits and other privileges so as to eliminate potential conflicts within the corporation; and 3) to promote the "community of information" or the degree of sharing common information within corporate community, in order to make both managers and managed understand the situation of the company and the direction for which it is headed, and thus enable each employee to recognize his respective role from overall company viewpoint.

Through the above policies, all regular employees, regardless of the type of job, are molded into good "company men," who are given the opportunity to practice "whole employees participatory management." In such a circumstance, they naturally tend to advance their careers within the firm they currently work for.¹ In other words, the

¹ Although employees' anxiety to be promoted within a corporation is declining gradually these days, it is still strong due largely to the separation of management from ownership. For example, as many as one-third of 6,241 young employees with less than 5-year length of service responded to a survey in 1980 that their eventual goal in the company is to become either a president or a director. Only 8% desired no positions (Nihon Seisan Sei Honbu 1980).

very essence of Japanese management is to make employees "non-transferable" to or "non-compatible" with other business enterprises in terms of their expertise and mentality: a Japanese style internalization of labor market of a firm. To this end, the manpower development and human relations policies, which, in my view, formulate the "core" policies, are skillfully deployed.

These "core" policies are effectively sustained and fortified by what I call the "framework" of Japanese management. Consensus decision-making practice is used as a means to effectively bridge the "core" and the "framework." The "framework" includes annual across-the-board recruitment,² long-term stable employment, length-of-service-based reward³ and retirement or separation allowance programs.

It is important to note that the Japanese management "framework" is supported not only by sociocultural factors but to a great extent by economic factors.⁴ Accordingly, it is subject to adjustment

²Once a year, around October and/or November, Japanese corporations, particularly large ones, carefully select prospective graduates who will be given "regular" status. Placement offices of universities, colleges and high schools play substantial roles as the media for this recruitment system. The applicants who meet certain requirements of a corporation are given notice of unofficial commitment to employment about half a year in advance of their graduation. All are officially hired at the same time on or around April 1 of the following year (Japanese school year starts April 1 and ends March 31) without receiving a particular job specification. As a rule, they obtain regular status after a three-month probation. By this time, a job for each new employee has been determined. Since they are employed at the same time with similar age and education, and since corporate training is provided uniformly, they are prepared to become a "closely-knit" group from the very beginning.

³Precedence in birth alone has little meaning in Japanese enterprise in determining an employee's eligibility for pay raise, promotion and retirement allowance unless superior age of an employee is associated with his length of service. Length-of-service-based reward practices guarantee employees, to a considerable extent, similar pay raises and promotions for about 10 years after their employment. Thereafter, when wages based on length of service possibly exceed the contribution of some employees, other factors such as performance and achievement are surely weighed more heavily than the age factor. Annual across-the-board recruiting system which hires personnel fairly in similar terms of ability, and lifetime employment which helps to avoid conflicts among employees greatly support smooth implementation of these practices.

In addition to motivating employees through higher income in the future, length-of-service-based pay raise provides management with the opportunities to deliberately appraise employees' capability from various aspects for a considerable period of time, and to curb wages below productivity of younger employees and thus to recoup training costs.

⁴If the framework is strongly supported by sociocultural factors, it will be extremely difficult to explain the reason why it varies to a significant extent among different types and/or sizes of enterprises, regardless of employees' homogeneity in terms of ethnic composition and sociocultural endowments.

on the basis of the corporation's economic rationality.

The degree of installation of the "framework" varies in accordance with the corporate necessity to make employees "non-compatible" with other organizations. The stable employment policy and length-of-service-based reward practices are more rigidly implemented in larger corporations than the smaller ones⁵ or high-tech industries, since interfirm non-compatibility of employees is more needed in the former where technology and know-how used are generally specific and routinized than in the latter.

The "framework" is also adjusted to cope with the environmental change within a range which does not hinder the effective implementation of the "core" policies. For instance, in order to cope with, firstly the lengthening of life expectancy and the attendant longer duration of service and second, the slow growth of the economy, the length-of-service-based rewards have been considerably lessened during the past ten years⁶ with the consent of the "house union." This measure was meant to offset the increasing cost burden generated by the longer length of service coupled with the underutilization of advanced age labor.

Also, in place of hiring new employees through annual across-the-board recruiting, non-regular workers, namely, temporary, part-time and daily workers who are outside the application of the "framework"⁷ are increasingly hired for substitutable jobs (see Figure 1). Thus, management preserves the job and income security of the existing employees and reduces labor costs. At the same time, management stimulates members of the house union to feel that they are on the same boat with management.

In addition to the internal management framework, which guarantees job and income security for both blue- and white-collar

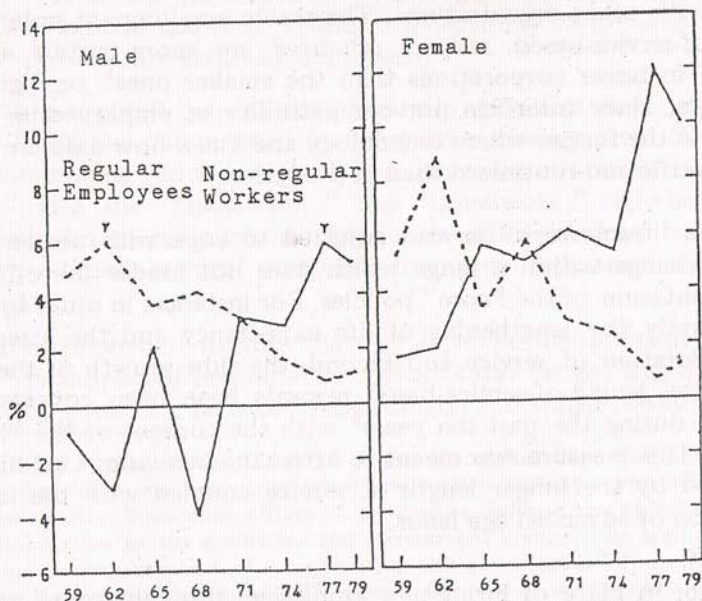
⁵ See Ministry of Labour 1982.

⁶ See Ministry of Labour 1972 to 1982.

⁷ The channel of their employment is different from that of regular employees. Annual across-the-board recruitment system is never applied to them. They are hired whenever extra labor force is needed on the short-term, say, three to six months, contract basis, and are not subject to job and income security beyond the contracted terms. They are not qualified to be union members, and hence the terms and conditions of their employment, which do not become issues of collective bargaining, are much inferior to those of regular employees: Besides lower wage level, they get no bonus, no retirement allowance nor fringe benefits such as housing allowance and paid holidays. Their labor cost is, therefore, much less than that of regular employees.

Figure 1 — Annual Increment of Regular and Non-regular Workers (1959-1979)

Unit: %



Source: Prime Minister's Office, 1981.

regular employees, there are at least two industry-wise built-in set-ups. Firstly, wages, positions, and other benefits for mid-career recruits — persons who have previous job experience — are generally inferior to those who are hired through annual cross-the-board recruiting if their ages and capabilities are similar.⁸ Second, those who

⁸About half of corporations establish a standard of initial wage level applicable to mid-career recruits. For example, in the case of workers recruited at the age of less than 35 years old by corporations with more than 1000 employees, if they are assigned even to the job to which their skills are fully applicable, only 22.7% of the corporations offer them the same wage level with the same age workers recruited through annual cross-the-board system, while 20.3% pay 90 to 99%, 20.0% pay 80 to 89% of the wage level of existing regular employees and 12.3% place them at the bottom of the corporate hierarchy. If their skills are not applicable to the new job, then as little as 6.8% of corporations pay the same wage level, 11.0% pay 90 to 99%, 12.7% pay 80 to 89%, 11.1% pay only less than 50% of the wage level of existing regular employees, and 33.5% place them at the bottom of the organization. Moreover, 70.5% of corporations do not have schemes to adjust the wages of mid-career recruits in the years to come to catch up with the workers employed through annual cross-the-board system.

These figures indicate strong corporate inclination to nurture “non-compatible” employees within a firm. See Ministry of Labour 1983A for more detailed figures.

resign from the company for personal reasons before reaching the age of compulsory retirement receive significantly less lump sum severance pay than those who are separated involuntarily by corporate reasons or those who retire at the age of compulsory retirement.⁹ These industry-wise set-ups, on the other hand, motivate employees to stay in the same corporations as long as they can, and on the other, works favorably for management in utilizing employees specifically trained for corporate purpose to the maximum extent.

The "core" and the "framework" of Japanese management with the help of the industry-wise set-ups thus work as the two wheels of a vehicle which supplement and reinforce with each other. Although we do not deny the importance of social values and customs which are deeply ingrained in the management style, once the "framework" which sustains the "core" of Japanese management is institutionalized and implemented smoothly,¹⁰ Japanese management could be analyzed and explained to a considerable extent from the economic viewpoint.

3. Scope of the Survey

On the basis of two questionnaires prepared respectively for Japanese top managers stationed in the Philippines and local middle managers, our surveys were conducted in September 1981 and April 1982. Out of 649 Japanese capital-affiliated corporations operating in the Philippines as of July 1981 (Japan Trade Center 1981), 111 corporations which had more than 20 per cent Japanese equity were given questionnaires. Forty-eight top Japanese managers from 48

⁹For example, when university graduate employees with 10 years length of service quit job at their own discretion, those who are in administrative, clerical and skilled works receive, on average, 73% and those in production 72% of those who are separated by corporate reasons. In large corporations with more than 1000 employees, the same receive 64% and 62% of the latter, respectively. These figures show that training in larger corporations is more intensive and costly than smaller ones and thus the former are more reluctant to release employees trained for corporate purpose. See Ministry of Labour 1983B for more detailed figures.

¹⁰In addition to job and income security on the part of regular employees and minimization of loss of investment in manpower development on the part of management, the "framework," when it functions well, provides the management with the following favorable features: (i) Employees' attitude to draft and fulfill business plans tends to be more realistic and sincere than those where their job security is not certain in the future. (ii) Job rotation even to an entirely different type of job and an introduction of newer technology, which in other circumstances might jeopardize job security, is fairly smoothly accepted by employees.

corporations and 173 local middle managers (96.4% of them were university graduates) from 53 corporations replied to the questionnaires. Of these, I interviewed 28 top managers and 65 middle managers.

Though the population of the sample is not large enough, the following features will safely exclude possible bias in discussing the management style of Japanese affiliates operating in the Philippines:

1. The industrial categories of the corporations surveyed were manufacturing (72.9%), wholesale and retail trade (8.3%), service (6.3%), banking and non-banking institutions (4.2%), agriculture, fisheries and forestry (4.1%), construction (2.1%), and transport (2.1%).

2. The years of inauguration of the 48 corporations were considerably diverse, with the oldest in 1958. Most of them, though, were incorporated fairly recently, mostly after 1974, when the RP-Japan Treaty of Amity, Commerce and Navigation became effective and social security was significantly assured due to the implementation of martial law. The average year of inauguration was 1976 (the latest among the five ASEAN countries).

3. Seventeen corporations were ranked among SEC-Business Day's 1000 largest corporations in terms of gross revenue in the 1980-1981 period (SEC and Business Day, 1981). But a considerable number of corporations, including a few which were once ranked among the top 1000 corporations, were reportedly in bad shape. The average sale for 1980 was ₱93,834 and average profit/sales ratio was 8.6 per cent. Years of operations have little to do with corporate performance.

4. The aggregate Japanese equity investment of the 48 corporations (valid observations were 46) accounted for 74 per cent of the Japanese cumulative direct investment of about 1.9 billion pesos on the basis of the 1968-1981 Board of Investments' approval statistics (Board of Investments, 1982).

5. The number of Japanese equity participant(s), which reflects their business strength in Japan, varied to a considerable extent. Twenty-eight Japanese capital-affiliated business ventures had one Japanese equity participant as a partner of the venture. The rest of the 20 ventures had varying numbers of Japanese partners: two Japanese partners in 14 ventures, three in five ventures and five in one venture. Among them, nine ventures had a *sogo shosha* as one of the co-Japanese partners. Large Japanese corporations, most of them listed on the first stock exchange market in Japan, invested in 37 ventures while unorganized entities and small to medium sized enterprises invested in 11 ventures.

6. Average equity participation of Japanese partner(s) was 49.5 per cent which was the lowest among the five nations.¹¹ And 72.8 per cent of the corporations had minority equity participation of Japanese capital¹² because of the more restrictive and selective attitude of the Philippine government toward foreign investments relative to other ASEAN countries.

7. Many of the ventures, including those with Japanese minority equity participation, were allegedly dependent, in one way or another, on the head office of the Japanese partners in terms of (a) financing long-term credit loans, (b) using key technology and know-how, (c) procuring raw materials and parts essential to their operations, and (d) utilizing Japanese channels of distribution for the sales of their products.

4. Japanese Management as Applied in the Philippines

4.1 Bases of Management policies

"Localization policy" and an "emphasis on Japanese management philosophy and objectives" are regarded as the bases on which various management policies are deployed. Seventy-seven per cent of the corporations surveyed adopt a localization policy, while 72 per cent stress Japanese management philosophy and objectives, which according to my interview are integrated abstract principles to expedite effective implementation of "core" Japanese management policies.

The stronger emphasis on Japanese management philosophy and objectives, and moderate stress on localization policy relative to the other four countries (see Table 1) seem to indicate that Japanese

Table 1 — Bases of Management Policies

unit: no. of corporations, % in ()

	PHL	MLY	SPR	TLD	INA
Localization policy	28.5 (77)	33 (75)	39 (87)	42 (89)	53 (86)
Emphasis on Japanese Mgt. Philosophy & Objectives	33 (72)	28 (56)	29 (60)	30 (54)	39 (62)

Note: PHL, MLY, SPR, TLD, and INA stand for Philippines, Malaysia, Singapore, Thailand, and Indonesia, respectively.

¹¹ Average Japanese equity participations in Japanese capital-affiliated corporations surveyed in other countries were as follows: Indonesia 60.7%, Malaysia 62.2%, Singapore 87.1% and Thailand 50.9%.

¹² Breakdown of Japanese equity participation was 20 to 29% for 3 corporations, 30 to 39% for 12, 40 to 49% for 18, 50% for 1, 70 to 79% for 5, and 100% for 7 corporations (valid observations were 46).

managers see a wider social distance between Japanese and Filipinos who are more diversified and Westernized in their customs and values. This suggests that in order to engraft Japanese style on local style, more emphasis should be placed on Japanese management philosophy and objectives.

4.2 Management Framework

4.2.1 Recruitment Policy

Recruitment whenever it becomes necessary is made with less prudent procedures relative to that in Japan. Rank and file workers are mostly recruited by Filipino personnel managers, while middle managers are usually recruited jointly by Filipino and Japanese staff. The central media for recruitment are newspaper advertisements (36.7%), and recommendations by relatives in management position (2.4%) and friends in the company (19.5%) and/or someone who is related somehow or other to the company (33.7%). Schools (0.6%) and public employment offices (0.6%) virtually have no function as recruitment media.

4.2.2 Policy on Stabilizing Employment

Except for some frontier industries in which ever developing highly specific new skills are constantly replenished from the external market for their survival, stable employment is generally considered as a *sine qua non* for recouping investments in manpower development and minimizing costs for recurrent recruitment and training. However, it is not strongly emphasized in Japanese corporations in the Philippines relative to those in other ASEAN countries (see Table 2).

Table 2 -- Degree of Implementation of Japanese Management Framework

unit: no. of corporations, % in ()

	PHL	MLY	SPR	TLD	INA
Stable employment	23 (50.0)	41 (81)	34 (71)	36 (64)	50 (79)
Seniority pay raise	15 (32.6)	24 (48)	22 (46)	27 (48)	40 (64)
Seniority promotion	13 (28.3)	19 (38)	17 (35)	16 (29)	30 (48)

Note: Seniority denotes length of service.

The most probable reason for this seems to lie in the proportion of equity holdings of the investing and host nationals. As noted earlier, in the Philippines, about 73 per cent of corporations surveyed

have Japanese minority equity participation. Thus, the employment policy is considerably handled by the Filipino staff and naturalized in local practice, which perhaps diminishes the importance of stable employment.

Another probable reason may be found in the Japanese perception that the preservation of the stable employment policy is not easy nor rewarding in the Philippines. Japanese managers seem to recognize that in the Philippines "market-oriented forms of work ethic" are dominant and that workers do not usually think that their maximum material well-being in terms of income and social status will be attained by working with the same corporation throughout their occupational career. Filipinos are always weighing the pros and cons between working for the current company and changing their place of work. Our survey reveals that 88 per cent of the middle managers have had previous job experiences in other organizations. They have changed their place of work for 2.6 times on the average (the highest among the five nations)¹³ with the highest at 8 times. Also, those who believe that "job hopping is no good" account for only 5.7 per cent, the lowest among the five ASEAN countries. To cope with such mentality, many Japanese managers naturally tend to retain only the capable and loyal employees.

Filipino middle managers' behavior in working with Japanese-affiliate companies, however, deviates somewhat from their attitude toward the job. Though their length of service is by no means longer than that of other ASEAN middle managers,¹⁴ it seems to be somewhat longer than their counterparts in other foreign corporations operating in the Philippines, as many top Japanese managers have observed. Their preference to work for Japanese capital-affiliated corporations, irrespective of their innate trait of easily changing jobs, may be the result of (1) limited job opportunities for middle managers, (2) possible contribution of management policies to employment stabilization, (3) Filipinos' favorable perception of the economic rationale of Japanese management as a whole, and/or (4) interrelations of the above.

4.2.3 Length-Of-Service-Based Reward System

The corporations which in one way or another adopt length-of-service-based reward practices are the smallest in proportion among the five nations (see Table 2). A slightly stronger inclination to the

¹³ Average frequency of changing job in other countries was 2.2 times in Indonesia, 2.3 times in Malaysia, 2.2 times in Singapore and 2.1 times in Thailand.

¹⁴ Average length of service of the middle managers in the Japanese capital-affiliated corporations surveyed was 8.2 years in Indonesia, 7.1 in Malaysia, 4.9 in the Philippines and Singapore, and 10.5 years in Thailand.

practices is observed in the larger corporations with Japanese majority equity participation relative to the smaller ones. But no company, like in Japan,¹⁵ bases its pay raise and promotion scheme solely on length of service.

In determining wages, about 50 per cent adopt the overall rating system, which is made up of such components as job function, merits and length of service (see Table 3). How each component is weighed

Table 3 — Wage Determinant

unit: no. of corporations, % in ()

	PHL	MLY	SPR	TLD	INA
1. Job-based	7 (15.6)	8.5 (17)	6.5 (14.1)	2 (3.5)	13 (20.3)
2. Merit-based	5 (11.1)	7 (14)	5 (10.9)	3 (5.3)	12 (18.8)
3. Seniority-based	0 (0.0)	5 (10)	3 (6.5)	4 (7.0)	2 (3.1)
4. Overall rating	23 (51.1)	28.5 (57)	31.5 (68.5)	46 (80.7)	36 (56.3)
5. Others	10 (22.2)	1 (2)	0	2 (3.5)	1 (1.6)

Note: Seniority denotes length of service.

Overall rating denotes the combination of 1, 2, and 3.

Others include the combinations of 1 and 2, 1 and 3, and 2 and 3.

in the system is unknown. But it should be noted that while the "high productivity-high wage" policy is weighed more heavily compared with other countries, (see Table 7), the length of service is also largely considered.¹⁶

As for the promotion system, as high as 65.2 per cent of corporations take meritocracy as its basis. This is by far the highest among the ASEAN countries (see Table 4).

Table 4 — Promotion System

unit: no. of corporations, % in ()

	PHL	MLY	SPR	TLD	INA
1. Seniority-based	0	4 (8.3)	2 (4.3)	3 (5.4)	4 (6.0)
2. Merit-based	30 (65.2)	20 (41.7)	16 (34.0)	22 (39.3)	18 (26.9)
3. Combination of 1 & 2	16 (34.8)	24 (50.0)	29 (61.7)	31 (55.4)	45 (67.2)

Note: Seniority denotes length of service.

¹⁵ As the determinant of pay raise, length of service is losing its economic rationality. Under the current slow economy, corporate organization does not expand as it used to. Hence employees' average age tends to increase. As of 1983, 54.4% weigh length of service as a determinant as well as other factors such as personnel appraisals, job function and qualifications. See also footnote 3.

¹⁶ To the question "Do you differentiate the rate of wage increase of those assigned to the same job?", Japanese top managers who replied "no" numbered as follows: Indonesia 7.5%, Malaysia 8.7%, Philippines 15.2%, Singapore 18.4% and Thailand 8.8%.

In Japan, small capability differences among the same age-bracket-employees due to the annual across-the-board recruitment system, and employees' inclination to work for a longer period with the same company, among others, are considered as prerequisites for the effective working of length-of-service-based reward practices. However, as described earlier, none of the above conditions are satisfied in the Philippines: A large number of employees are recruited through newspaper advertisements and recommended by friends and employees. Moreover, "organization-oriented forms of work ethic" are not commonly observed. In such a circumstance, pay raise and promotion based on length of service are hardly justifiable. Furthermore, varied ethnic and language groups in a stratified society make it difficult to foster mutual understanding across the groups or to lift frontiers of "social universe."¹⁷ In such environment, factors like family background and individual competence naturally tend to be crucial in demonstrating individual presence in the corporation. These situations suggest that the length-of-service-based system has little economic value especially for aspiring young employees. Yet, it could be worthwhile to note that about one-third of Japanese affiliates adopt the length-of-service-based system in one way or another.

4.3 "Core" Management Policies

4.3.1 In-House Training and In-House Promotion

As a means of transferring technology and know-how necessary for corporate operations, 26.7 per cent of corporations, mostly newly established, recruit qualified managers and engineers from outside. However, as many as 91.1 per cent of the corporations, including most of the 26.7 per cent rely on in-house training (see Table 5). More than 89 per cent of the corporations train them on-the-job and 23.9 per cent use off-the-job-training methods as well. Nearly half of the corporations send employees to the head office in Japan for training. Job rotation is employed only by 15.2 per cent. These features are more or less similar throughout the five nations.

A strong inclination to educate employees within a firm aims mainly to foster self-made employees who are less compatible with other organizations. Incidentally, the inclination to conduct in-house training is stronger in large enterprises ranked in SEC-Business Day's 1000 largest corporations than those not ranked as high.

It is also noticeable that 13.3 per cent of the corporations, the

¹⁷ See, for instance, Lynch 1973:73-77; Arce and Poblador 1977:22 and Carroll 1966:576 cited in Arce and Poblador 1977.

Table 5 — Policy on Transfer of Technology and Know-how

unit: no. of corporations, % in ()

	PHL	MLY	SPR	TLD	INA
Recruit qualified persons from outside	12 (26.7)	14 (26.6)	12 (26.7)	12 (22.6)	10 (15.9)
In-house training (incl. sending to Japan)	41 (91.1)	44 (83.6)	41 (91.1)	52 (89.7)	59 (93.7)
Establishment of Engineering dept.	11 (24.4)	6 (11.4)	16 (35.6)	8 (13.8)	6 (9.5)
Establishment of R & D department	6 (13.3)	3 (5.7)	0	4 (6.9)	4 (6.3)
Others	0	5 (9.5)	3 (6.7)	3 (.57)	3 (4.8)

highest in the ASEAN region, set up Research and Development (R & D) departments (see Table 5). A comparative study on Philippine and American banks in the Philippines mentions that "quite surprisingly, one typically finds in Philippine organizations a good deal of search activities" (Arce and Poblador 1977:25). The installation of an R & D department is perhaps, in part, the Japanese managers' concession to the localization policy and/or to the assimilation of Filipino managers, mostly college graduates, who are more accustomed to American style management education.

In-house promotion is also practiced to a great extent. No company relies solely on recruitment from outside to fill vacant positions. As many as 62.2 per cent depend on in-house promotion alone in assigning positions, while 37.8 per cent rely both on in-house promotion and recruitment from outside (see Table 6). Majority of them are newly established corporations in which the expertise needed for various positions is not yet fostered within the company.

Table 6 — Promotion Policy

unit: no. of corporations, % in ()

	PHL	MLY	SPR	TLD	INA
Recruitment from outside	0	1 (2.1)	2 (4.3)	1 (1.8)	0
In-house promotion	28 (62.2)	22 (45.8)	24 (51.1)	39 (70.9)	50 (75.8)
Both of the above	17 (37.8)	25 (52.1)	21 (44.7)	15 (27.3)	16 (24.2)

However, those corporations have expressed their intention to fill vacant positions through in-house promotion when employees having the expertise needed become readily available.

4.3.2 Human Relations and Information Sharing Policies

Effective working of the human relations policy contributes to make employees "company men" who hopefully devote themselves to the corporation. In the Philippines, only 46 per cent of the corporations (lowest among the ASEAN five), consciously employ the human relations policy in general. However, nearly 60 per cent emphasize the policy of harmonization between management and labor, although more than two-thirds of corporations seem to pay no attention to the narrow status difference between management and labor (see Table 7). The human relations policy in the Philippines, therefore, by nature, aims to increase harmony between management and labor by basically admitting the existence of status difference between them.

Policies to increase the degree of sharing common information are practiced by one-third to nearly half of the corporations through the *ringi* system and group decision-making scheme. At the same time, the suggestion scheme, which is more individual-oriented than group-oriented, is strongly emphasized. The group responsibility scheme is not positively employed (see Table 7) probably because Filipinos are inclined to consider that responsibility for the job must be borne by each individual, and not by the group as a whole. Such mentality is in contrast with that found in many managers and employees in Japan, where a practice of sharing responsibility in the primary group is successfully transferred to the secondary group of the corporate community.

4.4 Extent of Japanese Management Applied

As have been noted so far, the "core" elements of Japanese management are considerably emphasized in the Philippines, the most important among them being in-house promotion and in-house continuous training which constitute the "core" of Japanese management. Japanese managers seem to expect that employees' "sense of belonging" to the company will be encouraged by promoting employees within the corporation who obtain expertise through in-house training. And a stronger sense of belonging, in turn, could result in increased productivity and the improvement in quality of products. In this context, the group-oriented policy and human relations policy are widely adopted.

Table 7 — Policies Considered to Influence Employment Stabilization

unit: no. of corporations, % in ()

	PHL	MLY	SPR	TLD	INA
Motivation-oriented					
"In-house" promotion	30 (69.8)	40 (85.1)	38 (77.6)	34 (60.7)	51 (76.1)
Continuous training program	28 (65.1)	23 (48.5)	26 (53.1)	19 (33.9)	43 (64.2)
High productivity-High wage	16 (37.2)	13 (27.7)	15 (30.6)	16 (28.6)	17 (25.4)
Recognition of long-term service	16 (37.2)	24 (51.1)	34 (69.3)	33 (56.7)	34 (50.7)
Quality control circle	12 (27.9)	11 (23.4)	24 (49.0)	11 (19.6)	17 (25.4)
Job rotation	11 (25.6)	11 (23.4)	19 (38.8)	7 (12.5)	15 (22.4)
Livelihood Stabilization-oriented					
Reinforcement of welfare system	18 (41.9)	22 (46.8)	18 (36.7)	18 (36.7)	40 (59.7)
Annual pay raise system	14 (30.2)	27 (57.4)	23 (46.9)	32 (57.1)	46 (68.7)
Retirement pension system	11 (25.6)	14 (29.8)	3 (6.1)	24 (42.9)	17 (25.4)
Own-house system	3 (7.0)	5 (10.6)	1 (2.0)	2 (34.0)	17 (25.4)
Egalitarian-oriented					
Harmonization between management & labor	25 (58.1)	26 (55.3)	33 (67.3)	31 (55.4)	43 (64.1)
Minimizing status difference between management & labor	13 (28.3)	14 (29.2)	24 (50.0)	6 (11.0)	14 (22.2)
Consensus/Participation-oriented					
Group decision-making	20 (43.5)	19 (40.0)	22 (52.0)	15 (27.0)	23 (36.5)
Ringt-system	15 (32.6)	8 (17.0)	10 (20.0)	11 (20.0)	16 (25.4)
Group responsibility	8 (17.4)	7 (15.0)	9 (18.0)	5 (9.0)	17 (27.0)

The "framework," on the contrary, is modified to the direction of localization. Though the length-of-service-based system is maintained to some extent as a probable consequence of Japanese propensity to it, it has been widely replaced by the merit-based and job-based systems. The stable employment policy is installed moderately to the extent that it supports the "core" elements of Japanese management even under the mobile labor market of the Philippines. It is worth mentioning that in the Philippines, where stable employment is not assured, about two-thirds of the corporations regard unfavorably the "core" policies as effective tools to stabilize employment (see Table 7).

Such management style is observed throughout the five ASEAN nations with certain variations. Accordingly, the Japanese management style engrafted in each of these countries can be understood as one of the adaptations of the Japanese management philosophy to local business climate. This indicates the Japanese management's flexibility and adaptability to cope with different environments, and implies that adoption of localization policy on the other hand and emphasis of Japanese management philosophy on the other are not incompatible with each other. Rather, the combination of both can be properly understood as the product of Japanese managers' efforts to make its system acceptable and sustainable for both nationals.

5. Middle Managers' Responses to Japanese Management

In evaluating Filipino middle managers' responses to management style in Japanese capital-affiliated corporations, we will examine their main reasons for leaving their previous jobs and choosing the current one, and their attitude pattern toward the "core" and the "framework" of Japanese management. The extent of interaction or interrelation between the "core" and the "framework" is then inferred.

As an initial step, the respondents who properly indicated their job experience in their immediate past were grouped (figures in parentheses show the number of respondents) into: those who transferred from Japanese capital-affiliated corporations (12), from U.S. affiliates (16), from local Chinese affiliates (12), from local non-Chinese affiliates (48), from government institutions (7) and those who had no previous job experience (21). Those who did not properly indicate their immediate past experience were excluded. Those who worked for SEC-Business Day's 1000 largest corporations at the time of our survey were also singled out for reference; they were 72.

5.1 Main Reasons for Leaving Previous Job and for Choosing Present Corporation

The reasons for leaving their previous jobs were: (1) poor prospect of advancement (43.6%), (2) low salaries or wages (31.5%), (3) little chance for learning new technology (26.2%), (4) inadequate management (16.1%), (5) unstable employment (14.1%), (6) bad human relations (9.4%), and (7) bankruptcy or pull-out (9.4%). The mention of poor advancement, low salaries or little chance for learning new technology as the main reason is remarkably high, when compared with the other ASEAN countries.¹⁸

All middle managers, except for those who transferred from U.S. affiliates who indicated "low salaries or wages," singled out poor prospect of advancement" as the primary reason for their resignation. A good number of them came from government institutions (71.4%). Only a small percentage of middle managers who worked with Japanese and U.S. affiliates in their immediate past suggested "little chance for learning new technology" as the main reason for quitting the previous job (8.3% and 12.5%, respectively).

As shown in Table 8, their reasons for choosing the present company, according to order of preference were: (1) better prospect for advancement, (2) more chances to learn new technology, (3) better status or position, (4) stable employment, (5) good reputation of the company, (6) higher salaries or wages, and (7) better working conditions. Their preferences were similar with those of the other four countries. But the degree of their expectation for better prospect for advancement, more chances to learn new technology, better status or position, and higher salaries or wages was quite high, while that for securing stable employment was relatively low compared to that of the middle managers in other countries.

Those who worked for U.S. affiliates in their immediate past pointed to high wages and salaries, and advancement prospect as important reasons. Those who changed their job from local Chinese affiliates strongly emphasized the advancement prospect. More than half of the middle managers who worked with Japanese affiliates in their immediate past desired stable employment and three-fourths of them expected more chances to learn new technology. The latter

	PHL	INA	MLY	SPR	TLD (%)
Poor advancement prospect	43.6	31.8	38.2	25.7	19.1
Low salary	31.5	14.0	12.3	10.0	12.4
Little chance of learning new technology	26.2	21.7	16.0	19.0	13.5

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Table 8 — Main Reasons for Choosing this Corporation

(unit: %)

	TTL	Japan	USA	L.Ch.	L.NC.	Gov.	N.W.E.	Top 1000	MLY	SPR	TLD	INA
Better prospect for advancement	65.3	41.7	62.5	83.3	60.4	57.1	71.4	55.6	55.6	51.4	44.9	48.8
More chance for learning new technology	60.1	75.0	56.3	58.3	58.3	57.1	76.2	61.1	51.9	56.2	53.9	37.2
Better status or position	32.4	33.3	31.3	16.7	35.4	42.9	4.8	26.4	23.5	15.7	23.6	13.2
Stable employment	31.2	58.3	25.0	33.3	33.3	14.3	38.1	38.9	44.4	37.1	44.9	21.7
Good reputation of this corp.	30.6	33.3	31.3	50.0	33.3	57.1	28.6	30.6	38.3	29.5	34.8	18.6
Higher salary or wages	26.6	8.3	62.5	16.7	18.8	14.3	0.0	26.4	17.3	12.9	24.7	16.3
Better working conditions	22.0	8.3	6.3	25.0	27.1	14.3	38.1	20.8	25.4	23.3	21.3	28.7
Others	12.7	8.3	12.5	8.3	8.3	0.0	0.0	9.7	29.6	22.9	—	20.9
Number of respondents	173	12	16	12	48	7	21	72				

Note: Japan, USA, L.Ch., L.NC., Gov., N.W.E., and Top 1000 denote Japanese, USA, Local Chinese and Local non-Chinese capital-affiliated corporations, Government institutions, no previous job experience, and Top 1000 largest corporations, respectively.

reason was also highly expected by those who had no previous working experience. "Good reputation of this company" was acknowledged by 57 per cent of those who worked with government institutions.

These findings suggest that Filipino middle managers are generally more inclined to improve their social status, rather than to stabilize their economic security. However, they also believe that to motivate rank and file workers, money is the most important incentive followed by excellent leadership, encouraging teamwork and good human relations. "Promotion" is the least important, coming after the "self-managing work group."

5.2 *Philippine Responses to "Core" Japanese Management Policies*

5.2.1 In-House Training and In-House Promotion

The foremost features of Japanese management which Filipino middle managers welcome are: good learning chance for new technology and know-how and good chance for advancement. The degree of their satisfaction with these aspect is considerably high relative to that of the other four countries (see Table 9). Filipinos appreciate the Japanese staff's willingness to transfer new technology or management know-how through on-the-job training, relative to those in other ASEAN countries (see Table 10). These Philippine responses show that in-house training and promotion policies, the paramount components of Japanese management core, are largely accepted and appreciated. However, a significant discrepancy is observed when their evaluation of the advancement prospect and learning chance for new technology and know-how, is compared with their reasons for choosing the current company: The former dropped from 65.3 per cent to 56.6 per cent, while the latter increased to 75.1 per cent from 60.1 per cent (see Tables 8 and 9).

The most distinctive factor which accounts for their satisfaction with the chance for learning new technology and know-how is most likely attributable to the short-term assignment of Japanese staff who come under heavy pressure from the Japanese head office. Though the short-term stay has its drawbacks, particularly with respect to the acclimatization of local culture and social system, it stimulates the Japanese staff to achieve something remarkable within a limited assigned period, say three to five years, in the hope of being well accepted and promoted when they return to the head office. The success or failure of their performance in overseas enterprise is sometimes decisive for their future career. Therefore, the effective transfer of necessary technology and management know-how to the local

Table 9 — Satisfactory Features of This Company's Management

(unit: %)

	TTL	Japan	USA	L.Ch.	L.NC.	Gov.	N.W.E.	Top 1000	MLY	SPR	TLD	INA
Good chance for learning technology or know-how	75.1	83.3	81.3	75.0	68.8	85.7	71.4	80.6	59.3	47.1	50.6	69.0
Good human relations bet. Japanese and locals	59.0	41.7	37.5	75.0	54.2	71.4	47.6	41.7	50.6	46.2	46.1	69.0
Top managers mix with workers	57.8	75.0	56.3	58.3	47.9	57.1	61.9	54.2	53.1	49.5	46.1	31.0
Good chance for advancement	56.6	33.3	62.5	58.3	52.1	57.1	71.4	56.9	39.5	32.9	39.3	59.7
Good teamwork	54.3	58.3	75.0	58.3	50.0	71.4	42.9	54.2	44.4	36.2	51.7	73.6
Small status diff. bet. mgt. & workers	34.7	25.0	37.5	41.7	27.1	28.6	23.8	27.8	48.1	48.6	40.4	30.2
No lay-offs	22.5	25.0	18.8	8.3	20.8	0.0	28.6	33.3	44.4	27.1	28.1	17.1
No severe punishment	19.1	0.0	18.8	41.7	18.8	28.6	9.5	16.7	30.9	30.0	22.5	14.7
Others	7.5	8.3	6.3	8.3	2.1	0.0	9.5	5.6	7.4	2.9	16.9	7.0

Table 10 — Degree of Satisfaction with Transferring Technology and Know-how through On-the-Job Training

(unit: %)

	Philippines					MLY	SPR	TLD	INA
	TTL	Tech. Dept.	Finance & Acctg.	Gen. Affairs Personnel	Marketing				
very much	60.5	59.7	73.5	71.4	66.7	50.0	45.3	23.9	40.3
a little	30.5	37.7	20.6	23.8	33.3	41.7	50.2	67.0	57.3
no	3.0	2.6	5.9	4.8	0.0	8.3	4.5	9.1	2.4

staff is one of the keys to their better performance. Since such mentality is common to all Japanese staff, the transfer of industrial skills is amplified by the common Japanese practice of overseas operations, especially in its initial stage. Because of this Japanese attitude which is unlike that of most Western affiliates having only a limited number of staff members with longer-term assignment, it is evident that many of the Japanese affiliates, which have started late relative to their Western counterparts, are now catching up with the latter in terms of productivity and product quality. In this respect, drastic nationalization of personnel may run counter to accumulation and proliferation of local expertise.

The following conditions may account for the much lesser degree of their satisfaction with the advancement prospect relative to that expressed towards the chance for learning new technology and know-how:

1. It is unknown what positions middle managers look forward to be promoted. Since the number of the board of directors is stipulated by the articles of association and since the board members consist of equity participants as a general rule (see Table 11), the upward movement of middle managers into the top echelons of the management hierarchy is virtually nil unless they have extraordinary managerial skill or competence and/or have particular relations with the partner of the venture.

Table 11 — Structure of Board of Directors

(unit: persons)

	Full-time	Part-time	Total
Filipinos	1.8	2.4	4.2
Japanese	1.7	1.8	3.5

2. Most middle management level positions have already been filled by the Filipinos (see Table 12) and the uncertain economic prospects in the Philippines and the rest of the world will not assure the expansion of corporate organization.

Table 12 — Structure of Middle Managers

(unit: persons)

	Personnel Managers	Other Managers	Supervisors
Filipinos	1.9	13.1	31.6
Japanese	0.6	2.2	0.8

3. Japanese managers are ambivalent with respect to assigning Filipinos to key middle management level positions in place of Japanese staff. Many of the Japanese managers I interviewed replied that though the positions to be given are already limited to key posts, they are earnestly willing to replace them with Filipinos since the Japanese are more costly to employ than their Philippine counterparts as a general rule. On the other hand, Japanese managers expressed their uneasiness and uncertainty on whether or not the transfer of technology and management know-how, which are crucially important for the successful corporate operations, could be smoothly made by the Filipinos. The latter, more often than not tend to think of their newly acquired technological know-how as their own assets and are reluctant to transfer them to their colleagues. Japanese managers thus see a trade-off between technology transfer and replacement of the key positions by the Filipinos. This ambivalence of Japanese managers make them hesitant to assign all the key positions to Filipinos. However, in our sample in which technology and know-how are not crucially important for business operations, several corporations have allotted all the middle management positions to the Filipinos. It was in such corporations where middle managers complained most strongly about the limited opportunities for learning new technology and know-how.

4. In the corporations wherein procurement of necessary fund, supply of raw materials and sales of products depend mainly on Japanese counterparts, assigning Filipinos to such positions as managers of finance, purchase and sales, is not easy. A potential barrier impedes smooth communication and negotiation between the persons in charge in the joint-ventures and Japanese corporations due largely to the lack of language ability and familiarity of "face" between them.

5. There seems to be a potential dissatisfaction on the part of Filipino middle managers which arises from a perception gap between Japanese and Filipinos on the evaluation of qualification for management positions. Though the Japanese staff know that they are in a different environment where annual across-the-board recruiting is not employed and hence differentiation of employees' capability is not a difficult task, they still believe that a considerable period of time is needed for assigning managers' positions. (In Japan, it usually takes at least 15 to 20 years in large companies.) They think that the assimilation of employees to corporate culture is as important as their capability. Filipinos, on the other hand, may consider themselves to be already competent and ready to be assigned to higher positions. They may not be willing to wait for promotion for, say, five to 10 years. If they believe they are capable, they tend to get higher positions while they are young. Such disposition observed among capable Filipinos is feasible and understandable in a society where difference in the quality of labor is not small.

5.2.2 Human Relations

The low priority (9.4%) given to human relations relative to the other items as the main reason for leaving their previous job seems to suggest that it is not a major concern for Filipino middle managers. This may be mainly attributable to their perception that mutual understanding and reliance in a corporate organization, which is generally made up of various people from various regions with diversified dialects and social backgrounds, are not easily realized beyond a nepotic group or what is called a "we-group." However, more than half of the middle managers indicated "good human relations between Japanese and local staff," even that between top managers and workers and "good team-work spirit" as satisfactory features of Japanese management (see Table 9). The degree of their satisfaction is the highest among the ASEAN middle managers except for that with the first and third aspects above which comes second to Indonesians. Their satisfaction also exceeds the degree of emphasis placed on human relations by Japanese managers (see Table 7). These features will suggest that Filipinos are significantly group-oriented, even beyond their primary groups, and they generally favor the Japanese human relations policy which treats regular employees as assets of a corporation and not as substitutable commodities. In other words, the human relations policy which is implemented in Japanese capital-affiliated corporations is consistent with "social acceptance," one of their essential social values [Lynch, 1981: 1-58].

One exception which is appreciated in a lesser degree is the small-status-difference policy between managers and workers. Their modest response to it, which is also lower than that of their counterparts in ASEAN except for the Indonesians, seems to reflect the "high status orientation in the Philippine society" (Arce and Poblador, 1977:20) and their acceptance of the social stratification existing in the Philippines. People who believe they will be rewarded tend to be obedient and attached to their superiors and at the same time expect the same obedience and loyalty from their subordinates.

5.2.3 Sense of Belonging to the Company

Employees' sense of belonging to the company in Japan is a compound feeling of their dependence on and commitment to the company and/or of unity between the company and employees. The nature of employees' sense of belonging is most likely regulated by their sociocultural values, while its degree is largely influenced by material and psychological inducements. The latter includes corporate reputation and the employees' pride in working for the com-

pany. When the employees' sense of belonging is strong and spontaneous, "whole employees' participatory management" is more likely sustained. In order to examine to what extent participatory management will be valid in the case of the Philippines, the degree and the nature of the Filipinos' sense of belonging are investigated.

The following questions were asked to test their degree of sense of belonging: 1) "Are you proud of working with this company?" 2) "Would you say that you feel yourself committed to this company?" 3) "Do you have a feeling of participation in the management of this company?" The percentage who responded "yes, very much" was highest among the five nations except for their feeling of "commitment," which came only after the Malaysians as shown in Tables 12, 13, 14, and 15, respectively.

Sixty-five middle managers whom I interviewed shared a common perception of sense of belonging which can be summarized as follows: It is a feeling which falls within the range of reciprocity between the benefits they obtain from the company and the service they render to the company. Hence, it can be explained as a function of their self-evaluation of their quality of labor vis-à-vis their wages, fringe benefits, current positions and prospects for promotion in the near future. If they realize that what they receive from the company is satisfactory with respect to their self-evaluation, then their sense of belonging is strong. Their sense of belonging is manifested in their feelings of responsibility and willingness to fulfill the assigned job. Their length of service in the company in no way reinforces their sense of belonging to the company. Such a sense of belonging does not implant into each individual employee the idea that both corporation and employee are unified in a sense of mutual trust; rather, it is a neutral feeling which exists only within the working hours.

These features seem to suggest that their sense of belonging will not be sustained unless their material and psychological needs are satisfied in each moment rather than from the long-term point of view. Since Japanese managers are accustomed to deal with management-labor relations and business operations on a longer-term basis, how they could satisfy the Filipino managers' needs is a matter of a great challenge for them. Though it is an extremely difficult task, it could also be a challenge for them to find out how to direct the Filipino managers' sense of belonging towards identifying themselves with the corporation if they ultimately aim at participatory manage-

Table 13 - Degree of Participation in Management

	TTL	Japan	USA	L.Ch.	L.NC.	Gov.	N.W.E.	Top 1000	MLY	SPR	TLD	INA
very much	81.5	66.7	87.5	83.3	79.2	100.0	85.7	75.0	75.0	68.6	82.0	61.0
a little	17.9	33.3	12.5	16.7	18.8	0.0	14.3	22.2	25.0	29.5	18.0	36.0
no	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0	2.0
unanswered	0.6	0.0	0.0	0.0	2.1	0.0	0.0	2.8	—	—	—	—

Table 14 - Degree of Feeling of Participation in Management (unit: %)

	TTL	Japan	USA	L.Ch.	L.NC.	Gov.	N.W.E.	Top 1000	MLY	SPR	TLD	INA
very much	75.1	50.0	68.8	58.3	75.0	85.7	71.4	68.1	61.7	39.2	56.0	70.0
a little	19.7	50.0	18.8	41.7	18.8	14.3	28.6	23.6	33.3	52.2	44.0	28.0
no	4.6	0.0	12.5	0.0	4.2	0.0	0.0	4.2	4.9	8.6	0.0	2.0
unanswered	0.6	0.0	0.0	0.0	2.1	0.0	0.0	4.2	—	—	—	—

Table 15 - Degree of Feeling of Commitment to this Corporation (unit: %)

	TTL	Japan	USA	L.Ch.	L.NC.	Gov.	N.W.E.	Top 1000	MLY	SPR	TLD	INA
very much	72.8	58.3	56.3	75.0	75.0	71.4	71.4	69.4	75.0	60.1	68.0	51.0
a little	24.3	41.7	37.5	16.7	20.8	28.6	28.6	26.4	23.4	35.0	32.0	30.0
no	2.3	0.0	6.3	0.0	4.2	0.0	0.0	4.2	1.2	4.9	0.0	19.0
unanswered	0.6	0.0	0.0	8.3	0.0	0.0	0.0	0.0	—	—	—	—

ment.

In addition, if Japanese managers intend to introduce participatory management, they have to cope with a Filipino proclivity which works against participatory management. Filipinos are potentially disposed to be loyal to a particular person rather than the organization, when they see that their needs are satisfied by that person.

5.3 Filipinos' Evaluation of Japanese Management Framework

5.3.1 Stable Employment

Slightly less than one-third of the middle managers expected stable employment at the time they applied for the current job, and about 23 per cent of them indicated the non-occurrence of layoffs as a satisfactory feature of the company (Tables 8 and 9). These figures are still way below considering that the Japanese managers have already modified the stable employment policy to conform to the local environment (Table 2). These findings imply that Filipino middle managers are not disposed to assimilate themselves to the enterprise nor to maximize long-term utility by working in the same company. They are not driven by the idea that they together will cultivate better corporate performance and enjoy the fruits as many Japanese will do. Rather, they seem to continue working for the company as long as benefits currently receivable from the present enterprise exceed those which could be expected by changing jobs. In other words, employment stability is maintained by the balance of internal and external inducements to the employees.

Such mentality suggests that the long-term stable employment policy can, as a general rule, hardly be an effective policy which directly supports the smooth functioning of the "core" elements of Japanese management, namely: "in-house" training and promotion, good human relations within the enterprise, strengthening the sense of belonging to the company, and promoting the sharing of common information among employees. Rather, the situation seems to be the opposite: the degree of acceptance of the "core" elements determines the degree of employment stability. Between the "core" policies and the stable employment policy, there seem to be little reciprocal relationships which work to reinforce with each other.

5.3.2 Length-Of-Service-Based Reward

The length-of-service-based pay raise and promotion system

seems to be almost totally inadequate to sustain the "core" management policies. It is economically unpalatable to both labor and management. In the Philippines, such view that salary increases and improvement of positions must be secured through their own merits and efforts is distinctly accepted. To the question: "Do you think that pay increase and promotion should be based on the personnel appraisal rather than seniority rule even in the case of workers?", 95 per cent replied "yes." It is not uncommon for yesterday's subordinate to become today's superior. Many of those who reject the length-of-service-based system are "ambitious" younger employees, some of whom admit that it is a favorable system for the older ones whose marketability of labor is already quite limited. Their responses seem to be paradoxical because although their attitude admits to a differentiation of status, there is an explicit 'economic order' in their mentality "which may be distinguished from a 'status order' stemming from family lineage, traditional styles of living, and other factors" (Kerr *et al.*, 1962: 82). Such mentality of the Filipino managers obviously runs counter to the primary purpose of the Japanese seniority system which is supported by annual across-the-board recruiting and lifetime employment. This seniority system is more rigidly applied to younger employees mainly for clarifying their potential capability through deliberate long-term personnel appraisal from various aspects so that the strategy for corporate human resource allocation can be properly deployed in the longer run.

5.4 Consensus Decision-Making

The Filipinos' responses to the consensus decision-making practice are complex. Most of the respondents favor the consensus practice and attend meetings most frequently among the five nations. Also, 67.9 per cent (second in number to Thai middle managers), think that their companies are run by participatory management rather than authoritative management. At the same time, however, a little over one-third of the middle managers indicated "unclear individual responsibilities" and "slow decisions" as the weakest points of Japanese management. These two are, in fact, the inevitable consequences of consensus practice. This ambivalence in their views, which is, in effect, a direct appreciation and an indirect criticism of the practice, may have originated from their behavioral pattern and value system. At least, three factors and their interrelations will account for this discrepancy:

1. In a society that attaches high value to social status and prestige (Arce and Poblador, 1977:19), people are inclined to make their job demarcation clearer so as to be rightly promoted on the basis of their

job function and merit. Their perception of "unclear individual responsibility" is thus inconsistent with their inclination. Their strong preference (83.8%) to "make available the job description specifying each job's authority and responsibility in detail" may well illustrate this trait.

2. The practice of reaching tentative decisions at the middle management level from the overall business point of view is a new experience usually not found in the conventional Western management textbooks nor commonly practiced in the Philippines for two reasons: Firstly, the primary roles of middle managers are conceived to properly handle various issues vertically within an assigned division or department. They are not accustomed to, nor willing to play roles in horizontal coordination. Hence, the persons in charge will sometimes feel offended and believe that their responsibility is vague when the 'outsiders' comment on their own issues in the meetings. Secondly, Filipino middle managers generally seem to believe that in the formal organization, where centralization of decision-making and control is common (Arce and Poblador, 1977: 20), the decisions are made and handed down one-sidedly from the top. In the Japanese affiliates, on the other hand, the decisions are not always conveyed from the top. Rather, top managers expect that the tentative decisions which are made through consensus will be submitted from the middle management level for their final approval. Such discrepancy in their views toward the functions of middle management and decision-making may make it a bit hard for them to grasp both the idea of participation itself and the consequences the process carry as integral parts of the whole practice of consensus decision-making, and thus lead them to complain about "unclear responsibility" and "slow decisions."

3. Filipinos perhaps favor participating in the meeting simply to satisfy their inherent values, especially, *pakikisama* or smooth social interactions, but they do not like the attendant features of "seemingly" unclear individual responsibility¹⁹ and slow decisions.

One additional reason could be found in the criticism of 24.8 per cent of the respondents against the Japanese attitude of being geared too much to the head office in Japan, which, in turn, causes

¹⁹ Participants in consensus decision-making are expected, whenever, their cooperation is needed, to help each other beyond their job demarcation for smooth implementation of the decision. In this respect, the responsibility is not so clear. However, all who participate in the decision and carry out the project decided through consensus are not really responsible for it. If the project fails, the persons who proposed a course of action and called a meeting for decision are ultimately responsible; when the result turns out to be successful, they are rewarded.

slow decisions and sometimes invalidates the decisions already reached by middle managers.

Besides the above, other barriers may work as impediments against sharing common information and establishing "real" mutual understanding within a corporate organization. These may be mainly attributed to their diversified racial, family and educational backgrounds which may induce them to form several "we-groups" within an organization. Under such circumstance, their sense of belonging does not motivate them to identify themselves with the company and their primary work ethic is not bound by the intention to stay in one company. However, their inherent liking for consensus suggests that it is quite unlikely to be implanted into the management system as a desirable practice. Furthermore, when its ultimate aim, i.e., to attain business objectives by promoting mutual understanding and greater "community of information" within a firm, is properly understood and acknowledged to be economically beneficial for them, the consensus practice could be a useful instrument to eliminate the barriers existing among "we-groups" in the organization and to help build an identity within the corporation in the longer-run. Providing this climate, though undoubtedly one of the most difficult tasks imposed on Japanese management, could help instill the corporate community-oriented concept of management into the employees and enrich and diversify the roles of middle management which, in turn, can significantly promote business performance.

6. Concluding Remarks

Bearing in mind not only cultural and social characteristics, but more importantly, taking the viewpoint of the system's economic rationality, this study suggests that relationships may exist between the Filipino behavior and value system, and the middle managers' responses to Japanese management in ways which can be summarized as follows.

1. The Japanese management style is welcomed and its durability seems to be assured if the basic aims and goals that motivate and control an immense amount of Filipino behavior and values are met. The nature of Filipino behavior and values, or the nature of their economic rationality, which is associated with their basic aims and goals, is not necessarily similar to that which is incorporated in Japanese management; neither is the Japanese management philosophy fully understood immediately. If this is the case, we can safely hypothesize that the Japanese management system bears a certain

validity when applied to any social system, if and when the basic aims and/or economic rationality of the people are consistent with it.

2. The Japanese management system will not be accepted if the Filipino value system and behavior which support their basic aims and goals are not compatible with Japanese cultural and social values implanted into the management system. Such a situation will instead become a potential cause of dissatisfaction and friction between the two peoples. In fact, the major barriers and frictions are found in "customs differences" (31.5%), and "value differences" (23.6%) together with "head office orientation of management" of the Japanese staff (24.8%).

When viewed in the above context, "in-house" training and promotion and good human relations policies are agreeable with what are considered as basic Filipino aims and goals, namely: "social acceptance," "economic security" and "social mobility" or "advancement up the social class" (Lynch, 1983: 17). The consensus approach to decision-making is mostly welcomed for its being consistent with their values such as, *pakikisama* (smooth social interactions) and *amor propio* (self-esteem), while its associated features, i.e., unclear individual responsibility and slow decisions, are not well understood nor accepted, due probably to their values accrued from the segmented social systems.

Clearly, the length-of-service-based pay raise and promotion system is not upheld, probably because of their inclination to maximize each instantaneous satisfaction rather than to seek optimal longer-span utility even by sacrificing short-term satisfaction as most Japanese tend to do. Its rigid implementation may even act as a motive to increase dissatisfaction among capable employees.

Their evaluation of the stable employment system is complicated and perhaps contradictory to their realizing simultaneously both their basic aims and their inclination to seek "current" satisfaction. Though stable employment guarantees "economic security," the pace of "advancement up the social class" under this system will somewhat be lagged. Whether or not this system can be supported depends greatly on the economic environment. If, for example, the supply of labor far exceeds its demand, Filipinos will most likely seek to reconcile both their basic aims and their utility within the organization they currently work with; thus, the system may fit their economic philosophy. But in such a case, if the employees cease their efforts to develop themselves, stable employment will undeniably mean unproductive "fixed" cost. Stable employment, as a matter of fact, is particularly significant when it is realized in a

tight labor market equipped with high quality of labor. This is a situation which is beneficial for both management and labor. If stable employment could be fortified by "in-house" training and "in-house" promotion, and thus expedite the creation of a group of highly qualified and loyal employees, the business foundation of the company could be undoubtedly strengthened. If this situation can be realized throughout the whole industry, it could not only be beneficial to each individual corporation but to the economic stability and strength of the nation itself.

The challenge, therefore, is to make the management framework more acceptable to both investing and host nationals on the basis of their respective economic calculations so as to provide the corporation with a smoothly regulated management-labor relations. This situation, in turn, may reinforce the functioning of the "core" of Japanese management which appears to be considerably appreciated.

This task, though difficult for Japanese managers who lack the experience in overseas business management, is a step toward the internationalization of the Japanese management and the prosperity of both parties. Otherwise, the ability of Japanese management to cope with the new dimension of international business and economic environment will not be properly sustained.

It is worth adding that each nation has its own option to adopt a management system with respect to its social, business and economic objectives. The Japanese approach in its early stage of modernization, for example, was to borrow system and technology alone, and not capital nor management style. The Japanese business and cultural environment made this possible. In a similar context, any nation must have an ideal management style best suited for maximum results, and perhaps for its national objectives. A further investigation of the local responses to other foreign management styles as well as the indigenous ones thus offers us a great challenge to formulate an effective and suitable management system for the nation.

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