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**The Look East Policy: Its Impact in Promoting Japanese Management  
Techniques to Manufacturing Firms in Malaysia**

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~~09/01~~

## **Dedication**

This thesis is dedicated to my mother and father who loved me enough to encourage me to pursue my dream.

## ACKNOWLEDGEMENTS

I would like to extend my deepest appreciation to my supervisors, Professor MP Jackson and Professor Mike Hughes for supervising my research. I am indebted to their invaluable guidance in every aspect of my study. Without their encouragement and support, it would not be possible for the thesis to be in its present form.

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## ABSTRACT

The Look East Policy (LEP), which was officially launched in February 1982, came about as a result of the Prime Minister of Malaysia, Mahathir Mohamed's determination to encourage Malaysians to "learn from Japan". Despite the difficulties in transferring management ideas between countries, Mahathir was convinced that with the Look East Policy he could persuade management in Malaysia, and particularly in the manufacturing firms, to implement wholesale the Japanese model of management or Japanese management techniques. This is not only because he believed that Japanese management techniques were the prerequisites for Malaysia's drive for industrialisation, but also he believed that they were the solutions to the problems confronting the Malaysian workforce.

However, the findings from this study seem to suggest that only certain elements of the Japanese management techniques have been implemented in or transferred to the manufacturing firms in Malaysia. Even then, our findings show that there are a number of problems being encountered, especially if these elements are not compatible with Malaysian cultural and religious beliefs. This could imply that certain elements of the Japanese management practices are culture-bound and therefore difficult to transfer to a different cultural environment.

Our findings also seem to suggest that despite the strength of the state in Malaysia, it has not been very successful in promoting, through the Look East Policy, the Japanese style of management to manufacturing firms. Instead, it is suggested that the majority of the Malaysian workforce prefers the present management system that is pro-West, which suggests its profound influence in Malaysia. Hence, it can be argued that because of the multi-ethnic and multi-religious beliefs in Malaysia, and also because of the strong influence of the West, there is a limit to what the state can do or achieve.

Based on our findings, it might be possible to suggest the following conclusions: (i) that the Look East Policy was never properly thought through in terms of the difficulty of transferring management techniques from one culture to another; (ii) a more limited objective with regard to learning from the Japanese might have been more successful. However, this would have demanded not only a long-term commitment but also greater involvement from Chinese community; and (iii) that the Look East Policy was always a political as well as an economic one. Perhaps its success should be judged not on a basis of whether it was adopted but on whether it achieved its political objectives.

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# CHAPTER ONE

## INTRODUCTION TO THE STUDY

### 1.1 Introduction

This chapter presents the overall flow undertaken in this study. First, we highlight the reasons why the topic entitled “The Look East Policy: Its Impact in Promoting Japanese Management Techniques to Manufacturing Firms in Malaysia” has been chosen. Next, we present the research objectives. Shortly after that, we state the importance of this study before highlighting its limitations. Finally, we summarise the structure and contents of the whole thesis. By doing so, we hope the reader will be able follow the whole discussion presented in this study.

### 1.2 The Reasons for Choosing the Research Topic

“Dasar Pandang Ke Timur” or the Look East Policy (LEP) swept the nation like a storm in 1982. During that time the author was still at secondary (high) school. Like many other students during that time, the author had no idea what this policy was all about, although it quickly became the subject of daily conversation of the “man on the street”. The more the author listened closely to the conversation of the “man on the street”, the more confused he became, as there were several versions of the LEP story. From then on curiosity began to develop in the author’s mind. This first encounter with the “storm” of the Look East Policy was, of course, more than fifteen years ago.

Then, on a “special” visit to a local library in 1996, the author came across a book called *Paradoxes of Mahathirism* by Khoo Boo Teik. Skimming through its pages, the author’s

attention was caught by a section on page 65 of the book, that says “Look Out and Look East”. Just looking at that sentence reminded the author of his first encounter with the “storm” of the Look East Policy back in 1982, and since that “special” trip, the author has been determined to research the impact of the Look East Policy in promoting Japanese management techniques in manufacturing industry. Part of the reason is because there has not been any research carried out in this area, and partly out of curiosity, especially after reading the following statements by the Prime Minister, Mahathir.

“The West have failed in the matter of economic competition. If we desire success, therefore, we must look East (to Japan) where the people are hard-working, to rid ourselves of the Western values that we have absorbed, to emulate the diligence in work, management techniques and other aspects found in the East (Japan).” (Mahathir as cited in Teik, 1995: 67).

“We have all the basic ingredients that will make it possible for Malaysia to become an important industrialised country in Asia after Japan but ‘something more’ is needed which is not found at home - the work ethic and management techniques which are the most important things that seem to have contributed to the rags to riches story of Japan.” (Mahathir as cited in Teik, 1995: 69).

It was in searching for a foreign model which could offer that “something more” that Mahathir launched the Look East Policy - calling Malaysians, particularly in the manufacturing sector, to commit themselves to implementing and practising the Japanese management techniques and work ethic. Mahathir strongly believed that the Look East

Policy would have a strong impact and be effective because in his words, “Malaysia and Japan share a common economic destiny and there is sufficient commonality in terms of political philosophy” (Mahathir as cited in Teik, 1995: 68).

As mentioned earlier, because of curiosity and because there has not been any research carried out in this area, the author chose the above-mentioned topic as the subject of his study.

### **1.3 Research Objectives**

There are two main objectives of this research. First, or the specific objective, is to evaluate the success of the Look East Policy in transferring Japanese management techniques to manufacturing firms in Malaysia. In order to take that objective forward, we are going to look at the extent to which Japanese management techniques have been transferred; why they have or have not been transferred; and identify the nature of the problems that have been faced in implementing them.

Second, and more generally, this research will contribute to debate in existing literature about the transferability of management techniques and factors that facilitate or inhibit such transfer.

### **1.4 The Importance of the Study**

Based on the review of government publications, we know that the government, via its Look East Policy, was particularly keen to develop Japanese management techniques in the manufacturing industry. But the lack of research evaluating the success of the Look

East Policy in transferring Japanese management techniques to the manufacturing industry makes this study significant.

This study is also important because it will shed some light on a number of fundamental issues, such as the feasibility of transferring wholesale Japanese management techniques to manufacturing firms, given the strength of the state in Malaysia, and what lesson(s) the government could learn from the outcomes of this study.

### **1.5 The Limitations of the Study**

This study has a number of limitations. One of them is that it is confined mainly to the elements of the “classic” Japanese management techniques. Some topics like Japanese trade policies, sub-contracting system and lean production system will not be discussed because they are not considered central to the theme of this thesis. The discussion has instead concentrated on Japanese human resource management and production management techniques.

The fact that this study is confined to the manufacturing firms also constitutes a limitation. However, there are two main reasons for doing this. First, since the elements of the “classic” Japanese management techniques have been successfully practised in the private sector in Japan, it would be appropriate to study the feasibility of implementing and/or transferring the same techniques to the manufacturing firms operating in Malaysia. Second, the Malaysian government, through its Look East Policy, has been striving to promote Japanese management systems among the manufacturing sector.

Another limitation of this study is that it is rather difficult to discuss the Look East Policy in detail, especially when such details are shrouded in secrecy and have never been fully revealed to the public. Besides that, relatively limited research has been carried out on the Look East Policy. As a result of these limitations, most of the discussions on the Look East Policy rely heavily on newspaper articles and books written in the 1980s.

## **1.6 The Structure and Contents of the Thesis**

The thesis comprises ten chapters. Chapters one to six form the theoretical framework of the study, while Chapters seven to ten consist of research methodology, presentation of the survey findings, analysis of the survey findings and conclusion.

In a more detailed breakdown, Chapter one elucidates the reasons for choosing the research topic and research objectives. It then discusses the importance and limitations of the study before it presenting the structure and contents of the thesis.

Chapter two provides a literature review on the “classic” Japanese model of management or Japanese management techniques. It covers topics such as Japanese economic success, lifetime employment, seniority-based wage and promotion systems, hiring practices, training practices, enterprise unionism, the consensus decision-making/*ringgi* system, the just-in-time production system, total quality control, the quality control circle, and the suggestion system. In this chapter, the strengths and weaknesses of the “classic” elements of the Japanese management techniques are also analysed.

Chapter three discusses two major themes. They are: internationalisation of business and culture, and cross-cultural management. This chapter also examines some previous studies on the transferability of the Japanese model of management to countries, such as the UK, the USA, Singapore, Hong Kong, South Korea and Taiwan.

Chapter four moves on to examine the role of the state in the economy. Two important roles of the state are discussed. They are: as a driving force to economic development, and as a driver to change people's attitudes. In discussing the role of state in changing people's attitudes, Singapore, South Korea and China are taken as examples as they have launched powerful policies in this direction.

Chapter five presents the Look East Policy, and starts with a brief introduction of the history of pre and post-war relations between Malaysia and Japan. Then it goes on to discuss the reasons why the Malaysian government launched the Look East Policy in 1982. Shortly after that, it demonstrates how Japanese management techniques and work ethic have been promoted in Malaysia. Next, it looks at some of the more significant managerial and economic ramifications of the increased Japanese presence in Malaysia since the advent of the Look East Policy. Finally, it presents the problems associated with the Look East Policy before ending with the general hypothesis of this study.

Chapter six gives a review of the multi-racial and multi-cultural society in Malaysia. It also highlights the importance of the manufacturing sector in the Malaysian economy.

Chapter seven presents the research methodology and the rationale for applying it to this study. It also discusses the research sample, sample size, sampling techniques, development of a mail survey questionnaire and personal interview, administration of a mail survey questionnaire and an interview checklist, how the actual survey was conducted, methods of data analysis and the limitations of the research survey.

Chapters eight and nine deal with the actual research survey. In Chapter eight, the survey findings are presented using a simple table format. Chapter nine analyses and interprets the survey findings.

Chapter ten recaps what has been discussed so far. To do that, it briefly presents strands from earlier research, followed by a summary of the research findings. Then it discusses the research implications and highlights the contribution of this thesis. Finally, suggestions for future research are made and the conclusion is presented.

## **CHAPTER TWO**

### **REVIEW OF LITERATURE ON THE JAPANESE MODEL OF MANAGEMENT**

#### **2.1 Introduction**

Learning from Japan has been an important issue since the second oil crisis of 1978 to the start of “Heisei recession”. Foreigners flocked to Tokyo, hundreds of books were written, and a consulting industry segment was created. Many scholars and researchers attribute Japanese success to the way they manage their enterprises (Vogel, 1979; Ouchi, 1981; Pascale and Athos, 1981). Thus, the implementation and adaptation of the Japanese model of management (JMM) overseas became the subject of several studies (see Section 2.2 for various terminologies) (Dunphy, 1985; Imaoka, 1985, 1989; Lillrank, 1995). These focused on various cross-cultural aspects of Japanese management (Imaoka, 1985, 1989; Levine and Ohtsu, 1991; Jain, 1990), as well as on management practices in Japan compared to indigenous firms in the host countries (Choy and Jain, 1987; Putti and Chong, 1985; Thong and Jain, 1988; Rodgers and Wong, 1996).

One of the reasons why the Japanese model of management became a subject of study was partly because the Japanese had demonstrated an ability to take a market share, established technology leadership and amassed trade surpluses. In addition, they provided tools, management models and case material, which stimulated imitation as well as new thinking and experimentation. Japanese manufacturers had also demonstrated that they could produce high quality products cheaply as well as proven that it was possible to break many established principles, like the inevitability of defects.



The Japanese stress that it is important to have quality products and at the same time to have an effective organisation by incorporating well-balanced management practices. However, they have not been very articulate about the reasons for their success. This could be attributed to the fact that there are no formal master plans up-front regarding their management strategy. Moreover, the complexities involved in building an efficient organisation are larger by several magnitudes than those involved in devising a clever portfolio strategy.

This chapter starts by presenting various terminologies that have been used by different scholars to describe the management practices used by Japanese firms in Japan. Following this, it presents an overview of Japanese economic success. Next, it discusses the unique features of the Japanese model of management and it also presents some of the major forces that compelled the Japanese to make some changes in their management system. Finally, it discusses some of the “classic” Japanese management techniques that have been widely debated.

The “classic” Japanese management techniques that are discussed in this chapter are divided into two categories: (i) human resource management techniques; and (ii) production management techniques. Included under the former are lifetime employment, seniority-based wage and promotion systems and enterprise unionism (usually known as “three divine treasures”); hiring practices; training practices; and a consensus decision-making/*ringgi* system. Under the latter category are just-in-time (JIT); total quality control (TQC); the quality control circle (QCC); and the suggestion system.

There are two main reasons for choosing these “classic” techniques. Firstly, in February 1982, the Malaysian government officially announced a policy to “learn from Japan”. This policy was called the “Look East Policy” and it was specifically intended to adopt the elements of the “classic” Japanese model of management or Japanese management techniques. Secondly, the unprecedented growth experienced by the Malaysian manufacturing sector since late 1970s resulted in a number of problems, such as low labour productivity and efficiency, labour shortage, job hopping and other managerial problems. Because of the fact that the “classic” Japanese model of management proved to be very successful and effective among many large Japanese companies in Japan, as a result of its popularity, particularly among developed countries, the Malaysian government strongly believed that by adopting the elements of the “classic” Japanese management techniques and emulating their work ethic, it could solve the problems faced by management in Malaysia.

## **2.2 Definition**

Various terminologies such as the Japanese model of management; Japanese management techniques; Japanese management practices; Japanese-style management; and the Japanese management system have been used by different scholars to describe the management practices used by Japanese firms, especially in Japan. Some scholars tend to use these terms indiscriminately as well as interchangeably.

Despite the fact that there is confusion about the way in which scholars use these terms, they do have distinguishing characteristics. Firstly, we might argue that the Japanese management could be about the system, which refers to the ecological, cultural and

institutional environments in which Japanese organisations operate (see Yasin, 1990). Secondly, we might assert that the Japanese model of management could basically refer to a particular approach to management or the specific strategic and administrative processes that Japanese organisations in Japan have adopted in the course of their activities. Thirdly, we might also argue that Japanese management techniques could refer to individual elements or techniques or practices which are taking forward the Japanese model of management. Thus, looking at the three terms as explained above, they are indeed quite distinct from one another.

In this study, what we are looking at are the elements of the Japanese management techniques which are based on the overall philosophy of management, that is, the Japanese model of management. The JMM, on the other hand, is part of the system that has included both internal and external management itself. What the Malaysian government wanted to promote in Malaysia via its Look East Policy are these elements, which, as already mentioned, are based on the overall philosophy of management – the Japanese model of management. Therefore, we will briefly examine the JMM and its particular elements or techniques that the Malaysian government has an interest in.

It is important to note that most of the sources of references are obtained from scholars of Japanese management whose articles or writings date back from the mid 1970s to 1980s, although we have also referred to some articles available after this period. Thus, the Japanese model of management referred to in this study will be that of the early period, commonly known as the “classic” Japanese model of management.

### **2.3 Japanese Economic Success - An Overview**

Japanese economic success rests upon its strength in manufacturing, mainly because the country's agriculture, distribution, services and utilities are not internationally competitive. Moreover, they are sheltered by law, custom and agreement, and in fact, are relatively inefficient (Abe and Fitzgerald, 1995). However, there is a further aspect to the debated legacy of the pre-war Japanese economy, i.e. to what extent was management and organisation developed in the pre-war period, only to be extended in the post-war years? In seeking to outline and explain the transformation of Japanese manufacturing, its structure, management, and the specific historical circumstances that moulded them require description.

Japan's rapid economic growth after 1945 was undoubtedly assisted by the economic base that it had established before the Second World War. However, the core question is: what is the extent of the contribution of this economic base to Japan's rapid economic growth. Various debates exist over the timing of "modern economic growth" in Japan. Some scholars argue that the importance of long-term development, trade and "proto-industrialisation" under the Tokugawa shogunate meant that the country was commercialised before it was industrialised (see Abe and Fitzgerald, 1995). According to Abe and Fitzgerald, after the Meiji Restoration, Japan was assisted by the commitment of successive political factions to economic growth, and by the increasing centralisation of executive power. They also mention that there was a strong motivation for rapid growth because of the fear of colonisation and nationalism. As a result, industry became the fastest growing sector of the economy between 1887-1939, expanding at an average of over 6 percent per annum. At that time, cotton textiles emerged as the country's leading

manufacturing sector, although heavy industry had established its presence by the 1890s (Abe and Fitzgerald, 1995).

The silk industry continued to dominate the manufacturing sector. By the 1920s, it had become internationally competitive through the use of modern technology, vertical integration, and investment in human resources, and its managerial hierarchies were staffed by indigenous personnel (Yonekawa, 1984). Although cotton and silk were the twin pillars of the Japanese inter-war economy, there were large and managerially complex concerns in heavy industry, chemicals, materials, and mining, many of which were members of the *zaibatsu* conglomerates. According to Abe and Fitzgerald (1995), by 1940, economic growth and military requirements had established a heavy industry sector that accounted for 59 percent of all manufacturing output; while food products and textiles were responsible for 12 and 17 percent respectively.

The question here is what are the factors that have contributed to the rapid economic growth of Japan? Abe and Fitzgerald (1995) argue that its strategic outlook was one of the factors which led to the creation of organisational capabilities that placed an emphasis upon co-operative alliances and competitive rivalry, on long-term investment and rapid growth, and on organisational adaptation and human capital, in addition to focused production, productivity, and the techniques of operations management.

Abe and Fitzgerald further argue that with relatively few natural factor endowments in raw materials, energy supplies, or land, Japan's success rested on the creation and maintenance of competitive advantages in technology as well as management. Although there is no

simple explanation which might account for the rise of Japan, one certainty is that the achievements of its economy do rest upon the competitive strengths of its manufacturing companies; strengths which are internal and, in the institutional relationships formed with banks, affiliated firms and governments, are often external (McMillan, 1996).

It is also important to point out that to operate effectively, many key Japanese companies before the Second World War, notably those in steel, engineering, and shipbuilding, were obliged to internalise activities within enterprises or conglomerates. These concerns became sizeable compared to many British and European counterparts. However, unlike the British or American firms, the Japanese ones could not draw on a ready pool of well-trained, adaptable labour nor could they rely on market mechanisms for purchasing and marketing. Capital was scarce and hard to obtain and production systems were often rudimentary (Suzuki, 1986). As a result, they had to depend heavily upon foreign technology, knowledge and expertise in order to be effective (Suzuki, 1986).

Realising these weaknesses, Japanese attention was initially paid to the management of human resources as well as to the flow of raw materials and finished goods that shaped the objectives and structure of their companies. Western corporate structures, managerial procedures, and product and production technology had to be adapted to the different circumstances and requirements, and essentially had to give priority to the development of human skills and resources (Suzuki, 1986). Above all, success depended on the creation of organisational capabilities in the hiring, training and utilisation of managers and workers. The Japanese firms made sure that there was a simplification of tasks, a clear hierarchy, and an inculcated sense of purpose and co-operation among workers and management

(Suzuki, 1986). Consequently, this view of companies as a collection of people is seen by many commentators as the defining elements of Japanese management which has its roots in the period before the Second World War, but subsequently went through many stages of development and adaptation (see Whitehill, 1991: 3-33).

The self-reliance of Japanese companies, their sense of internal loyalty and their vigorous competitiveness were always combined with the establishment of networked alliances that encompassed suppliers, buyers, fellow manufacturers, and banks. Within many companies and state agencies, crucial decisions in government-business relations, strategy, vertical and horizontal integration, managerial organisation, bank-industry linkages, labour relations, and production systems had to be made (Suzuki, 1986). According to Suzuki (1986), it is the sum of these changes in internal organisation and external connections that have been endowed the title of “Japanese model of management”, and they have, in many instances, been given a mistakenly long pedigree, often stemming back to the nineteenth century.

However, we must be wary, too, of generalising the Japanese experience, especially when the organisational objectives of industries and companies have undergone constant change. For example, despite nominal membership, the majority of large enterprises are not to any substantial degree members of the *kigyo shudan*, which was formed during the 1950s; while many firms do have close links with banks and do carry high debt-equity ratios. Two examples are Toyota, which has a proud history of independence and self-financing and Sony. While Matsushita has tended to import technology, its rival Sony has always invested heavily in innovation. Although the Japanese have been characterised as

technological imitators as opposed to innovative adapters, a study by Abe and Fitzgerald (1995) reveals that the Japanese have responded to industrial maturity by currently spending more on research and development than their competitors.

It is also important to note that it is their factory-level organisation that has been the driving force behind Japanese competitiveness. For example, the well-known cases of the vehicle manufacturers Toyota and Nissan indicate how technology acquisition, scarce resources and the nature of indigenous market demand stimulated “lean production” methods and quality control programmes (Womack *et al.*, 1990). Womack *et al.* also point out that during the 1950s and 1960s, Japanese companies developed methods and systems which proved more efficient and productive than the mass manufacturing approaches of world leaders in the USA and Europe. They also mention that a system originally conceived as a means of minimising inventory and land usage soon offered the economy and quality advantages of flexible manufacturing. According to Womack *et al.* (1990), this system eventually became popular and many countries have tried to copy it but with little success.

The following discussion is intended to provide some insight into the unique features of Japanese model of management and the issues surrounding it as a result of economic changes in Japan.

#### **2.4 The Unique Features of Japanese Model of Management**

Since the 1960s, Japan has emerged as the economic powerhouse of Asia, the industrial leader of the electronics revolution and the world’s largest creditor nation (McMillan,



1996: 25). Since then, much has been said about the outstanding success of the “classic” Japanese model of management. However, it must be emphasised that the “classic” model is only commonly practised in large Japanese companies, as small and medium ones cannot afford it.

Why is the “classic” Japanese model said to be unique? Its features, such as lifetime employment, decision-making by consensus, seniority-based promotion system, seniority-based wage system, paternalism and in-house unionism, and their emergence, have been the focus of a number of studies by researchers such as Abegglen (1958), Whitehill (1964), Whitehill and Takezawa (1968; 1981), Sirota and Greenwood (1971), Pascale (1978b), Ouchi and Jaeger (1978), Ouchi (1981), Sethi (1975), Sethi *et al.* (1984) and Alston (1986). These studies suggest that the JMM is distinctive in that it is tied up in Japanese society, and its unique characteristics are not only the main reasons behind Japan’s success but also enable the Japanese to remain competitive.

Other researchers, for example, Keys *et al.* (1994) claim that the “classic” Japanese model of management was strongly influenced by culture, industrial organisation (primarily the keiretsu), and government (the Ministry of International Trade and Industry (MITI)). Authors such as Ezra Vogel (*Japan as No. 1*) and William Ouchi (*Theory Z*) further reinforce the belief that Japanese companies enjoy a culturally unique system. The stereotype view starts by emphasising the common social values of Japanese society, which is said to be so homogenous that its people share the same culture, ideologies, tastes, historical traditions, and even behavioural patterns, leading to harmony, groupism,

and consensus. These Japanese social characteristics in turn are used to explain the unique nature of Japanese industrial relations.<sup>1</sup>

When the JMM was first introduced to the United States and Europe in the early 1980s, it attracted a great deal of attention (Chen, 1995). According to Chen, techniques such as QCCs were widely introduced in American and European companies during the “learn from Japan” boom in the early 1980s. However, after a few hectic years, the boom busted and critics disparaged the Japanese model of management as being unsustainable, particularly in the West. Thus, many of its techniques such as QCCs and TQC disappeared from management vocabulary (Chen, 1995).

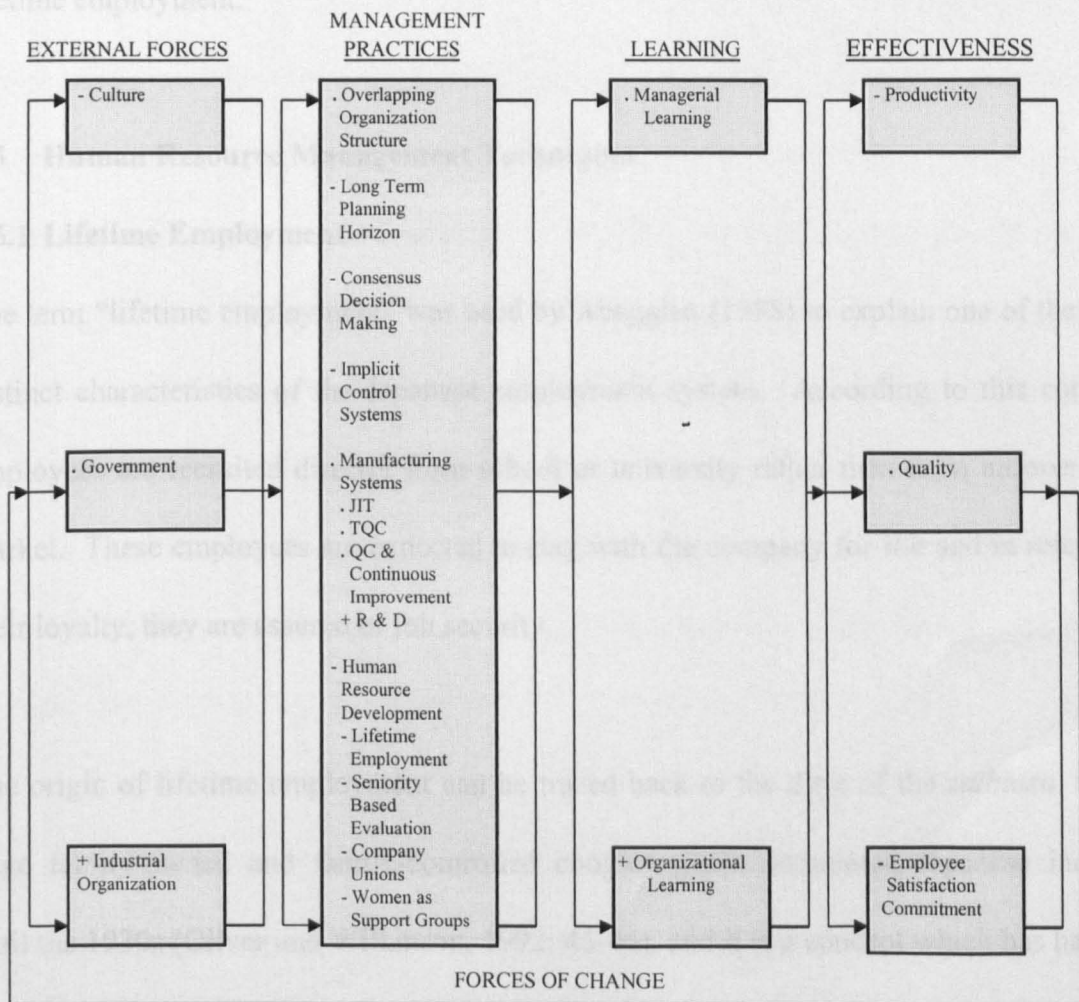
Even in its native Japan, the “classic” JMM has begun to lose ground. According to Keys *et al.* (1994), one of the reasons, as mentioned earlier, is because of the internal as well as external forces that compelled the Japanese to modify their management system (see Exhibit 2.1). Keys *et al.* (1994) point out that this transformation has been driven by four major forces: (i) over the past decade the number of Japanese companies with Western operations and joint ventures has increased rapidly, challenging Japanese managers in their attempts to implement traditional techniques in new cultures and within different legal systems; (ii) attitudinal change is taking place among the younger Japanese who are rethinking their priorities and goals in life. Young professionals and managers, especially women, seem to be showing a preference for a more Western style of management. This shift is also influenced by the domestic price structure in Japan, which allows a nation with the largest gross per capita national product in the world to force its citizens to live far

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<sup>1</sup> Haruo Shimada, Economics Professor at Keio University in Japan, writing in *The Management Challenge: Japanese Views*, edited by Lester C. Thurow (MIT Press, Cambridge, Mass.)

below the standards of the rest of the industrial world; (iii) demographic, structural and economic changes are occurring in Japan, including a rapidly ageing work force and a rising hourly wage which are now beyond parity with the Western industrial world; and (iv) the passion of the Japanese for learning, both personal and organisational, has highlighted for its managers many of the weaknesses of the present Japanese system, and is stimulating change.

Exhibit 2.1  
 Paths through the Japanese Management Theory Jungle



Notes: + Increasing in strength or accelerating growth trend  
 - Decreasing in strength or declining growth trend  
 . No change trend discovered

Source: Keys *et al.*, 1994.

As already mentioned, the elements of the “classic” Japanese model of management discussed in this study are divided into two categories. The first comprises human resource management techniques, which include lifetime employment, seniority-based wages and promotion systems, hiring and training practices and enterprise unionism. The other technique that is usually added to this category is consensus decision-making. The second category encompasses production management techniques which include total quality control (TQC), kanban/just-in-time (JIT), and continuous improvement through the use of suggestion systems and quality control circles (QCCs). The discussion begins with lifetime employment.

## **2.5 Human Resource Management Techniques**

### **2.5.1 Lifetime Employment**

The term “lifetime employment” was used by Abegglen (1958) to explain one of the most distinct characteristics of the Japanese employment system. According to this concept, employees are recruited directly from school or university rather than from an open job-market. These employees are expected to stay with the company for life and in return for their loyalty, they are assured of job security.

The origin of lifetime employment can be traced back to the days of the *zaibatsu*, where huge family-owned and family-controlled conglomerates dominated Japanese industry until the 1930s (Oliver and Wilkinson, 1992: 43-44), and it is a concept which has had far-reaching consequences for Japanese management. A number of studies have noted that lifetime employment is not a legal contract but more of a moral or psychological one between the core employee and the employer, entered into at the time of recruitment (Cole,

1981; Dore, 1973). Hence, when recruiting a new employee, a company has to be extremely cautious because a mistake in recruitment can be expensive, and difficult to correct. In addition, Chen (1995: 188) points out the complications of the recruitment process. He describes how a company has to investigate or verify detailed information, ranging from the academic qualifications of the candidate to his or her family background and individual history. This is followed by in-depth personal interviews, as described in Section 2.5.4. On the other hand, the potential employee also has to carry out comprehensive research into the company that he or she wants to join (Chen, 1995).

Based on the principles of “exchanging commitment”, under lifetime employment the candidate promises to be loyal to the company and at the same time takes a significant risk in committing his/her future to a particular firm (Chen, 1995: 188). On the other hand, by recruiting someone, the company assumes the obligation of family care for the employee’s entire career, which means that the company must be prepared to make sacrifices. Since the lifetime employment system guarantees that an employee will be kept at the company in some capacity, the company does not dismiss anyone, even if he or she becomes redundant or if the company is experiencing a business downturn (Fukuda, 1988: 72; Harumi, 1993).

Why does lifetime employment exist in Japan? There are a number of different views regarding this question. For example, Abegglen (1958) perceives the practice as growing out of traditional social relations. However, a number of other researchers have criticised Abegglen’s assumption as incorrect, and claim that lifetime employment was

institutionalised only during and after World War I as a result of the employers' desire to reduce high labour turnover (Okochi, 1965; Tiara, 1962).

Despite these different views regarding lifetime employment, it does in fact have some advantages. For example, some authors claim that the lifetime employment system not only enhances the relationship between management and employees, but also ties employees to the company for which they work (Oliver and Wilkinson, 1992; Fukuda, 1988). Other authors, for instance, Tung (1982), claim that lifetime employment has contributed to low job mobility among employees. Maher (1985a: 24) mentions that the most important social aspects of lifetime employment are demonstrated by the fact that the practice is frequently cited as an example of the respect and consideration the Japanese have for each other.

Similarly, Chen (1995) argues that another important aspect of the lifetime employment system is that when it is combined with enterprise unionism and seniority wages, it results in less mobility among Japanese employees but a relatively higher labour commitment to their companies. A study by Matsumoto (1991: 12-26) reveals that the major advantage of the system is a shift of the burden of corporate risk to the side of labour by restricting the ability of workers to move from one company to another. Matsumoto also maintains that perhaps the most profound merit of the system is that it helps to stabilise the Japanese economy in times of recession. He believes that individual employers may regard the no-firing rule as undesirable but from the nation's point of view, the rule pays off in reducing the downswing in the business cycle.

However, despite its advantages, the lifetime employment system has also been severely criticised. Major criticisms include the fact that it covers only about 35 to 40 per cent of the total workforce in Japan (Muzaffar, 1983; Modic, 1987; Jain, 1990), and about 40 to 60 per cent of these employees are employed by large corporations (Sethi *et al.*, 1984). Those employed in small and medium enterprises are never granted this benefit (Modic, 1987). Meanwhile, those employees who enjoy lifetime employment are usually the core employees, comprising an elite group that has been specially selected (Muzaffar, 1983). Maher (1985a: 23) claims that this elite group is given substantial additional benefits, such as a better basic salary, more bonuses, subsidised housing, etc. and he believes that this is one of the reasons why they stay with the company until retirement. Another reason is that since they receive so many privileges, they are under their company's control and therefore cannot easily leave it (Maher, 1985a: 23).

Another criticism directed at the lifetime employment system is that it does not include peripheral, temporary, part-time or seasonal workers; day labourers, sub-contracted workers or women (Oliver and Wilkinson, 1992: 44). Oliver and Wilkinson further argue that lifetime employment is only made possible because (i) eligibility for welfare pensions did not begin until the age of 60 and this has been raised to 67 (Japan Times, 25<sup>th</sup> May 1997); (ii) pensions tend to be meagre; (iii) about 80 percent of Japanese men aged 60 and above are still in the labour force; (iv) women are virtually excluded from the system; and (v) Japanese companies are surrounded by temporary workers.

It is said that even the Japanese, for example, Akio Morita, Sony's Chairman, are consistently criticising the lifetime employment system (Hazama, 1993; Chen, 1995). Mr.

Joji Arai, The International Director of the Japan Productivity Centre (as cited in Modic, 1987), claims that “the practice of keeping the ageing workforce and paying higher wages for deteriorating physical performance, as opposed to putting more reliance on the younger generation, which has more sophisticated knowledge and better physical capabilities, is becoming a heavy financial burden on companies.” Managers in Japanese corporations, according to Brown (1987: 23), have also expressed unhappiness with the system’s inability to terminate employees whose performance is below the company’s acceptable standard. Brown further explains that since a company is unable to terminate “unsatisfactory” employees, this has resulted in “unemployment within the company”.

Authors such as Soong (1983) and Fukuda (1988) also point at the drawbacks of the lifetime employment system. Soong (1983), for example, argues that the system is nothing more than a managerial strategy adopted by Japanese companies to buy loyalty. He also claims that the impression that Japanese workers are happy under the system is far from the truth. Fukuda (1988: 96), on the other hand, maintains that employees stay in the company not because of cultural values, as most scholars have suggested, but because of economic incentives, such as job and income security. Chen (1995) shares this view. He states that “owing to cultural and historical factors, most Japanese prefer security over risk” (p. 190).

A number of other researchers also criticise the complexity and inefficiency of lifetime employment. For example, Keys *et al.* (1994) point out that lifetime employment is, in fact, more complex and produces negative job satisfaction effects among younger employees. Similarly, Tung (1984) claims that young, talented employees who want faster



promotion and salary rises become frustrated because they have no choice but to acquiesce to the system. A study by Cole (1981) found that Japanese workers were discontented with the system because they viewed it a form of imprisonment. Modic (1987) maintains that as a result of being frustrated and worried about the prospect of promotion in the lifetime employment system, only 22.6 percent of university graduates who joined their first company did it with the intention of staying permanently. However, after a few years with the company, out of the original 22.6 percent of the university graduates 11.3 percent said that they were willing to change companies to get a better opportunity. A study by Imaoka (1989) found that only 9.8 percent of male employees in the 50-54 age group who had been hired immediately after graduation from school continued with the same corporation, while the remaining 90.2 percent changed employers. Imaoka also mentions that the younger the employees' age group, the greater the proportion of job-changes. He adds that the trend shows an unlikelihood that Japanese employees will continue working for the same corporation until they retire.

In fact, Morishima's (1992) study has shown that as early as the late 1960s there has been a moderate increase in mid-career job changes in large Japanese corporations. His findings further reveal that the number of Japanese employees covered by lifetime employment actually declined from 33 percent to 23 percent between 1972 and 1989. His study suggests that towards the end of 1980s, the lifetime employment system became less popular, particularly among some large Japanese corporations.

Rohlen (1979) mentions that since the early 1970s, the lifetime employment system has been modified and many large Japanese firms have developed "voluntary retirement

programmes” for their older employees. A number of other studies (for instance, Mroczkowski and Hanaoka, 1989) indicate that in the 1980s, lifetime employment continued to lose its popularity. According to Mroczkowski and Hanaoka (1989), this was partly due to changes in the labour market, such as the increased number of women in the workforce, an ageing work force, the increasing cost of labour and the over-zealous recruiting of white collar employees in the boom of 1980s, as well as Western modes of thinking being adopted by young Japanese managers.

Salmon (1992) points out that the unprecedented increase in labour turnover among young workers further increases doubts surrounding the durability of lifetime employment practices. According to Salmon, between 15 and 20 percent of new recruits leave the company within twelve months, while only 28 percent of workers in their 20s expressed a hope that they would stay until retirement.

A more recent study by Debroux (1997) reveals that it is unlikely that the Japanese are willing to sacrifice themselves for the good of the company. Debroux (1997) argues that because access to middle management is more difficult, younger employees are not keen to stay long with one company. Moreover, according to Debroux, if there are positions in the company, older employees will usually occupy them. Consequently, younger employees now leave companies in larger numbers than before, thus the company cannot expect the same sacrifice from the younger generations. Acceptance of being dispatched alone used to be taken for granted and was assumed to possibly lead to reward later. However, now it is considered by young people to be an infringement on their rights to a decent private and family life (Debroux, 1997). The same author also points out that *karoshi*, or death from

overwork, is no longer taken as a fact of life and symbolic of a high organisational commitment, but it is something for which the family gathers evidence in order to sue a company for which a family member worked.

The prolonged economic slowdown in Japan further undermined the lifetime employment system. Since 1992 the economy has experienced a severe downturn with corporate profits falling ever since. The value of the yen has escalated sharply since 1985 and produced the greatest impact ever experienced by Japanese companies, particularly electronics firms. Such firms as Toshiba Corp., NEC Corp. and Mitsubishi Electric Corp. have been struck hard by slumping sales of memory chips, personal computers, home electronics and audio-visual equipment (Asahi Shimbun, 5<sup>th</sup> February 1988). Moreover, Japanese companies have not only suffered from huge losses due to the increase in operational costs but have also lost international competitiveness (Asahi Shimbun, 5<sup>th</sup> February 1988).

Amid the economic slowdown and the recent Asian financial crisis, more Japanese companies find that they have no choice but to cut operational costs by offering early retirement to older workers, as there are few promotion prospects for them. Some large Japanese corporations have already reduced this so-called “financial burden”. For example, Pioneer Electronic Corp. announced in early January 1993 that 35 managers in their 50s would have to take “early retirement” and those who failed to accept the offer by January 31 were to be summarily dismissed (Tokyo Business, August 1993). Other employers, such as Nissan Motor Co. Ltd, Nippon Telegraph and Telephone Corporation, and Toshiba Corporation, that once offered job security for life were also announcing employment cutbacks (Takeuchi, 1992; Harumi, 1993).

After years of believing that they faced a labour shortage, Japanese companies have belatedly woken up to the opposite reality; too many people are unemployed. For example, in 1997 about 2.3 million Japanese were made jobless when the unemployment rate in Japan reached a record high of 3.4 percent, the worst since 1953.<sup>2</sup> By July 1999 about 3.19 million Japanese were out of work as the unemployment rate in Japan reached yet another record high of 4.9 percent.<sup>3</sup>

The changes in the labour market indeed have had a great impact on the employment system in Japan. Critics claimed that this could then presage the complete and sudden collapse of Japan's lifetime employment system (Harumi, 1993; Takeuchi, 1992). Imaoka (1989) was right in saying: "it is impossible to generalise about the employment system in contemporary Japanese corporations as being one of lifetime employment." Perhaps this is because the lifetime employment system increasingly looks like a barrier that has to be removed if Japanese society is to gain a more diversified workforce. Nevertheless, some believe that Japanese companies are unable to abandon lifetime employment all at once as the system is culture-bound, but they are searching for ways to phase it out gradually (Harumi, 1993; Morishima, 1992).

### **2.5.2 The Seniority-Based Wage System**

Another element of the "classic" Japanese model of management is the seniority-based wage system, which is closely related to lifetime employment. The former system emerged at the same time as the latter, when the *oyakata* was incorporated into the

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<sup>2</sup> The Nikkei Weekly, 2<sup>nd</sup> February 1998: Unemployment Rate in Japan.

<sup>3</sup> Japan's Jobless rate stuck at record high 4.9% in July-The Star Online [WWW document]. URL <http://thestar.com.my/online/news..ss/08ma>

*zaibatsu* (Oliver and Wilkinson, 1992: 47). This practice is also culture-bound and presumes that employees will develop skills valuable to the company by remaining with the same firm for most of their lifetime (Beatty *et al.*, 1988).

In a seniority-based wage system, the salary of an individual employee is determined by the length of service and his or her age. This system is most common in large Japanese corporations, i.e., those with 1,000 or more employees (Morishima, 1992). Based on the data gathered from the Ministry of Labour in 1987, Morishima (1992) claims that 62.4 percent of 253 large Japanese firms in 1986 cited the seniority-based wage system as the most important determinant of pay. Small and medium firms, however, cannot afford this system because it is not piecemeal but part of other “pillars” such as lifetime employment, company welfarism and seniority-promotion system (Fukuda, 1988: 94).

There are several merits of this system. First, theoretically, it removes destructive competition between employees and promotes harmony for the benefit of the company. This is because young and inexperienced employees will not bypass more senior and experienced colleagues as they might in the West. Second, this system helps to develop skills amongst employees by virtue of their length of service, as well as promoting a sense of security and a reduction in turnover (Dickens and Savage, 1988). Finally, it reduces labour cost since turnover is very low (Keys *et al.*, 1994).

Despite its merits, drawbacks of the seniority-based wage system have also been pointed out by both Japanese and Western commentators. For example, Salmon (1992) criticises the system as a form of deferred wage payment in order to buy employees’ loyalty.

Similarly, Burawoy (1983) criticises the seniority-based wage system because to him it amounts to a form of despotism. Also, Chen (1995) mentions that Akio Morita, Sony's Chairman constantly disagrees with the seniority-based wage system. According to Long and Seo (1977: 85), even as early as the 1960s, Sony's and Hitachi's presidents were more interested in results than in ritual as they gradually shifted from pay based on seniority to a merit system. In 1987, Sony further revised its salary system. Under the new system, Sony employees' yearly incomes are divided into a basic salary and a performance bonus based on individual results (Focus Japan, 1996). Other Japanese companies, for example, Yamaichi Securities has introduced an annual salary system called "Special System for Specialist Employees" in April 1995. Under this system, increments are based on performance and specialised capabilities of each employee rather than on seniority (Focus Japan, 1996).

According to Fukuda (1988: 96), the seniority-based wage system is no longer attractive to young employees because they feel that the system actually demoralises young talent. Perhaps because of that, more Japanese firms have emphasised a move toward merit-based pay specifically for junior employees. In fact, according to Mroczkowski and Hanaoka (1989), between 1978 and 1987 the seniority portion of pay raises declined from an average of 57.9 percent to 46 percent in Japanese companies, while pay on the basis of performance increased from 42.1 percent to 54 percent.

A number of authors also claim that because of changes in Japan, particularly pertaining to the increases in labour cost and an ageing population, the seniority-based wage system is further losing its popularity (Mroczkowski and Hanaoka, 1989; Oliver and Wilkinson,

1992). According to these authors, the importance of merit as a determinant of pay has been increasing since the 1970s. A report published by the Japan Productivity Centre in 1993, further shows that about 15 percent of the 400 leading Japanese companies have already adopted the Western-style of salary negotiation, while another 14 percent plan to do so in the future. Another study conducted by the Institute of Labour Administration, as cited in Focus Japan (1996), reveals that about 60 percent of workers welcome the introduction of an annual salary system as a positive move. Findings from a more recent study by Debroux (1997) show that an increasing number of Japanese companies have turned away from strict seniority-based wage system and have adopted compensation practices based on individual merit. Among some of the Japanese companies that have instituted merit-based system are Honda Motor Co., Ltd., who adopted it in June 1992 for all its managerial employees from the rank of section chief up; and Fujitsu Ltd. for its managerial employees in April 1993 (Harumi, 1993). However, as far as wage determination is concerned, Brown and Reich (1997) have a slightly different view. Based on their recent study of three Japanese companies, they argue that all of them have actually used years of experience (*nenko*), job-grade and performance (*satei*) in determining wages for their employees.

From the foregoing review, it can be concluded that there is no doubt that a seniority-based wage system has its advantages. However, as economic growth rates in Japan slow down, findings of previous studies have also shown that a seniority-based wage system has its disadvantages too. In fact, many large Japanese firms are thinking of ending the seniority-based wage system and stepping up their introduction of an annual salary system, particularly in the area of sales, where results are immediately evident (Harumi, 1993).

### 2.5.3 The Seniority-Based Promotion System

Seniority-based promotion is also closely related to the lifetime employment system. In the former, employees are promoted based on a rigid seniority system (Long and Seo, 1977; Keys *et al.*, 1994). This system functions to cross-cut and hence dilute other hierarchical distinctions within the employment system, such as educational status, which form the justifications of the manager-worker hierarchy in Western enterprises, and hence validate their relative class positions, based on individual merit (Smith, 1983).

This system is also said to be based on the principles of conformity and harmony with others (*wa*), and is dominant until about age 35 (Suzuki, 1986). Beyond the age of 35, employees' evaluations are based largely on the principle of merit and performance (Suzuki, 1986). At junior levels, however, promotion is largely a matter of advancement by age (Smith, 1984: 122).

Promotion by seniority rather than competence is, to Western eyes, one of the strangest aspects of the Japanese employment system. But it has a number of advantages, such as it providing a powerful force for co-operation between employees and management. Although critics argue that competent young employees are blocked from realising their potential in such a system, the truth is generally the opposite, writes Fingleton in Fortune, 20<sup>th</sup> March 1995. Fingleton further mentions that because senior managers are fully protected against being leap-frogged in the promotion race, they are much more likely than senior managers in the West to mentor their staff.



Another advantage of this system is that it encourages employees to stay in one company for a long time (Chen, 1995). According to Chen, in this way the longer the employee stays with the company, the more experience and higher skill levels he has accumulated. In turn, the end results will benefit the company. Chen also points out that even though the system never guarantees everyone a title, many have a good chance to become the head of a section head or department. Another benefit of the system, according to Chen, is that fast-growing companies have the advantage over pay due to the lower average age of their workforce.

Clearly, corporate Japan is finding that although the seniority-promotion system has served well in the past, the rapidly changing and highly competitive business environment, coupled with emerging new values of the workforce, is forcing a change. Critics argue that the competitive advantages of the system have declined (Chen, 1995; Mroczkowski and Hanaoka, 1989). Morishima (1992) also points out that senior promotions in a number of Japanese firms are almost exclusively based on individual performance.

An EPA survey<sup>4</sup> covering large companies shows that the weight given on individual performance in the determination of promotion and status in the years 1996 to 1998 will rise from 55 percent to about 70 percent. The same survey reveals that there is an emerging consensus to reconsider automatic promotion, and yearly wage rises and allowances, and to link them more directly to individual performance. Similarly, according to Debroux (1997), in many firms, managerial promotion is linked to internal examinations based on strict merit criteria. Debroux explicates further that at Fujisawa

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<sup>4</sup> Economic Planning Agency, White Paper on the Economy, Tokyo, 1995.

Pharmaceuticals, a system of merit and demerit points can lead to differences from three to eight years in the hierarchy. Honda, for instance, has been by-passing the hierarchy to promote talented employees (Debroux, 1997).

Japanese companies have realised that the automatic pay increases with each additional year of service have indeed become increasingly burdensome as seniority grows. Hence, as the company cannot afford to pay higher salary to the “unproductive” senior managers, they are asked to take “voluntary” retirement (Focus Japan, 1993). It has been reported that *kata-tataki* or “tapping on the shoulder” is now a common practice in Japanese firms (Focus Japan, 1993). Even then, a number of companies are still under pressure as the younger generation is becoming increasingly impatient with the seniority-based promotion system that still exists (Chen, 1995).

The seniority-based promotion system has also been criticised for creating a promotion gridlock for middle management as well as the younger outstanding employees (Mroczkowsi and Hanaoka, 1989). It is reported that the system inevitably results in too many mid-level managers, many of whom have little real work to do, and just become “window gazers” (Tokyo Business, August 1993). However, as employees have devoted themselves to their companies, the companies have no choice but to reciprocate with promotion. As a result, a number of managers are then dumped into unnecessary or meaningless posts (Tokyo Business, August 1993).

Debroux (1997) mentions that most large companies still pursue a policy of giving a “dummy” title to the employees who have not made the grade. However, there is growing

opposition to such titles that do not lead to higher management. Thus, some companies are removing formal titles up to the level of middle management and replacing them by others not given on a permanent basis but according to ad hoc responsibility given for a specific project. According to Debroux, in these more quantitatively-oriented systems, connections and personality will be less important. As a result, a number of older employees, for instance, in Seiyu Department Stores, are having their pay reduced by more than one million yen after the introduction of the merit and performance scheme (Debroux, 1997).

It is reported that like the lifetime employment system, the future of the seniority-based promotion system is also uncertain and its attractiveness to employees is wearing thin as job-hopping and freelancing have become a fad among the younger generation (Focus Japan, 1993).

#### **2.5.4 Hiring Practices**

There are substantial differences as to how Japanese and Western employees enter a company. In large Japanese companies, recruitment is usually carried out once a year, when fresh high school, college and university graduates without any relevant work experience are hired. Rapid technological change induces employers to look for young, inexperienced workers who are more adaptable and can adopt new methods and techniques more easily than older workers. Synchronised action, mostly by the large companies, to recruit fresh graduates from high schools, junior colleges and universities attracts a lot of attention since this is taken once a year. Up-coming university graduates and companies begin courting each other with professors or teachers often acting as go-betweens at the start of each new school year, which begins in April.

After an employer-employee match occurs, which in many cases happens before the summer vacation begins, some companies immediately begin to exert claims on their incoming cohort by sponsoring group activities, like camping trips, and providing pre-employment training. During such training, the university students may visit the company, study its manuals, and participate in company-sponsored events. In some instances, a company will also send promising candidates its newsletter, which may provide customer performance and satisfaction data (Hannon and Sano, 1994). By 1<sup>st</sup> October, the official signing day, the university market has cleared for the most part, and the junior college and high school labour markets begin (Hannon and Sano, 1994).

Around the first of April in the following year, all of the firm's new employees usually begin their employment together, consummating the recruiting and entry process, which some liken to a pre-arranged marriage. Thereafter, in spite of the fact that some of the group members will be more successful than others; they remain together as a cohort for the remainder of their careers. According to Hannon and Sano (1994), in sectors like the retail industry where turnover is higher than average, some companies have to bring new cohorts into the firm more than once a year.

Before the actual selection process, the first official contact a company has with its potential recruits in any given year is through a mass mailing strategy. Usually, the centrepiece of the company campaigns are high quality, glossy booklets that are mailed to as many as 50,000 graduating university students each year (Hannon and Sano, 1994). These publications often focus on the company's explicit intentions and also feature testimonials from recent recruits. However, this method is now less used due to its high

cost, i.e. ranging from US\$5.00 per book (US\$250,000 per year) to as high as US\$20.00 per book (US\$1 million per year) (Hannon and Sano, 1994). As the cost of producing these books can be extremely high, companies like Dai Ichi Kanyo Bank have decided to issue them upon special request only (Hannon and Sano, 1994).

The actual selection process for the new cohort depends on the student's areas of specialisation. Students who major in the social sciences, law or the humanities are usually considered for administrative jobs, while students majoring in engineering and other technical disciplines will be considered for technical positions. Before a candidate is invited for interview and to sit for company exams, the basic criteria for hiring include employee potential, abilities and "balanced" personality (Wong, 1996). Usually the companies rely on testimonials from teachers and professors for these important aspects (Dahlem *et al.*, 1995). In addition, private investigators are hired to carry out thorough background checks on candidates, as well as interview the candidate's family members, neighbours and acquaintances (Hannon and Sano, 1994). Perhaps the main reason why there is so much care taken during selection is because it is a lifetime decision that the company has to make. Hence, it is only logical that if the company has a lifetime employment system then selection should be very critical (Dahlem *et al.*, 1995), and only those who meet the basic criteria will be invited for interview. Moreover, given the fact that the employment relationship in large Japanese companies often spans up to forty years, it is very important that the personal interview phase in the applicant evaluation process is lengthy and rigorous. For example, to join the Imperial Hotel, qualified candidates have to undergo four days of interviews with top executives, department heads, and various

members of the personnel department before they can be considered suitable for employment (Hannon and Sano, 1994).

Some companies, such as the Prince Hotel, are also said to rely on role-playing scenarios in the interview process (Hannon and Sano, 1994). According to the same authors, besides role-playing, candidates are invited to sit for the personality and achievement tests that allegedly predict a candidate's competency and performance in jobs that require special skills, like customer contact.

Once the candidates are shortlisted, the socialisation process begins. In some cases, companies require the new employees to complete company-developed correspondence courses. For example, Yamato Transport requires its new employees to complete five such courses. In addition, the new employees have to attend at least one seminar that spans four days and three nights before they can officially begin training (Hannon and Sano, 1994).

The work itself generally starts in April with a stay of three to four days at a camp where all new employees learn more about the company's culture and how they are expected to interact with colleagues, customers and suppliers. Thereafter, a three-month period begins in which the new employees practise basic work training. After the first three months, an employment test is given and those who pass it will become members of the company's trade union. After the employment test, another four months on-the-job training (OJT) remains before the new worker is given a regular assignment (Hannon and Sano, 1994).

The hiring techniques that are practised in large Japanese companies have a number of advantages. First, it is economical to conduct interviews and recruit many employees at one time, which, for obvious reasons, saves cost and time. Second, it is easier to train all new employees at the same time rather than having to train a handful of them who join at different times of the year. A once-a-year recruitment exercise makes it possible for the employer to choose the best possible candidates from the pool of applicants who must compete to join the company. Moreover, the hiring of newly graduates from schools and universities enables the company to develop their workers more easily because with no previous experience, these new recruits can be readily assimilated into the company's culture and environment. Finally, the special ties between the company and the university also have their own advantages. This is because the company not only saves time and money searching for candidates, but the recommendation from professors will ensure that they get a suitable employee with the right attitude and personality (Dahlem *et al.*, 1995). According to Dahlem *et al.*, most professors will recommend only the best candidates in order to protect the university's reputation as well as to safeguard the relationship between the university and the company. In this way, the company is not hesitant in providing the university with needed funds.

Despite its advantages, the system also has a number of drawbacks. For example, since large companies tend to head-hunt candidates from prestigious schools and universities, this system results in an unnecessary tendency for students to enrol at such elite institutions. Meanwhile, this has resulted in a number of other problems, such as students committing suicide because of entrance exam stress (Hannon and Sano, 1994).

Another disadvantage of the system is that a company cannot readily obtain the skilled and specialised workers that it needs. As training for new employees usually takes more than a year, training costs can be substantial (Wong, 1996). Sometimes a company has to accept the consequences of some new employees having to leave as is happening now in Japan.

As Japanese companies are facing a severe economic downturn, firms realise that no longer can they become a “community of fate”. Some argue that Japanese firms are now looking for specialised workforces rather than fresh graduates (Debroux, 1997). Others, like Sumitomo Electric, have cut graduate recruitment from 300 a year to about 200 (Turner, 1994).

Having said this, wholesale recruitment for new graduates should become a practice of the past, while educational credentials must give way to more open recruitment practices. Sony, for example, has introduced a new way of recruiting employees in which they stress the importance of a consumer-oriented mentality among individual candidates (Fortune, 9<sup>th</sup> March 1992). However, some argue that once a company breaks its hiring practices, it can end up being unable to recruit first class employees in years to come (Debroux, 1997).

### **2.5.5 Training Practices**

The practice of recruiting fresh, inexperienced graduates by large companies has to be accompanied by an increased emphasis on internalised training procedures. Large Japanese companies are known to pay a lot of attention to training, with the allocation of the necessary financial and human resources to perform this function effectively. It is



therefore logical to allege that the training function has to be operationalised as a follow-up to the practice of hiring new recruits who possess no previous work experience.

The most prominent types of training conducted include on-the-job training (OJT) and job rotation. Other types of training include advanced training abroad in institutes of higher learning and off-the-job training (OffJT). In most large Japanese companies, most training, whether technical or managerial, is on-the-job. OJT is carried out through systematic and planned instruction from supervisors. It consists of educational guidance provided at the workplace to enhance the workers' skills and the knowledge needed for their posts. As far as OJT in Japan is concerned, a newly-hired university graduate has to spend up to a year performing a job far below his or her level of education and social standing (Hannon and Sano, 1994).

For example, at Nippon Express it is said that new employees work for an average of two to three years in the field before obtaining their first managerial position (Hannon and Sano, 1994). Also, in Japan Railways new employees have to stand at a ticket wicket, punching commuter's rail tickets as part of their rite of passage. By doing so, the new employees are said to have paid their dues and at the same time to have gained a better understanding of Japan Railway's role in society and the customers they will serve for the next 35 years (Hannon and Sano, 1994).

A recent study conducted by Wong (1996) reveals that soon after induction, the new employees in large Japanese companies are assigned to different departments for on-the-job training for a total period of 11 months. During this time, they stay in the same

company dormitory and each trainee is assigned to a section head mentor to learn the store operating skills and knowledge, problem-solving techniques, proper behaviour and organisational culture (Wong, 1996).

According to Wong (1996), three months after the induction, a follow-up session is held to check whether the new employees have managed to gain a reasonable amount of knowledge. This follow-up session also allows them to review and evaluate their own performance, and to take the opportunity to set targets and plan their work and self-development. Later, the new employees are given a series of progressively more difficult and demanding tasks requiring a lot of overtime, and their performance will be continuously monitored and regularly evaluated. Wong (1996) also claims that they did not complain however, as they understood that their hard work would be rewarded by long-term career advancement up to managerial level.

Hence, in most large Japanese companies, a key element of on-the-job training (OJT) is job rotation, which is itself a key component in the Japanese system for human resource development. Typically, workers are moved from one department to another to gain new work experience and skills as well as to facilitate uniformity, communication, and personnel development among employees. Moreover, as multi-skilling is an important factor when pursuing a career in a Japanese company, workers must be familiar with as many tasks as possible in order to be able to replace absent employees or join the production line if volume has to be raised.

On-the-job training (OJT) and job rotation have a number of advantages. For example, these techniques or practices have resulted in a more flexible, multi-skilled workforce as workers are better able to handle tasks within the organisation. These training systems are also beneficial because they maximise the use of human resources and above all, alleviate burnout.

Another advantage of these training systems, particularly OJT, is that even though they require more resources for training, the payoff is that they increase the possibility of finding a suitable job for each employee. Some authors (for instance, Klein, 1992) claim that rather than lay off workers during slow times, Japanese companies put employees through additional training to enhance their skills.

Despite their merits, these training techniques also have some drawbacks. For example, they are said to have created a financial burden on companies as they have to invest a lot of money and resources in the training of the employees (Filipczak, 1992). This is illustrated by the Disney theme park in Japan, which, for the purpose of on-the-job training, dismantled a backup projector costing US\$1 million, into a zillion pieces. This was a rather expensive training aid even for a big company like Disney (Filipczak, 1992).

On the question of job rotation, Filipczak also claims that the system practises double standards. According to him, the Japanese companies operating in America are reluctant to include American managers in a job rotation system. He argues that those who are included in this system are only blue-collar workers. When the Japanese managers were asked about this, they argued that it was because blue-collar workers were less likely to job-hop

than managers and other professionals. The Japanese managers also said that they believed that blue-collar workers were more committed and loyal to the company compared to managers and other professionals. Because of that, they did not hesitate to invest in the former's training (Filipczak, 1992).

In Japan, however, there is a different scenario. Professor Haruo Shimada reports that white-collar workers who show management potential are given greater opportunity to experience regular and broad rotations. On the other hand, the scope for job rotation for manual workers is limited by technological factors and by the autonomy of the team of workers on the workshop floor in allocating work among themselves (Modic, 1987).

As recession has caught up with Japan, prompting Japanese companies to change their "classic" management techniques, some large Japanese companies are already changing the content of training for managers and supervisors as well as modifying the training methods. A study by Umeshima and Dalesio (1993), for instance, reveals that some large Japanese companies have already altered the training method from on-the-job training (OJT) to off-the-job training (OffJT) for their managers and supervisors. The reason is partly because cultural training is on the rise in most large Japanese companies, especially for managers who are sent abroad or who must work with other foreigners, for example, Korean, Chinese, Iranian, and other immigrants who have joined the Japanese workforce. As a result of a stronger emphasis on off-the-job training, there is no doubt that Japanese companies have to increase their annual expenditures for employee training. In fact, according to Umeshima and Dalesio, in 1980, Japanese companies spent an average of US\$200 per person per year for off-the-job training purposes. By 1990, the average spent

by medium companies for the same purpose was US\$400 per person per year, while large Japanese companies spent as much as US\$1,200 per person per year.

Thus, the foregoing review has illustrated that despite the economic downturn, some large Japanese companies are still emphasising both on-the-job as well as off-the-job training as a ritual for employee personal development.

### **2.5.6 Enterprise Trade Unions**

Since the early 1970s, certain elements of the Japanese model of management, such as lifetime employment, the seniority-based wage system, and enterprise unionism were credited for having made a major contribution to Japan's post-war economic growth (Kawanishi, 1992: 1). An evaluation of industrial relations in Japan highlights several common features of how Japan's labour unions are organised. According to Kawanishi, the Japanese labour union is an enterprise union, and has facilitated the implementation of company policies designed to promote a firm's expansion and the growth of the national economy. In addition, this form of union is seen as having contributed significantly to the improvement of the working conditions and the standard of living of the ordinary employee (Kawanishi, 1992: 1).

An enterprise union, according to Kawanishi, is a union of all employees within a particular firm, who become members of the union regardless of their status. In defining the membership of an enterprise union, Brown and Reich (1997) mention that "all newly hired regular workers, both high school and university graduates, belong to the union until they reach managerial ranks which is usually ten years for university graduates and twenty-

two years for high school graduates.” Chen (1995: 192) points out that part-timers, temporary and subcontract workers are typically excluded from the unions. Since enterprise unions are the property of all enterprise participants, union members have the opportunity to participate in union governance, while management maintains its influence by sponsoring union activities and inculcating attitudes that support the firm’s goals (Benson, 1996).

There are two general categories of theory that help to explain the emergence of the enterprise union in Japan. The first is called the “cultural approach” and its strongest advocate is Hazama (1964). According to Kawanishi (1992: 129), although Hazama “did not write about the formation of enterprise unions *per se*, nevertheless, it is easy to see from his research how Japan’s paternalistic style of management could facilitate the emergence of a strong sense of identity with their firm on the part of Japan’s employees.” The same author argues that “Once the existence of such a consciousness is established, it might be argued there would be a logical basis for concluding that a class-based unionism cutting across the firm would have a difficult time developing....under such circumstance activists in the labour movement would have to settle for a form of company unionism which rested primarily on the maintenance of interpersonal relationships within the paternalistic framework of the firm” (p. 129).

The second category is called the “labour-market approach”. The advocates of this approach are divided into two subgroups: one subgroup follows the lines of Okochi (1972) while the other includes Shirai (1980), Tiara (1977) and Koike (1977). Under the former, Okochi’s argument was based on the fact that Japan’s enterprise union was formed because

of the peculiarities of the Japanese labour market, which emerged during the Meiji period. Central to this approach was Okochi's theory of the migrant wage labourer and the vertically-structured labour market, which resulted from that type of labour (see Kawanishi, 1992).

In the latter subgroup, advocates such as Shirai (1980), Tiara (1977) and Koike (1977) point to more universal phenomena in explaining the emergence of the enterprise union. They argue that the maturation of capitalism is accompanied by the growing importance of labour markets in Japan. The internationalisation of labour markets brings with it career employment and seniority-based wage systems. The result, they argue, is a form of enterprise-oriented unionism in which all employees have a mutually interdependent stake in the organisation by which they are employed.

Despite the valuable insights offered by these two approaches, they are criticised by Kawanishi (1992) who claims that neither explains directly how or why the enterprise union was established at a given firm. Kawanishi explicates further that the two groups of writers did provide explanations for the existence of the enterprise union, but what they did not specify was the mechanism or actual procedures by which the enterprise was established. He further argues that these writers tend to provide explanations that are historical and devoid of human actors. According to the same author, there is a need to go beyond the basic precondition described by these writers because the enterprise union which developed in Japan is the product of two conflicting forces and the outcome of decisions made by major actors, namely, the human individuals who have shaped the conflict. On the one hand, there is management whose interests are not served by the

development of horizontal unionism which supersedes each enterprise's organisation. On the other, there are the unionists, who see their interests being promoted by such unionism. Hence, since both the management and the employees would like to protect their interests, a consensus was made to develop enterprise union (Kawanishi, 1992: 131).

From a Western point of view, Japanese unions are characterised by enterprise unionism as opposed to craft or industry-wide unions (Oliver and Wilkinson, 1992: 53). As shown in Table 2.1 the majority of union members in Japan belong to enterprise unions.

Table 2.1

Union Membership by Industry and Union Type (% , 1994)

Sector	Total	Enterprise Unions	Occupational unions	Industrial unions	Other
Agriculture	100	82.7	15.5	0.1	1.3
Forestry	100	75.4	12.9	10.5	1.2
Fishing	100	32.2	67.3	0.5	-
Mining	100	97.1	0.5	2.1	0.5
Construction	100	29.9	32.8	23.0	14.4
Manufacturing	100	98.5	0.1	1.0	0.4
Electricity, gas, water	100	99.8	0.1	0.0	0.1
Transport & Communics.	100	94.4	1.0	4.4	0.1
Wholesale, retail, cater.	100	97.9	0.1	1.4	0.6
Finance, insurance	100	99.9	0.1	0.1	0.0
Real estate	100	99.3	-	0.7	0.0
Services	100	95.1	2.4	1.0	1.5
Public sector	100	99.3	0.2	0.0	0.4
Unclassified	100	8.3	0.9	5.6	85.2
Total	100	91.7	3.3	3.1	1.9

Source: Whittaker, 1998.

When compared to a European labour philosophy which emphasises government initiatives for workers, Japanese unions are said to be primarily concerned with lifetime employment security (McMillan, 1996). Wage increases, for instance, are determined as a



function of enterprise productivity and national wage norms, which are decided each year in the spring's offensive, or "Shunto" (McMillan, 1996: 225). However, the enterprise union influences management and decision-making within the company in several ways. Because the unions are company-wide, rather than industry-wide, as in America, or occupation-wide, as in British craft unions, management's approach to unions is more co-operative than adversarial (McMillan, 1996: 226).

There are a number of advantages of enterprise unionism. One of them is that it gives both management and workers a sense of purpose and provides an environment in which there is greater co-operation for the achievement of common goals (Sethi *et al.*, 1984). Moreover, in theory, enterprise unions together with the "three divine treasures" discussed earlier, not only function to increase employees' identification with their companies but also restrict employees' mobility between firms. Since mobility across firms is minimal as a result of lifetime employment, enterprise unionism increases the conformity of employees to both the union and the company (Oliver and Wilkinson, 1992: 55).

Another advantage of enterprise unionism is that it creates stability within the Japanese labour market. Chen (1995) points out that the intimate relationship between union members and the company helps to safeguard the interests of both parties. While the union is viewed as a protection against potential abuses by management, the union members are also keenly aware of the fact that damage to the company may also be detrimental to their own interests. Therefore, serious, long-term strikes in Japanese firms are rare (Chen, 1995). Benson (1996), however, rejects this argument by saying that perhaps Japanese workers are already attuned to the belief that their well-being is tied to the company's

economic success. Therefore, any interruption to work would mean a loss of revenue to the company, which would in turn adversely affect the members financially.

Depending on how one looks at it, such a philosophy can be either beneficial or destructive. It has been argued that one of several benefits of an enterprise unionism is that it results in the development of a positive relationship between the employer and the employees (Long and Seo, 1977: 85). Long and Seo further argue that an enterprise union has been partly responsible for maintaining close co-operation between management and labour: a positive factor in the rapid and continuous technological upgrading of Japanese industry, especially in the 1970s.

Despite these positive aspects, the main disadvantage of enterprise unionism is that its members can become over-dependent on the fortunes of the company (Chen, 1995). The company may be able to accommodate this when the economy is growing and the future of the company is assured, but when the economy slows down, as it has now in Japan, the organisation cannot afford to accommodate many of the employees' demands, especially financial ones. This will indeed undermine the consensus nature of the enterprise union. Moreover, this strong identification with the interests of the company will make union members susceptible to company manipulations, especially in times of economic crisis. Therefore, these disadvantages have further eroded the influence of enterprise unionism.

As the influences of the trade union movement in Japan continue to be eroded, criticisms against it and particularly against enterprise unions have increased. For example, Whittaker (1998) claims that enterprise unions have been condemned on the grounds that

union membership is overwhelmingly concentrated in large Japanese firms. According to the same author, “almost 60 percent of employees in private sector 1000+ (employee) companies are union members, compared to less than 2 percent in companies with fewer than 100 employees.” (Table 2.2).

Table 2.2

Unions and Members in Japan by Size of Enterprise (% , 1997)

<b>Enterprise size (employees)</b>	<b>No. of union Members (x 1000)</b>	<b>Member Composition</b>	<b>No. of employees (x 1000)</b>	<b>Estimated Organisation Rate</b>
1,000+	5,697	59.3	975	58.4
300-999	1,484	15.4	1197	20.1
100-299	923	9.6	-	-
30-99	348	3.6	2,663	1.5
-29	52	0.5	-	-
Other	1,105	11.5	-	-
<b>Total</b>	<b>9,610</b>	<b>100.0</b>	<b>4,855</b>	<b>19.8</b>

Source: Whittaker, 1998.

Not only has the union itself been condemned but also its representatives have been criticised for using their authority for personal gain (Tokyo Business, August 1993). Some authors claim that union leaders have been criticised for not doing enough for their members and have used their position as a route to senior management (Benson, 1996; Chen, 1995). A survey of large Japanese firms by the Japan Federation of Employers' Association (as cited in Ballon, 1992: 42) found that more than 15 percent of directors were former union officials. This suggested that union officials were usually not very vocal because as far as individual interests were concerned, being vocal would not enhance the chances of promotion.

Enterprise unionism is also criticised for its failure to negotiate for wage rises and shorter working hours for its members (Akira, 1987), and also for its inability to defend their interests (Oliver and Wilkinson, 1992: 55). Other researchers also criticise the enterprise union because it functions merely as a third arm of management (Cole, 1971; Kawanishi, 1992; Matsuzaki, 1992). These weaknesses have led many Western commentators (for instance, Benson, 1996) to claim that the only unions that are capable of looking after workers' interests are craft, industrial and general unions. This perspective was promoted by Galenson and Odaka (1976: 670-671), who argued that the only way the Japanese labour movement would be able to secure a democratic and representative role in industry would be by distancing themselves from management and restructuring themselves as industrial unions.

Benson (1995; 1996) mentions that, in fact, some unions have already implemented strategies to distance themselves from management. He suggests two possible ways in which unions can achieve independence from management: first, through structural independence in which unions can enhance member participation and restrict managerial influence; and second, through functional independence, which relates to the level of operational autonomy from management, and involves the rejection of management's sponsorship of the day-to-day activities of the union.

Despite this, and as a result of restructuring, the Japanese trade unions have in fact changed substantially. In 1976, for instance, the Labour Union Council for Policy Promotion (LUCPP) was formed. As the name suggests, one feature of this movement was its attempt to participate in national policy formulation. Thus, at its formation, the LUCPP

declared that “it would emphasise economic policy, employment, prices and tax reform. Wider policy objectives covering social security, housing, education and medicine were also articulated, based on a ‘life cycle model’.” (as cited in Whittaker, 1998).

The 1980s saw another formation, that of Rengo (JTUC). According to Whittaker (1998), “The appearance of ‘New Rengo’ in 1989 did not literally unify the labour front - it was soon opposed by Zenroren and Zenrokyo (which derive much of their support from the public and service sectors) - but with over 60 industrial federation members and around 20 affiliated federations representing over 60 percent of organised labour, ‘8 million Rengo’ could rightly claim to be the majority voice of organised labour.” Since its formation, Rengo has launched a number of proposals. Some of these have been taken up and have been incorporated into the legal system, while its views have been reflected in other laws, for example, the Child Rearing Leave Law, the Labour Standards Law revision, Land tax Law, etc., nevertheless, Rengo has also been criticised (Whittaker, 1998). For example, (i) there is a question of whose interests Rengo represents; and (ii) although Rengo says that it represents “working people”, this is a vague term, and federations organising small-firm workers have also criticised Rengo for being dominated by large private sector unions (Whittaker, 1998).

A number of other authors also claim that not only have trade unions been criticised but in fact the influence of the trade union movement in Japan has been declining (Tsuru and Rebitzer, 1995). According to Tsuru and Rebitzer, in spite of the establishment of the National Federation of Private Sector Unions in the late 1980s to co-ordinate union activities, between 1975 and 1993 aggregate union density declined from 34.4 to 24.2

percent. Chen (1995) also points out that this trend might continue to erode union influence as more and more Japanese companies are moving into service sectors and an increasing number of employees (about two-thirds according to Chen) in small and medium-sized companies are not unionised.

From the above review, it can be seen that enterprise unionism has been both popular and important to some large Japanese companies. But despite its popularity, the proportion of employees in trade unions, particularly enterprise unions, has been declining for many years. Findings of more recent studies further reveal that the influence of enterprise unionism has been diminishing rapidly, which suggests that enterprise unionism has become less popular among some large Japanese companies in recent years.

### **2.5.7 Consensus Decision-Making/The *Ringgi* System**

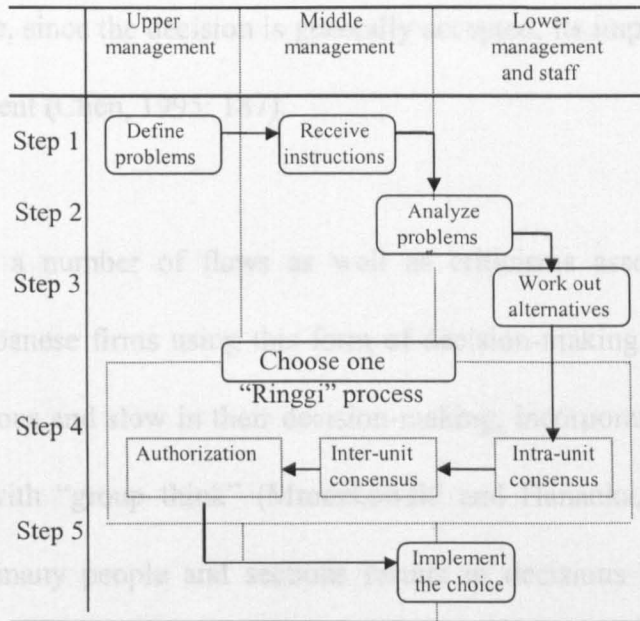
Decision-making by consensus or the *ringgi* system was first interpreted as one of the most important elements of the Japanese model of management by a group of Japanese scholars during their visit to the US in the late 1950s (Fukuda, 1988: 65). Like many of the elements of the “classic” Japanese model of management, it appears that decision-making techniques or styles were also influenced by culture; in this case, by the preference for collective responsibility and accountability (Keys *et al.*, 1994). In this regard, scholars typically describe Japanese decision-making as a consensus decision in which emphasis is placed on building agreement (Fukuda, 1988; McMillan, 1996).

Among the most extensively discussed methods of consensus decision-making or the *ringgi* system are *nemawashi* and *ringgi seido*. *Nemawashi* is a process of meeting

individually or in very small groups with others to prepare the way for a decision. It is an important Japanese business concept that literally refers to dealing with the roots of trees. This means that business decision-making requires careful attention at every stage of the process. This is quite similar to how the Japanese deal with the transplanting of a tree, which requires much skill and meticulous effort. According to McMillan (1996: 229), “*nemawashi* is very important in the sense that it is used to test the climate of opinion, checking the broader implications and learning the potential grounds for conflict.” The main purpose is to obtain informal understanding before implementation is made (Keys *et al.*, 1994).

The actual decision process is *Ringgi Seido*, a commonly-used, formal procedure of management by group consensus. A *ringisho*, on the other hand, is a proposal that originates in one section, and is forwarded to all relevant sections on the same level, the section heads, the managers, the directors, and eventually the president of the company. It is normally used as an example of the consensual decision-making process and the strong Japanese cultural norm of building harmony. Upon receiving the *ringisho*, each participant makes comments on a sheet attached to the back of the proposal. The decision is then made by top management based on the comments from all the people involved in the process. The purpose of this is to eliminate dissension, as many are given a chance to change a decision before it is actually made (Chen, 1995: 186) (see Exhibit 2.2).

Ringgi system of decision-making



Source: Fukuda, 1988, p. 64.

Viewed from the traditional paradigm of top down decision-making, *ringgi* does not make sense to most Western managers. However, to the Japanese managers, *ringgi* has many advantages. One of them is that by using this system, issues are thoroughly discussed by all concerned and an attempt is made to accommodate all the views of all the parties involved (Long and Seo, 1977: 61-63). Thus, according to Long and Seo, conflicts, hostility and loss of face can be avoided as no decision is made by one particular person. Furthermore, this form of decision-making has an element of democracy as employees at lower levels can initiate proposals or work out plans, which will then be transferred upward to higher levels of management (Chen, 1995: 187). Chen also points out that since many people are involved in the decision-making process, there is usually greater participation. Hence, any decision adopted on the basis of extensive discussions will more likely meet with general acceptance.



Another advantage of *ringgi* decision-making is that since so many people are involved in the decision process, the danger of a decision being manipulated by certain individuals is reduced. Furthermore, since the decision is generally accepted, its implementation will be easier and more efficient (Chen, 1995: 187).

There are, however, a number of flaws as well as criticisms associated with *ringgi* decision-making. Japanese firms using this form of decision-making are often criticised for being too ambiguous and slow in their decision-making, incorporating little creativity, and being plagued with “group think” (Mroczkowski and Hanaoka, 1989). Often the involvement of too many people and sections results in decisions being made slowly (Chen, 1995). According to Chen, to make things worse, too many meetings are held and this, too, can delay the decision process. Based on a report conducted by the Japan Management Association, as cited in Chen (1995), managers spend around 40 percent of their time in meetings. According to the same report, this might significantly delay business decisions, which often required a swift response. Thus, by the time a decision is made, the deal might have already gone. Hence, it is not surprising that many Japanese organisations have not adopted this process for the more important decisions (Mroczkowski and Hanaoka, 1989).

It is also claimed that suggestions made by other managers involved are often ignored (Chen, 1995: 187). According to Chen, this is because many Japanese top executives can be very autocratic. Chen also mentions that this form of decision-making can be viewed merely as “a confirmation-authorisation process.” A study by Steward *et al.* (1986) reveals that Japanese employees do not prefer *ringgi* decision-making, but rather prefer

consultative or even persuasive decision-making. They argue that this is because the *ringgi* decision-making process might often end up being nothing more than the record of a decision already made or an instrument of distributing responsibility for decisions throughout the entire company.

## **2.6 Production Management Techniques**

### **2.6.1 Just-In-Time (JIT)**

The interest in just-in-time (JIT) was originally sparked off by the achievements of Japanese manufacturers in the late seventies and early eighties. Sohal *et al.* (1989) provide an interesting literature review of JIT, and suggest that “JIT is essentially more of a philosophy than a series of techniques, the basic tenet of which is to minimise cost by restricting the commitment to expenditure in any form, including manufacturing or ordering materials, components, etc., until the last possible moment.”

Taiichi Ohno, Toyota’s vice president, originally developed the basic idea of JIT when the company was facing major problems with parts shortages and delivery (McMillan, 1996: 283). The Toyota team then formalised the idea into a management system when the company sought to meet the precise demand of customers for different models and colours with minimum delay. At this time, the approach was called the “Toyota Manufacturing System” (Sohal *et al.*, 1989). This approach had attracted wide attention in Japan since the early 1970s, and by the mid 1970s, many Japanese companies had adopted this approach. Towards the late 1970s, the JIT philosophy began to attract significant attention from the West under the name of the *Kanban* system.

What is JIT? Taiichi Ohno, the “founding father” of JIT describes JIT as a production flow process where “the right parts needed in assembly reach the assembly line at the time they are needed and only in the amount needed” (Ohno, 1988: 4). Wallace (1990) gave a much later version of JIT definition, describing it as “an approach to achieving excellence in a manufacturing company based on continuing elimination of waste and consistent improvement in productivity.” According to Zhu and Meredith (1995), waste occurs when the activities that are performed do not add value to products. These non-value-adding operations typically could account for as much as 90 percent of the total operations in a non-JIT process (Zhu and Meredith, 1995).

A main element of JIT is that of *kaizen*, or continuous improvement, a multi-sided never-ending programme for cutting out all forms of waste. Waste could be identified physically in many forms such as scrap, rework, equipment downtime, excess lead-time, overproduction, and lower space utilisation (Zhu and Meredith, 1995). The ethos of production improvement means questioning everything as parts move through a production sequence. The aim is to improve the throughput of work, focusing exclusively on operations that add value and eliminating forms of time-wasting that add cost but not value.

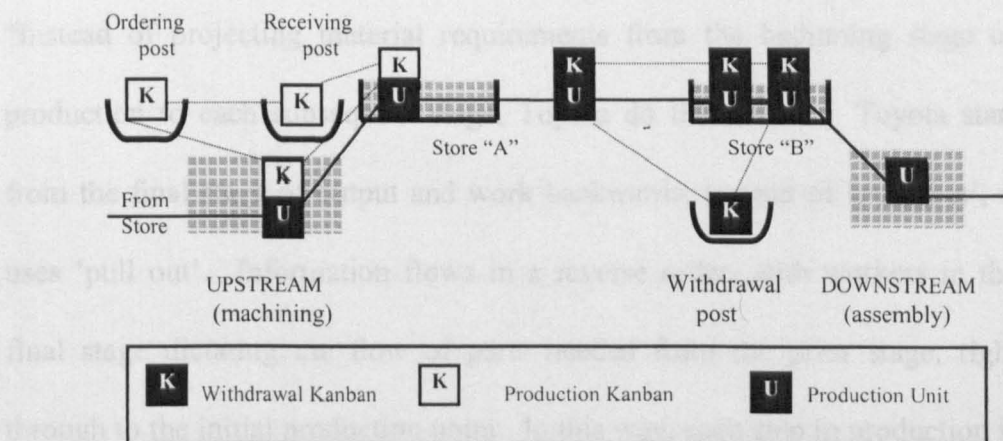
JIT is also often used synonymously with *kanban* (Schonberger, 1982). “Kanban is the operating method of Toyota production system – it is a piece of paper contained in a rectangular vinyl envelope. This piece of paper carries three categories of information, namely, pickup information, transfer information and production information” (Ohno,

1988: 27). In the dual-card *kanban* system, they are classified into withdrawal *kanban* and production-ordering *kanban*, also known as production *kanban* (Exhibit 2.3). In the Toyota production system, *kanban* is used to operate the just-in-time and automation with a

The withdrawal *kanbans* are attached to the buffer stock at the inventory point before each production process. When the part is used for production, the withdrawal *kanban* attached to the part is removed and used to order the transportation of the part to the inventory point after the immediately preceding production process. Production-ordering *kanbans*, on the other hand, are attached to the buffer stock at the inventory point after each production process. When the product or part is used for transportation, the production-ordering *kanban* attached to the product or part is removed and used to order the movement of the product or part to the production process. By sequentially connecting the orders of the withdrawal *kanban* and the production-ordering *kanban*, the consumption of a product at the final production process becomes a trigger to produce the product and its parts at each production process.

Exhibit 2.3

A Two-card Kanban System in a Flow-shop.



Source: Price *et al.*, 1994.

The essence of *kanban* is that the manufacturer does not keep many inventories on hand but relies on suppliers to furnish parts in time for them to be assembled. In the Toyota production system, *kanban* is used to operate the just-in-time and automation with a human touch which are the two pillars of its production system. The objectives of using these tools are to prevent over production as well as the elimination of waste.

*Kanban* goes hand in hand with JIT. While JIT is an approach in production management that emphasises the manufacturer's proximity to customers, *Kanban* is a device for moving toward JIT production. *Kanban* is the reverse of what is practised in the West, where there exists the "Just-in-Case" system in which fat inventories are stored by manufacturers to ensure production is not interrupted. By using *kanban*, Japanese manufacturers run their machines only at the market rate of what is demanded rather than at the machine's capacity. The system is aimed at achieving greater flexibility and efficiency in manufacturing by reducing size lot and hence eliminating waste. As a result, a variety of customers' manufacturing needs are better served. How the JIT/*Kanban* system operates is clearly explained by McMillan (1996) as follows:

"Instead of projecting material requirements from the beginning stage of production to each subsequent stage, Toyota do the reverse. Toyota start from the final stage of output and work backwards; instead of 'push out', it uses 'pull out'. Information flows in a reverse order, with workers in the final stage dictating the flow of parts needed from the prior stage, right through to the initial production point. In this way, each step in production is

carefully synchronised and parts flow from one step to the next just-in-time”  
(p. 285).

There is a significant difference between a JIT system and a traditional system such as a material requirement planning (MRP) system. JIT is based on a pull system which means production is initiated by present needs. MRP, on the other hand, initiates production in anticipation of future needs. The key principle of a JIT system is to define, control, and reduce the lead-time from initial entry of parts and raw materials to their actual use. Under a JIT system suppliers are selected on the basis of the best price at a given level of quality as opposed to a low-cost bidder selection criterion. Quality of product is ensured when JIT-oriented Japanese companies find it easy to establish the “co-producer relationship” with their suppliers if single-source suppliers are used. This relationship make suppliers seem like the “next level below” the start of production (Zhu and Meredith, 1995).

There are a number of factors responsible for the success of JIT/*Kanban* in Japan. First, the JIT system became very popular among Japanese manufacturers in the late 1970s because of growing manufacturing costs stemming from increasing labour as well as material costs.

Second, looking at the situation in which Japanese manufacturers found themselves at the end of 1945, it is not difficult to understand the emphasis placed upon scarcity. According to Harber *et al.* (1990), raw materials were almost as non-existent as the money required for rebuilding during this period. About all that was available in any quantity was labour and the Japanese were determined to succeed by developing their skills and technology

(Harber *et al.*, 1990). Harber *et al.* (1990) also mention that the Japanese realise that multi-skilling and the possibility of job rotation are important for increasing both flexibility and stability because multi-skilled employees can be assigned to carry out a number of different tasks. For example, flexible labourers can be moved as required around the production system to eliminate balancing losses. Consequently, multi-skilling enables the workforce to be kept to a minimum, as the small breaks that the unbalanced production system generates disappear. Therefore, labour stability and flexibility in the form of highly motivated, multi-skilled employees accepting flexible working hours, are often said to be essential conditions for attaining JIT in Japan (Harber *et al.*, 1990).

Third, looking at the economic difficulties in 1945, it was obvious that it would not have been sensible for Japanese industry to concentrate on the production of high-cost goods since the domestic market would not have been able to afford to buy them. However, despite limited resources, the Japanese manufacturers examined all the possible ways of achieving maximum productivity in the production of low-cost consumer goods. Toyota, for example, realises that consumers will simply turn away if a high price is set due to high manufacturing cost. Therefore, instead of setting high price for its cars, Toyota is determined to use JIT as a tool focused on the continual elimination of waste in all forms (Ohno, 1988: 9).

Fourth, since JIT production requires high quality, small lot sizes, and the frequent delivery of raw materials, a good relationship with suppliers is crucial to achieve these requirements. The Japanese, for example, make their vendors seem like the next level below the start of production. In fact, the linkages between suppliers and the parent

company go far beyond a simple buyer-seller relationship (McMillan, 1996). The parent company is not just a buyer of parts and components but it also provides credit, equipment, machinery, technological know-how and managerial experience to its suppliers (McMillan, 1996: 289). According to McMillan, Toyota, for instance, has to take responsibility to teach the co-operating firms outside Toyota in using *kanban*. Since the linkage between Toyota and its suppliers is very close and reliable, Toyota can contract out more of its components to its suppliers. In addition, the proximity of suppliers to manufacturers is also an important contributing factor (McMillan, 1996). The same author states that Japanese suppliers tend to be located much closer physically to manufacturers, making daily deliveries possible. He argues that there are two advantages resulting from this proximity: (i) it reduces the cost of transportation and storage; and (ii) it reduces the manufacturing lead-times.

Finally, it is argued that implementation of JIT cannot be successful without top management commitment (McMillan, 1996). McMillan maintains that management must be willing to devote the resources which are necessary to support an implementation such as JIT education and training. In Japan, for example, managers are very concerned about JIT implementation (McMillan, 1996). They also make sure that their employees' commitment to the implementation process is reinforced by (i) education, for instance, understanding what JIT is all about and why it has to be JIT; and (ii) by responsibility, for example, what their contributions are to successful JIT implementation (McMillan, 1996).

JIT/*Kanban* also has a number of merits, the most important being the reduction in cost of the manufacturing of products as a result of effective inventory management. An earlier



study conducted by Aggarwal (1985) reveals that Japanese firms which have used JIT for 5 years reported a 30 percent increase in productivity, a 60 percent reduction in inventories, a 90 percent improvement in quality rejection rates and a 15 percent reduction in floorspace use.

Besides the benefit of cost reduction, JIT/*kanban* is also alleged to improve stock turnover and increase profit margin (Boyd, 1995). In his study on the performance of companies in the USA, Europe and Japan, Boyd claims that the best performers are the Japanese companies. According to the same author, one of the strategies that the Japanese companies have mastered is the JIT approach. He argues that most of the Japanese companies in his survey have recorded their best performance in the stock turnover, profit per employee, and the profit margin because they have used the JIT approach.

Among other advantages of a JIT system, according to Yasin and Wafa (1996), are: (i) it helps to eliminate waste in production and material; (ii) it improves communication internally and externally; (iii) it helps to reduce purchasing cost; (iv) it reduces lead-time, throughput time, improved production quality, increased productivity and enhanced customer responsiveness; (v) it tends to foster organisational discipline and managerial involvement; and (vi) it helps to integrate the different functional areas of the organisation and helps to bridge the gap between production and accounting. Besides these, Yasin and Wafa also list some other benefits of JIT, such as quality improvement; cost reduction; problem solving; enhancement of productivity; manufacturing flexibility for fast response to market/customers; better control of engineering change; worker enhancement; simplified scheduling; and improved communication between operations.

Finally, the other merits of a JIT system are said to be (i) a company using JIT has the ability to operate at market pace without holding excess inventory, particularly in a highly repetitive manufacturing environment (Harber *et al.*, 1990); and (ii) management can use less skilled workers since supervisory personnel can localise specific knowledge requirements especially when “decoupling” the various work stages (McMillan, 1996: 284).

However, there are negative aspects of the JIT/*kanban* system, such as the vulnerability on the part of the manufacturers with regard to the supply of inventories. For example, what happens if the supplier cannot supply on time due to geographical dispersal and adverse weather conditions? Or what happens if the supplier sabotages the manufacturer by giving an inferior inventory in order to demand a high delivery price? Several authors (for instance, Wilson, 1985; O’Neal, 1985; Manoochehri, 1984) have highlighted this point as the main obstacle to the success of JIT. Secondly, since automation in a JIT system forces the immediate correction of quality problems, in the short run, frequent line stops will incur substantial financial loss for the firms. Thirdly, the implementation of a JIT system under short-term, profit-oriented management is not only very costly but also more likely to fail than in the case where a long-term view is taken (Manoochehri, 1984). For instance, in the case of General Electric, one GE plant has to relocate “a machine a day” for a couple of months as part of its JIT effort (Manoochehri, 1984). According to the same author, in this case the productivity of the plant could be adversely affected in the short run. Finally, a JIT system serves to increase the dependency of employer on employee. This could have a devastating effect if the employees went on strike.

The JIT system has met with a series of criticisms, as pointed out by Key *et al.* (1994) who argue that JIT requires selective implementation. This view is shared by Harber *et al.* (1990) who state that “small firms supplying to larger firms feel that they are being coerced into a JIT type programme.” It is also claimed that suppliers are dissatisfied with a delivery schedule where they are required to make multiple deliveries each day, resulting in massive implications (Harber *et al.*, 1990). For example, problems are often caused for suppliers where vehicles currently used for normal deliveries are too large for the smaller-sized JIT deliveries. This could lead to a need for capital outlay on new vehicles, according to Harber *et al.* (1990). To make matter worse, suppliers are often told to relocate their business close to the main purchaser (Harber *et al.*, 1990). The construction of Toyota City in Japan is a fine example of the extent to which all aspects of production (including geographical location) need to be reconsidered when a full-scale JIT programme is implemented (Harber *et al.*, 1990).

To sum up, the positive cultural factors of JIT as implemented by the Japanese, cannot be denied. JIT thrives on a culture of co-operation and collaboration and the organisational structure must support this. Successful JIT requires more planning, because the objective is to do more with less. There also has to be sufficient flexibility within the planning function to allow changes to be handled with ease. This can be achieved by allowing for suppliers’ redundancy in the planning function. Good supplier relations are also important and this can come about if both parties understand that there must be a symbiotic relationship between them. This implies that collaboration and contact should also be maintained not only at the operational level but also at the managerial level. If there is an active effort to develop and sustain the relationship at all levels, then suppliers are likely to

respond with co-operation and loyalty. One method of achieving this is by rating suppliers based on their future plans and their potential, as well as on their past performance record. The suppliers who have demonstrated their willingness to change in tandem with their parent company should not only be rewarded but should also feel confident about receiving support from the parent company during times of difficulty. It goes without saying that the effort required to judge the potential of a supplier is considerable. However, the benefits are also substantial and these are key factors in a JIT system implementation.

### **2.6.2 Total Quality Control (TQC)**

The Japanese realised that during the post-war period, and with limited raw materials, they would have to go for value-added manufacturing exports. However, one major barrier to this was the pre-war image of Japanese goods as being cheap and of poor quality. Therefore, the Japanese manufacturers were very enthusiastic to develop goods of low price with high quality. This was part of a domestically inspired revolution in quality control management.

The modern concept of statistical quality control was introduced in Japan before the Second World War. The Americans were effectively responsible for making possible the miraculous turn-around of Japanese industry and for putting Japan on the road to quality leadership. Much of this transformation was associated with the introduction of statistical quality control into Japan by the US army over the period 1946 to 1950, and with the visits by three key, American quality gurus in the early 1950s. They were Dr W Edwards Deming, Dr Joseph M Juran, and Dr Armand V Feigenbaum, the latter being the originator

of total quality control (TQC). The Japanese discovered his work on quality control in the 1950s at about the same time as Dr Juran visited Japan. Dr Feigenbaum argues for a systematic or total approach to quality, requiring the involvement of all functions in the quality process, not just manufacturing. The idea is to build quality at an early stage, rather than inspecting and controlling quality after the fact.

The Japanese then adopted, developed and adapted the system that the Americans introduced and by the late 1950s, they had begun to develop clearly distinct approaches suitable for their own culture and use. However, one significant difference between the Japanese gurus and their American counterparts was that the former emphasised mass education, the use of simple tools, and teamwork, and had a background in an educational role. The famous three Japanese gurus were Professor Kaoru Ishikawa, Dr Genichi Taguchi, and Shigeo Shingo.

To further encourage the development of quality control activities, the Union of Japanese Scientists and Engineers (JUSE) was formed in 1946. Dr Deming was the first American to become involved with JUSE since after its formation. At about the same time, a delegation from Bell Telephone Laboratories in America visited Japan and demonstrated Deming's quality control techniques. As a result, his name became known and JUSE invited him to lecture to the Japanese on statistical methods. In 1951, JUSE took the initiative in instituting the Deming Prize in Japan, and since this development, there have been two important concepts of quality control system widely used in Japan; they are: total quality control (TQC) and quality control circles (QCCs).

What is total quality control (TQC)? Schonberger (1982: 187) defines it as a fundamental production function. Feigenbaum (1983), on the other hand, defines TQC as a management approach which regards the quality of products and services as a primary business strategy and a fundamental determinant for business health, growth and economic viability. Total quality control (TQC) is also seen primarily as a management-led approach in which top management commitment is essential (Feigenbaum, 1983). The emphasis is on quality in all aspects and functions of the company operation, company-wide, not just on the manufacturing function or on the provision of a major service to the external end-customer. It is here that employee awareness and motivation are essential. Everyone in the company is responsible for ensuring quality in terms of “satisfying the customer” in all they do, and the approach is one of prevention of errors and faults rather than detection and correction.

Although there may be some disagreement between the two authors regarding the definition of TQC, Deming (1982) has made it clear that the word “quality” in TQC is not only about enhancing quality but it is also about improving productivity. In fact, according to Shetty and Buehler (1988), Deming’s point did bear some truth because they also believe that as quality improves, costs decrease and productivity improves.

Unlike in the West, in Japanese manufacturing methods “total quality control is a fundamental production function, along with other functions such as quality control circles, just-in-time production and tight in-process control” (Oliver and Wilkinson, 1992: 23). On that basis, the goal has been to broaden TQC into upstream and downstream quality control of the enterprise. In the upstream direction, TQC involves the parts and

component suppliers, who, in close co-operation with the assembler, are expected to deliver their goods “just-in-time” and thus without inspection upon delivery. In the downstream approach, TQC involves the distribution channels on an equal basis of interdependence.

As far as the Japanese are concerned, the concept of TQC is based on the fact that quality is everybody’s business, and ideally, everybody should help in making their company the best in its particular field. This, of course, involves the management, especially in the development of clearly defined procedures, the monitoring of performance, and the motivation as well as participation of the workforce (Reilker, 1983). According to the same author, the main themes of TQC are: (i) it involves all functions that deal with the product; (ii) it involves everyone’s job from the office boy to the president of the company; (iii) the responsibility for quality is to be shared by all workers; and (iv) it requires that top management understands and supports the concept, especially when it comes to the implementation processes.

The use of TQC has a number of strengths. One of them is that it complements JIT by making sure that every unit meets all the quality specifications. This occurs when TQC delegates quality responsibilities to the worker at the source or point of production, so that through the close coupling of workers and processes provided by the JIT structure, any defective item is detected quickly and the cause of such defects is identified and resolved. In this way, waste can be avoided and quality maintained. Therefore, in a TQC programme “quality at the source” is the slogan with which all employees are inculcated (Harber *et al.*, 1990). This means that if there are any errors, they should be identified and

corrected where the work is performed and not passed to the next workstation. As far as the Japanese production system is concerned, with TQC, quality is considered to be the responsibility of the worker performing the actual job (Harber *et al.*, 1990).

Another advantage of TQC is in terms of production costs. According to Harber *et al.* (1990), lower production costs can be maintained because the TQC system makes sure that (i) process control procedures are implemented at every stage rather than at selected points only; (ii) every unit produced is inspected rather than randomly sampled; (iii) workers are given the authority to stop the production line when there is a quality problem; (iv) each worker must self-correct errors and rework bad items instead of sending them to a separately-staffed rework line.

The other merit of TQC is that it creates not only a price/value advantage over competitors but also enables a firm to charge a higher sale price per unit through differentiation (Harber *et al.*, 1990). In fact, according to Harber *et al.* (1990), the strategy of ensuring high quality through proper total quality control management leads to a sustainable competitive advantage. Moreover, firms competing on quality pursue an operational strategy that controls the quality of the product and service, and seeks continuous improvement.

Despite these strengths, TQC has also been criticised. There is a myth that Japanese high quality products result from unique cultural factors, which are, therefore, not transferable. This is perhaps exaggerated. In fact, it has been argued that Japanese management techniques such as TQC and QCCs were derived out of necessity rather than being part of the culture (Toone, 1994). Toone also points out that it is important not to confuse



company and national culture. He claims that Japanese companies starting up operations in the United Kingdom have not attempted to impose Japanese culture on the British workforce, but instead have attempted to alter their behaviour and habits.

Japan, like the rest of the world, has been greatly hit by recession since 1990. Although many Japanese industrial leaders do not openly say so, they are now experiencing many problems familiar in the West. As a result, some of the basic tenets of Japanese quality systems are being questioned. However, with government guidance and the leadership of such organisations as the Japan Productivity Centre, the Japanese have always proved to be most resilient, as they were after the 1973 oil crisis. They also seem to perform at their best in times of crisis. One example is Nissan's intention to fight back by improving the quality of its cars and its readiness to compete with a 10 percent annual improvement in factory labour productivity, coupled with a more efficient use of corporate human resources (Stainer, 1995).

It is also very clear that to overcome today's challenges, Japan is turning its attention to known poor quality areas, such as the service industries, logistics and agriculture, where the Japanese realise that they are lagging behind other countries and that there is a need to improve quality.

From the above discussion, it can be argued that despite serious criticisms of TQC, one thing that can be learnt from the Japanese total quality control technique is that attention to detail, commitment, mutual respect and co-operative spirit, as well as discipline are

fundamental. This is because of all the industrialised nations, Japan understands and appreciates the close link between productivity and quality.

### **2.6.3 Quality Control Circle (QCC)**

The quality control system is defined as “an effective system for co-ordinating the quality maintenance and quality improvement effort of the various groups in an organisation so as to enable production at the most economical levels which allow for full customer satisfaction.”<sup>5</sup> Dr Feigenbaum further stresses that quality does not mean “best” but “best for the customer use and selling price”. He points out that the word “control” in quality control represents a four-step management tool: (i) Setting quality standards; (ii) Appraising conformity to these standards; (iii) Acting when standards are exceeded; and (iv) Planning for improvements in the standards.

Quality is seen as having become the single most important force leading to organisational success and company growth in national and international markets.<sup>6</sup> Hence, it is essentially a way of managing the organisation and, like finance and marketing, quality has now become a key element of modern management.

What is a quality control circle (QCC)? A quality control circle (QCC) is a Japanese innovation that formally mobilises a small group of workers to voluntarily carry out analysis of job-related quality problems (McMillan, 1996: 233). According to McMillan (1996), this small group usually consists of six to ten workers engaged in the same type of work and often at the same hierarchical level. Generally, the groups are very problem

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<sup>5</sup> Dr Armand Feigenbaum as quoted in Professor Bendell’s booklet on The Quality Gurus.

<sup>6</sup> *Ibid.*

focused, meeting once a week, usually after working hours (although meetings during office hours are not unusual).

What is critical to the concept of QCC as a practical tool is the set of techniques available for analysis, discussion and feedback. There are seven statistical tools employed in QCC and these include Pareto analysis, cause and effect (fishbone) diagrams, stratification, tally cards, histograms, scatter diagrams and Shewhart control charts (Oliver and Wilkinson, 1992: 23). In addition to these tools, members in the circle are assisted by specialised staff groups, such as from engineering, accounting, and production control to help work groups solve problems.

During the early 1980s, the QCC system was widely copied in Western industries (Lillrank, 1995). However, as an organisational form it failed to become rooted in Western business environment (Lillrank, 1995). Nevertheless, the abstract principle of continuous improvement survived and is currently applied in ways different from the original model. Elementary statistical methods popularised by the Japanese for shop-floor use have also been generally applied (Lillrank, 1995).

The Japanese QCC movement officially started in 1962, after some ten years of experimentation with statistical tools and quality management concepts transferred from the United States (Lillrank, 1995). The Japanese Union of Scientists and Engineers (JUSE) established the QCC Headquarters, published a monthly magazine, and developed training methods to support the movement. The circle concept was applied in a few leading companies, such as Komatsu, Toyota and Nissan, who were experimenting with

many other management innovations as well. Following this, the QCC breakthrough came only some 15 years later in the aftermath of the first oil crisis, and reached its peak during the early 1980s.

In Japan, the QCC has a practical and an ideological base. During the late 1950s and 1960s, the Japanese manufacturing industry was growing fast. Uniform quality was a top priority for two reasons: first, the quality of contemporary manufacturing output was low and needed to be improved for it to be exportable. Second, quality was not a high priority in the dominant American mass manufacturing paradigm. Therefore, quality provided a competitive advantage to the Japanese manufacturers.

Unlike in the United States, where highly skilled specialist and inspectors took care of quality, the Japanese did not have the time and money to train cadres of QC experts and therefore opted for another solution, which involved the training of foremen who were then required to train their own people. Furthermore, quality by inspection meant that a substantial amount of output had to be scrapped. For the frugal Japanese of the post-war era this was unacceptable, especially since most raw materials were imported and paid for by hard-earned exports (Oliver and Wilkinson, 1992). Therefore, it was opportune to take quality management to the source, and have each operator himself or herself inspect the output and devise methods for preventing errors. To do this, however, required training and the QCC was the perfect training-tool for the dissemination of skills.

The main part of the application effort in QCC is concerned with how an organisation deploys the tools to achieve the QCC and the firms' objectives. Professor Kaoru Ishikawa,

one of the founding fathers of the movement, formulated the ideology behind Japanese QC circles. To Ishikawa, the QC circle was a break from the “feudal spirit” of treating workers as mindless automata (Ishikawa, 1990). He maintains that, as circle members, workers could apply their creativity and experience to solve common problems. Doing it together with their peers, in fact, provided an opportunity for socialising in a constructive way. From the start, Professor Ishikawa emphasised that the QCC was a voluntary activity, that is, it was not part of ordinary work and could not be subject to ordinary command and control. He pointed out that people should be motivated to work actively in QC circles in various informal ways, such as the enthusiasm generated by superiors, the pressure of competition, the unity of fate within the company and the intrinsic joy arising from solving problems together. Professor Ishikawa, however, cautioned that voluntarism never meant that an individual could freely choose whether to participate or not, but rather it was an expression of the informal, free atmosphere that should prevail in the circle.

It is important to note that voluntary participation is important for two reasons. First, Japanese companies are traditionally very hierarchically organised. Social rules prevent a junior member from making suggestions or criticising the ways of a senior. Under such circumstances, bottom-up, creative problem solving could not work. Second, asking workers to suggest new ways to organise work is potentially disruptive. From a manager’s point of view, this may lead to unreasonable demands. Therefore, creating QC circles as a parallel structure outside the ordinary line organisation could encourage creativity and spontaneity without compromising operating prerogatives.

Thus, by using QCC, workers can pick up improvement objects from their work environment, and streamline them into well-defined problems that are analysed, solved and tested using statistical tools. This work results in an improvement suggestion that is handed over to the line manager in charge, who makes the decision of incorporating the suggestion into a standard operating procedure. In fact, the QC circle is a sophisticated management method that requires a top management-supported quality strategy, organisational vehicles for support, guidance and evaluation, and practical tools for solving workshop problems. In Japan, because quality is so important, top management is always willing to work together with its workers (Lillrank, 1995).

With the rising popularity of QCC in post-war Japan, by January 1980, there were about 100,000 registered circles at JUSE, with another estimated one million non-registered (Ho, 1993). Since then, about 13 million Japanese have participated in QCCs (Ho, 1993). According to McMillan (1996: 232), one in eight Japanese workers is currently engaged in QCC activities and there are literally hundreds of thousands of quality control circles that have sprung up in Japanese firms, involving millions of workers. The Kansai Electric Power Company, for example, had 2,300 circles in 1991 with between six and nine people in each circle (Westbrook, 1995). Nippondenso have had QC circle activities since 1964, two years after QCC was introduced to Japan. In 1983, Nippondenso launched a “TQC by everybody” campaign to create “the world’s No. 1 products and the world’s best corporate quality system” (Westbrook, 1995).

It is claimed that QC programmes in Japan require a high level of technical training on the part of production workers and a substantial commitment of resources on the part of the

firm (Lincoln, 1989). However, to ensure the success of QC circles, QC members need to be trained in order to acquire the necessary problem-solving techniques. According to Shenkar (1988), there are four major factors responsible for the success of QC circles in Japan: (i) the scarcity of natural resources, contributing to a greater concern with waste; (ii) the Confucian culture which calls for harmony; (iii) the emphasis on groupism; and (iv) the importance of the role of education, since the QCC technique requires expertise in quantitative analysis.

The QCC system has a number of advantages, such as affording employees the opportunity to assume greater responsibility. Since the entire concept of QCC is based on trust, respect and care, Japanese firms recognise the individual worker as a human being with the intellect and desire to participate in solving work-related problems. From this baseline, the employer provides the employees an opportunity to utilise their capabilities more fully as well as perform interesting and challenging tasks (McMillan, 1996). This view was put forward earlier by Harber *et al.* (1990) who state that “firms using QC give employees the opportunity to share with management the responsibility for locating and solving problems of co-ordination and productivity.”

Another advantage of QCCs is that in Japan, they have resulted in better management of quality control, a reduction in defects, cost savings, safety improvement, pollution control and energy savings (McMillan, 1996: 233). Besides that, QC participants feel a sense of achievement as they have been given the autonomy and responsibility to tackle such problems. In addition, QC circles indirectly provide the mechanism and motivation for involving everyone in an organisation in continuous improvement (McMillan, 1996: 233).

The other merit of QC circles is that such activities help to develop a better working environment and closer relationships among workers (Torrington and Huat, 1994). According to Torrington and Huat (1994), as problems are handled in a rational manner, there is less friction among workers. They also point out that supporters of QC circles claim that QC activities enhance the quality of their work-life, as employees enjoy better control over their own environment. Torrington and Huat stress that with QC activities, employees are motivated by being able to implement solutions to work-related problems. Moreover, they add that by participating in QC activities, employees gain recognition for their contribution, and this is an important criterion of quality of work-life. Furthermore, after acquiring additional problem-solving skills, employees are more confident and feel that they are part of the decision-making process. All these have resulted in an improved work-life for employees and have increased their productivity (Torrington and Huat, 1994). Similarly, Lawler *et al.* (1992) in their study claim that the main advantages of QCCs are quality, customer service, and competitiveness.

On the other hand, the negative aspects of QCCs are also apparent. For example, Shenkar (1988) points out that from a critical perspective, workers in Japanese corporations are under pressure as they are forced to participate in quality control activities. Cole (1979) also noticed falling morale in Toyota's QCs, which, he claims, was due to increasing physical and mental strains on QC members. Similarly, Blyton and Turnbull (1993) argue that the concept of workplace participation as stressed by QCs, along with other methods such as TQM, have in fact been used by the Japanese as a disguise to cloak the reality of worker exploitation. Sillince *et al.* (1996) assert that the disadvantages of QCC from the middle managers' point of view is that they see QCC as a threat to their managerial



position. Because of that there is an additional drawback for the company as middle managers are able to hinder the QCC by denying it time, information, people and finance (Sillince *et al.*, 1996).

Thus, based on the above arguments one can argue that in reality QC activities could not guarantee a better quality of work-life. Perhaps the logic of this in Japan may soon come under pressure, particularly when the recession is forcing Japanese companies not only to halt recruitment but also to contemplate redundancies. The employee commitment to the company that underpinned much of Japanese quality philosophy and which the West so envied, may begin to erode. But whether or not the recession effects will produce a more level playing-field in terms of cultural attitudes among the Japanese workforce in general and towards quality in particular, it is much too soon to tell at this time.

#### **2.6.4 The Suggestion System**

The suggestion system in Japan dates back to before World War II, and became widespread in Japanese firms in the latter half of the 1950s (Takeshi, 1983). In fact, the importance of the system was recognised as early as 1958 when the *Nihon Teian Seido Kenkyukai* (The Japanese Association for Suggestion Systems) was formally established to co-ordinate suggestion system activities. Today, this system is the cornerstone of innovative work methods in many Japanese production plants.

Like QCCs, the suggestion system provides the mechanism and motivation for involving all employees in an organisation in continuous improvement. In fact, considerable importance is attached to these two activities (QCCs and suggestion systems) and they are

seen as complementary. As suggestions, particularly from employees, are very important for a company's continuous improvement, a variety of award schemes, contests and prizes are used to recognise employee's efforts as well as to provide direct rewards to the employee concerned. In a Japanese company, for example, the quantity and quality of suggestions are seen as important and reflect the department manager's ability to create an environment conducive to improvement (Takeshi, 1983).

According to Dale and Cooper (1992: 159), the typical objectives of a suggestion system in a Japanese organisation are (i) to improve the power to work and individual abilities; (ii) to promote friendly and healthy human relations among all employees as well as to vitalise activities; and (iii) to improve the company structure and operations.

The Japanese approach to suggestions differs considerably from most Western practice. Unlike in most Western practice, especially in the USA, where the emphasis is based on the importance of each suggestion, in Japan, the emphasis is on maximising the number of suggestions rather than their importance (Dale and Cooper, 1992). The same authors also point out that in a typical Japanese suggestion system, a suggestion is submitted and evaluated the same day by the foreman of the section. The person making the suggestion is usually awarded from 100 to 300 yen. If the suggestion is considered to have potential, it is written up in more detail. At this stage it is evaluated by the section manager and his or her assistant, or the QC committee, and can qualify for a reward of 1,000 to 10,000 yen. On the other hand, if the suggestion is considered of special merit, it can be put forward for annual evaluation when the President's Prize of between 10,000 to 20,000 yen is given and

at this stage the TQC promotion and QC committees evaluate the suggestion (Dale and Cooper, 1992).

Despite the low monetary rewards, the number of suggestions that can be used is much higher in Japan than in the USA (Verespej, 1992). According to Employee Involvement Association (EIA) data, as cited in Verespej (1992), each employee in Japan submits an average of 32 suggestions per year compared with 0.17 in the USA. The same data also shows that an average of 28 suggestions per employee is adopted each year in Japan. In contrast, the American worker is lucky to have one out of 20 suggestions adopted. The EIA data further shows that more than 87 percent of all suggestions in Japan are accepted, versus 33 percent in the USA. It can therefore be concluded that the average savings from suggestions, on per-employee basis, are nearly 10 times higher in Japan, i.e. US\$3,612 versus US\$398 in the USA (Verespej, 1992).

To emphasise the point made earlier, one report claims that General Motors of Detroit received an average of 0.84 suggestions per eligible employee per year and adopted 23 percent. In contrast, Toyota received 17.9 suggestions per employee and adopted close to 90 percent. This therefore resulted in tremendous amount of savings for Toyota (Focus Japan, 1981).

The suggestion system is significant as far as Japanese managers are concerned. According to McMillan (1996), this is because they see the suggestion system as much more than a special bonus for good ideas. In Japan, the suggestion system is part of a general organisational climate to develop trust and communications across departments and

between workers and managers (McMillan, 1996). Norms are cultivated not only to offer creative ideas but also to accept improvements, and training programmes are conducted to improve the way suggestions are made (McMillan, 1996).

There are two major associations responsible for developing as well as improving employee suggestion systems: (i) the Japanese Association of Suggestion Systems (JASS); and (ii) the Japan Human Relations Association (JHRA). These associations conduct conferences associated with improving suggestions, and conduct company visits as well as field trips. A survey of these two associations found that in 1980, out of more than 25 million suggestions made, total benefits to the companies amounted to about ten billion dollars, while the monetary rewards for the workers were about four billion dollars (McMillan, 1996: 236-237). According to McMillan (1996), even though the monetary reward is very small, an individual who makes a suggestion is highly commended by his company.

Despite a number of benefits/advantages derived from the suggestion system, it has also been criticised. For example, Linda Topolsky, Nippondenso's senior human-resources specialist, as cited in Verespej (1992), argues that in the suggestion system "there are too many disadvantages to using dollars as a reward." According to Topolsky, "First, the amount of the reward is usually so small it is not a reinforcing mechanism. Second, the reward is usually used by employees to pay for things they *must* have, rather than things they *would like* to have. Third, once the money is spent, there is no visible reminder of the reward." Because of these disadvantages, Nippondenso prefers to reward an employee (who makes suggestion) in points which can then be accumulated and redeemed for gifts.

The suggestion system has also been criticised for creating internal competition that can create artificial barriers between and among employees and management. For example, Polzin (1998) points out that excessive degrees of competition that result from installing individual incentive systems can, in fact, lead to a high degree of dysfunction. He further points out that “if the challenge appears to be to win as much as one can, then individuals and groups may act in ways that advance their interests at the expense of the interests of others. Within an organisation, that can be a very destructive mix - improvements achieved by employees in one area at the expense of employees in another with, perhaps, a net performance loss.”

Another criticism of the system comes from Cynthia McCabe, president of the Employee Involvement Association (EIA) (as cited in Matthes, 1992). According to McCabe, very often an employee feels that he or she has been let down not only because he or she did not feel valued for his or her suggestions, but also because the response time to suggestions is too long and, worse still, there exists inconsistency in the reward programme.

From the above review, it can be inferred that the suggestion system has indeed been very useful as far as the Japanese production management system in Japan is concerned. This is because it has been used to solicit ideas for improvement and innovation at the plants. However, it is important to note that the system is not confined to production line and quality purposes only. In fact, the majority of Japanese companies are encouraging their employees to use the suggestion system to propose the nature of the professional training that they wish to undertake. This again implies that the Japanese firmly believe that better education makes for an improved employee.

## **2.7 Conclusion**

The review of the literature has shown that the elements of the “classic” Japanese model of management, such as lifetime employment, seniority-based systems, enterprise unionism, hiring and training practices, consensus decision-making, just-in-time, quality control circles and the suggestion system, all of which have been commonly practised in large Japanese companies have proven very popular, especially in the late 1970s and 1980s. The literature has also shown that these techniques are among many other factors that have contributed to the rapid economic growth of Japan, particularly in the 1980s. The literature has further demonstrated that because of the popularity of the “classic” Japanese management techniques in the 1980s, learning from Japan was then the ‘in-thing’ especially amongst Western nations.

More recent literature, however, has drawn attention to the fact that lately certain “classic” Japanese management techniques have begun to crumble and have been severely criticised, owing to a number of major forces including the change in economy; demographic, structural, ageing work force, the increase in the number of Japanese companies’ joint ventures with Western companies; and the changes in the Japanese workplace resulting from Japan’s increased exposure to Western cultures and the preference of younger Japanese for Western style of management. The related literature has also shown that not only has recession caught up with Japan, prompting far-reaching changes in an economy that is entwined with an ancient society, but also a new generation of well-travelled, educated Japanese has discovered how the rest of the world lives, and recognises the importance that industrialised nations place on leisure time and the quality of work-life. It

is argued that such attitudes are starting to affect the Japanese workplace as well as its “classic” model of management.

In addition, the related literature has drawn attention to the fact that because of the economic difficulties in Japan, companies are forced to abandon a number of their “classic” management techniques, such as the lifetime employment system and hiring practices. It is also argued that other “classic” management techniques, such as seniority-based systems and enterprise unionism are weaker than in the past. The literature has further refuted the perception that the Japanese businesses operate on a system of consensus building. In fact, some recent studies reveal that the most important decisions were made by selected groups of privileged managers and were taken to work groups only for their stamps of approval. It is also argued that in the past, very few workers would challenge such a decision because they did not want to appear disloyal or cause someone to lose face, while younger, more vocal workers of the new generations are more apt to question and challenge their managers.

Thus, from the review of the literature it can be said that Japanese management techniques in the 1990s were geared more towards blending of human values, organisational learning, and continuous adaptation. Perhaps this was necessary because the Japanese management system is constantly under pressure from both internal as well as the external forces. By internal forces, it means that workers demand leisure time and a more balanced life, while external forces, means that Japanese investors investing in foreign soils have to modify their “classic” management techniques to suit the local business environment. Thus, it can

also be said that the new blend of the Japanese model of management is not been purely “classic” when compared to the 1980s.

Despite the fact that the “classic” Japanese model of management is changing in Japan, if people outside Japan are asked what they know about the Japanese model of management, they often still refer to the “classic” model, and this reflects a common misconception.

In the next chapter (Chapter 3) the literature on the internationalisation of business, culture and cross-cultural management, and the Japanese model of management in foreign countries is reviewed.



## **CHAPTER THREE**

### **REVIEW OF LITERATURE ON INTERNATIONALISATION OF BUSINESS, CULTURE AND CROSS-CULTURAL MANAGEMENT, AND THE JAPANESE MODEL OF MANAGEMENT IN FOREIGN COUNTRIES**

#### **3.1 Introduction**

The objective of this chapter is to present a review of the literature on the internationalisation of business, culture and cross-cultural management, and the Japanese model of management in foreign countries. In order to do that, this chapter is divided into two parts.

The first part deals with the review of the literature on the internationalisation or globalisation of business, and culture and cross-cultural management. The second part, drawing upon the arguments surrounding both the theory of the internationalisation of business, and culture and cross-cultural management, discusses the transfer of the Japanese model of management to foreign countries. First, we start with the transfer of the Japanese model of management in the UK, then in the USA, and finally, in the four newly industrialising countries (NICs) of Singapore, Hong Kong, Korea, and Taiwan. The reason for selecting these six countries is because since the early 1990s, leading Japanese manufacturing firms have established their operations in these three major regions, namely, North America, Europe and Asia (see Abo, 1995).

## **Part I**

### **3.2 A Review of the Literature on the Internationalisation/Globalisation of Business**

The term “internationalisation or globalisation” refers to the processes that reduce barriers between countries, thereby encouraging not only closer integration of business/economic, political, and social activity, but also the spread of management ideas across national borders (Frenkel and Peetz, 1998). Kutschker and Baurle (1997), however, point out that the internationalisation of a firm can be interpreted as incremental “planned evolution” interrupted by episodes of rapid internationalisation of business. According to them, the concept of “planned evolution” implies that internationalisation is a result of both emergent processes and intended strategy.

Kutschker and Baurle (1997) also state that on the one hand, internationalisation is the outcome of a number of small decisions which are taken every day in a company and which are often based on trial and error procedures. They further state that unforeseen internal and external disturbances and incidents, which require ad-hoc decisions and do not allow up-front strategic planning, trigger many internationalisation steps. They conclude that if major competitors undertake strategic moves or one of the host countries introduces new regulations, this can force the company to respond quickly without having a plan or a strategy. On the other hand, the concept of “planned evolution” implies that internationalisation cannot be sufficiently explained by emergent processes (Kutschker and Baurle, 1997). Thus, they argue that it is more realistic to say that top management can up to a certain point control internationalisation and this is the point when the strategic issue becomes relevant.

Although there are disagreements regarding the term internationalisation, both authors seem to agree that it is not only about expanding business across national boundaries but it is also about the spreading of management ideas or techniques from home to host countries.

The internationalisation of business is not a new phenomenon. According to Hirst and Thompson (1996), the history of the globalisation of business is a long one and not something confined just to the period since 1960. They point out that although trading activities dated from the earliest civilisations, it was the Middle Ages of Europe that saw the initiation of systematic, cross-border trading operations carried out by institutions of a private corporate nature, though often with strong state backing and support.

The early approach to examining internationalisation from a process perspective goes back to Johanson and Vahlne (1977), who developed a dynamic model of internationalisation based on empirical work done by Johanson and Wiedersheim-Paul (1975). Their “Uppsala-model of internationalisation” views internationalisation as an incremental learning process, leading to a stepwise increase in the commitment to foreign markets. According to Johanson and Vahlne (1977), due to knowledge and experience deficits at the beginning of the internationalisation process, a company first enters markets similar to the home market before proceeding to unfamiliar ones.

Macharzina and Engelhard (1991) also propound a more recent approach to the process of internationalisation. Their “GAINS”-Paradigm is based on the “Gestalt” approach of organisation theory postulated by Miller and Friesen (1980). In contrast to Johanson and

Vahlne's approach, Macharzina and Engelhard suppose that changes in the internationality of corporation take the form of revolutionary "Gestalt" switches. These "quantum changes" which affect the whole corporation occur only if a misfit between organisational, strategic, managerial and environmental variables of the firm leads to inefficient behaviour (Macharzina and Engelhard, 1991).

Both approaches, however, have been criticised for being too deterministic, i.e. for not sufficiently including managerial intention in their theorising. Some authors (for instance, Kutschker and Baurle, 1997) also argue that both approaches seem to capture only part of the complex reality of internationalising.

It has also been contended that since the last decade, the business world has been increasingly globalised (Doney *et al.*, 1998). Similarly, Schell and Solomon (1997) mention that "international business and trade are growing at breakneck speed." Kish and Vasconcellos (1993) report that the internationalisation of business and management ideas has taken place at an unabated pace since the end of World War II. In terms of its general order of entry, Yip *et al.* (1997) argue that "national history has affected the general order of entry into international markets: Western European first, Americans second, Japanese third, and other Asian countries and some Latin American ones going international most recently."

It has also been argued that the internationalisation process is frequently represented as a gradual progression from exporting to ultimate foreign direct investment (FDI) (Johanson and Wiedersheim-Paul, 1975). The same authors mention that firms appear to move in a

series of more or less well-defined stages from exporting to foreign direct investment, in the course of which they increase their involvement and commitment of resources in each particular foreign market. Similarly, Hallen and Wiedersheim-Paul (1979) postulate that in entering subsequent foreign markets, firms then move in an orderly stepwise fashion from those which are closest, not necessarily in terms of geography but of “psychic” or socio-cultural distance, to markets that are more “foreign” and difficult.

Before we look at the different arguments pertaining to why businesses cross national boundaries, it is important to highlight the difference between the terms “multinational corporation” (MNC) and “transnational corporation” (TNC), in order to avoid confusion when the terms are used in the subsequent discussion. “Multinational corporation” is defined as a business operating in several countries and is controlled or constrained by the policies of a particular country in which it operates (English Dictionary, 1996). “Transnational corporation”, on the other hand, is defined as a firm “without specific national identification and with an internationalised management, and at least potentially willing to locate and relocate anywhere in the globe to obtain either the most secure or the highest returns...no longer controlled or even constrained by the policies of particular national states” (Hirst and Thompson, 1996: 11).

There are a number of different arguments pertaining to why businesses internationalise. Barlett and Ghoshal (1995), for example, argue that there are two traditional motives for doing so. One is a resource-seeking motive, while the other is a market-seeking motive. According to Barlett and Ghoshal (1995), firms that resort to the former motive are driven by a desire either to access key supplies such as minerals, energy and scarce natural

resources, or even to lower labour and other production costs. They further point out that there are two types of industries that resort to resource-seeking motivation. One is commodity-based industry, where competitive advantage is based on access to control key resources such as steel or coal. The other is mass-manufacturing industry where competitive advantage is enhanced by driving down the costs of a large pool of unskilled labour. According to Barlett and Ghoshal (1995), firms that resort to market-seeking motives aim to exploit economies of scale and scope in production in order to generate a source of competitive advantage over domestic rivals.- An example of the type of firm or industry that takes advantage of such motives is the mass-manufacturing industry (Barlett and Ghoshal, 1995).

Besides the two traditional motives, as postulated by Barlett and Ghoshal (1995), there are also other arguments pertaining to why businesses internationalise. Joynt and Warner (1996), for example, argue that there are two main reasons for doing so. One of these relates to the different stages of economic development in different parts of the world. The other results from unevenly distributed global resources as assumed by divergency theory. In fact, it could be maintained that because of the former reason we can see different eras or “waves” of multinational expansion. For example, during the First World War there were European multinational corporations (MNCs) such as British, German, Dutch, etc. and their expansion was partly a result of their developing empires. After the Second World War, we then see the American MNCs, followed by the 1970s and the growth of the South East Asian MNCs, and particularly the Japanese MNCs. Looking at this, it is clear that there was a wave of multinational interest from different parts of the world.

Similarly, Yip *et al.* (1997) argue that there are a number of reasons why businesses cross national boundaries. For example, they state that it could be due to the international division of labour or to certain legislation (for instance, anti-trust or anti-monopoly legislation) being imposed by the government concerned, or it could also be due to the fact that the local market becomes saturated or cost pressures and trade friction are increased. To illustrate this, they point out that one of the reasons why American firms in the late 1940s and early 1950s crossed national boundaries was because of anti-trust or anti-monopoly legislation.

In the case of Japanese firms, Yip *et al.* (1997) explain that they crossed national borders and move into American soil in particular, in large numbers from the mid 1970s because of the fear that their products would be subject to tariff and other trade restrictions in the American market. This view was suggested earlier by Kish and Vasconcellos (1993) who state that “the establishment of subsidiaries of major Japanese automobile manufacturers in the U.S. during the 1980s is a visible example of a strategy designed to fend off protectionist threats.” Yoshida (1987), however, has a different argument and believes that the reasons behind the Japanese manufacturing investment in the U.S. is its political stability, special tax incentives and other state and local government incentives.

Despite the fact that there are disagreements among some authors with regard to why businesses cross national borders, it is generally agreed that one of the main reasons is to expand the business internationally in order to minimise costs and maximise profits or to secure the highest returns (Frenkel and Peetz, 1998; Hirst and Thompson, 1996). In doing

so, it has brought along a number of important aspects, such as the economic effects of the rapidly expanding international trade and financial flows (Frenkel and Peetz, 1998).

According to the World Bank 1997 Report, international trade grew from 25 percent of the world gross domestic product (GDP) in 1970 to 45 percent in 1990, and there was a doubling of foreign direct investment (FDI) flows between 1980 and 1994 relative to both global gross fixed capital formation and world GDP. Similarly, according to UNCTAD (1995: xxii), “the number of parent firms headquartered in 15 major developed home countries nearly quadrupled between 1968-1969 and 1993, from 7000 to 27,000.” Many countries have moved to deregulate markets, privatise state enterprises, and strengthen measures such as bilateral investment treaties to prevent discrimination against foreign investment (UNCTAD, 1995: xxvii).

In East Asia, for example, between 1980 and 1995, merchandise exports and imports of the seven main ASEAN nations increased by 17 percent a year compared with a corresponding figure of 8 percent for the world (WTO, 1996: 22). According to the same report, East Asia (excluding Japan) accounted for nearly a quarter of the total world FDI inflows in 1994, compared with an annual average of around 9 percent over the 1984-1989 period. This again suggests that the globalisation of business and the flow of international trade have dramatically increased.

Another important aspect within the context of the internationalisation of business that this study is concerned with is the transfer of management ideas or techniques from home to host countries. A study on globalisation and industrial relations in East Asia: a three



country comparison by Frenkel and Peetz (1998), shows that “globalisation permits the transfer of effective management techniques from subsidiaries in the advanced countries to Asia.” Similarly, Schell and Solomon (1997) state that when businesses cross national borders, management ideas or techniques are being transferred from home to the host countries.

Many other studies also acknowledge the fact that management ideas or techniques from home countries are being transferred to host countries when businesses cross national borders (Hendry, 1996; Xing, 1995). A review of empirical studies on the transferability of management ideas or techniques, and in particular those of the Japanese, reveals that such practices have been transferred from large Japanese firms in Japan into the operations of overseas Japanese subsidiaries (Dedoussis, 1995).

Although it has been argued that globalisation permits the transfer of management ideas or techniques from home to host countries (Frenkel and Peetz, 1998; Schell and Solomon, 1997; Hendry, 1996; Xing, 1995), only part of the home country’s management ideas or techniques are transferred when businesses cross national borders. According to Frenkel and Peetz (1998), the main reason is because there are barriers to transfer which include limited contact between subsidiaries, product and labour market differences, and cultural variations between home and host countries. Similarly, in the case of the Japanese firms operating abroad, the dominant explanation for the fragmented transfer of management ideas or techniques from parent companies in Japan into overseas subsidiaries has been built on the notion of the socio-cultural uniqueness of Japanese management and its irreconcilability with the alien environment of the host countries (Fukuda, 1988; Kono,

1984/1985). A study by Xing (1995) reveals that because of these cultural variations, it is difficult to achieve the wholesale transfer of management ideas. Moreover, he states that because of the cultural variations, firms that cross national boundaries are under pressure to develop cross-cultural management abilities and skills. For example, U.S. and Chinese businessmen who meet to conduct transactions or joint ventures are keenly aware that cultural factors heavily influence their management styles and practices (Xing, 1995).

It is clear from the above discussion that management ideas or techniques do spread as a result of the internationalisation of business. However, it is incorrect to suggest that the spread of such ideas has taken place entirely because of the fact that businesses cross national borders. In fact, a number of commentators (for instance, Gopinath, 1998; Fong, 1992) argue that there are other means of spreading management ideas, either directly or indirectly, such as through political influence, education, industrial or vocational training abroad, etc. Gopinath (1998), for instance, claims that since the British came to India in the late 16th century, their presence has been felt everywhere. According to the same author, the British have not only influenced India's political system but also they paved the way for the establishment of Western management practices within the Indian environment.

With regard to education, it has been argued that the influence of Western education on the spread of management ideas has been very profound in many developing countries (Fong, 1992). How is this possible? According to Fong (1992), many people, particularly from the developing countries, are being educated abroad. He then goes on to explain that by being educated abroad, these people are being exposed to a number of influences, for

example, foreign culture, foreign life-style, foreign management ideas, etc. and these are experienced either by direct contact, such as friendship, or through indirect means, i.e. by reading books and journals. Hence, when these people come back from abroad, it is obvious that they can also indirectly influence the spread of management ideas when they hold managerial positions or even become involved in politics (see Yasin, 1990). However, it can also be argued that the spread of management ideas is not only being influenced or encouraged by people who have been educated abroad. In fact, even the school curriculum, for example, in Malaysia, which has long been based on the British system, can influence the spread of such ideas, particularly British management ideas in Malaysia (SOPL, 1991-2000). It is therefore logical to argue that the spread of management ideas might have actually taken place long before the internationalisation of business.

Based on the above review, it is obvious that there are a number of reasons why businesses cross national boundaries, such as to expand their marketing base; to take advantage of cheap labour, abundant raw material, technology, managerial expertise, and investment incentives; to avoid trade friction; and to avoid certain legislation such as anti-trust or anti-monopoly legislation, etc. By operating in several countries, management ideas or techniques are spread or transferred from home to host countries. However, the important question here is would it be fairly easily to transfer wholesale management techniques given the fact that there exist cultural barriers between home and host countries? Later on we will be looking at the extent to which ideas or techniques can be effectively diffused or transferred.

### **3.3 A Review of the Literature on Culture and Cross-Cultural Management**

The role of culture in management theories has been studied by a number of researchers (Kelley and Worthley, 1981; Child and Kieser, 1977; Ajiferuke and Boddewyn, 1970; Hofstede, 1980; 1984; 1991; 1993; Lammers and Hickson, 1979a). In the study carried out by Kelley and Worthley (1981) on the various conflicting positions in the cross-cultural management literature concerning the relationship between culture and management techniques, they argue that most cross-cultural studies are actually cross-national studies which compare socio-cultural, political, and economic systems and not just culture. Despite the fact that a number of studies on cross-cultural management have been carried out, the role of culture in terms of management attitudes is still not generally agreed upon. The main problem arises not only from the many different definitions of culture, but also because of the vagueness of these definitions (Kelley and Worthley, 1981), as highlighted below.

The term “culture” has been defined in a variety of ways by various researchers and scholars. Among the earliest definitions is Mead’s (1951) who defines it as “a body of learned behaviour, a collection of beliefs, habits and traditions, shared by a group of people and successively learned by people who enter the society.” Another definition of culture is offered by Child and Kieser (1977), who describe it as patterns of thought and manners which are widely shared. Child and Kieser further state that the boundaries of the social collectivity within which this sharing takes place are problematic so that it may make as much sense to refer to a class or regional culture as to a national culture.

Ajiferuke and Boddewyn (1970), in their survey of comparative management studies, say this about culture: "Culture is one of those terms that defy a single all-purpose definition, and there are almost as many meanings of 'culture' as people using the term. Therefore, we find among the studies using a cultural explanation for managerial differences, a varied and widely divergent array of conceptions."

Hofstede (1984) identifies it as the shared characteristics, such as religion, heritage, language and values, that distinguish one group of people from another. In his more recent study on cultural constraints in management theories, Hofstede (1993) defines culture as "the collective programming of the mind which distinguishes one group or category of people from another." He also points out that it is a construct, meaning that it is "not directly accessible to observation but inferable from verbal statements and other behaviours and useful in predicting still other observable and measurable verbal and non-verbal behaviour."

Tung (1996) interprets culture as "an evolving set of shared beliefs, values, attitudes and logical processes which provide cognitive maps for people within a given societal group to perceive, think, reason, act, react and interact." According to Tung, this definition implies that culture is not static; rather, it evolves over time. Abdullah (1996) also points out that the word "culture" has many meanings. She states that it is most commonly used to describe a way of life of members of a society. She also states that for a culture to exist, its members need to have shared meanings, shared understanding and shared sense-making. The same author concludes by saying that "culture is therefore a collection of behaviour

patterns relating to thoughts, manners and actions which members of a society have shared, learned and passed on to succeeding generations.”

Thus, it can be seen that “culture” cannot be defined precisely nor is there a common definition accepted by all researchers, as highlighted by the 164 definitions of culture documented by Kroeber and Kluckhohn (1985). It might be argued that although an all-embracing definition of culture may not be possible, for the purpose of this study we may consider the definition in the popular study by Hofstede (1980, 1991).

Hofstede’s study (1980, 1991) has provided a framework that links the culture variable to the organisational context. From his analysis of data collected from subsidiaries of large multinational business organisations in forty nations, Hofstede concluded that national culture had a major impact on employees’ work-related attitudes. He argues that, in fact, culture explained more of the differences than did sex, age, or position in the organisation.

In differentiating employees in forty nations, Hofstede (1991) highlights four dimensions of culture, i.e. “power distance”, “uncertainty avoidance”, “individualism/collectivism”, and “femininity/masculinity”. According to the same author, “power distance” represents the way a society handles inequality – inequality that is inevitable in every society. Hofstede further stresses that it is the “extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally” (p. 28). “Uncertainty avoidance” is related to the amount of tolerance the members of a society have for ambiguity and uncertainty. “Individualism” exists in societies in which the ties between individuals are loose, whereas in “collectivist” societies,

people are born into and maintain with great loyalty strong and cohesive in-groups throughout their lives. The “masculinity/femininity” dimension relates to work goals. The same author points out that as a dimension of societal culture, masculine cultures are those in which gender roles are clearly distinct and feminine cultures are those in which gender roles overlap. He further argues that in organisational settings in masculine societies managers are expected to be decisive and assertive and there is an emphasis on equity, performance and competition among colleagues. In feminine societies, however, managers strive for consensus; equality, solidarity, and quality of work is emphasised, while conflicts are resolved by negotiation and compromise.

Although Hofstede’s study has been very popular and has aroused intense interest, nevertheless his samples, while controlling for organisational characteristics, do not lead to generalisations (Wasti, 1998). As such, his study has received its share of criticism (Hunt, 1981; Watson, 1987; Hollinshead and Leat, 1995). For example, Hunt (1981) has questioned the generalisations that could be drawn from Hofstede’s samples, which were collected from one multinational organisation. He also argues that the results from Hofstede’s study could be contaminated through selection processes that sought individuals with predetermined personalities and values. Watson (1987) also contends that the results from Hofstede’s study could also be distorted as a result of subsequent acculturation, formal development and training that might lead to a typical set of norms and values in every respect of the corporate culture. Similarly, Hollinshead and Leat (1995) criticise Hofstede’s study by saying that his model is methodologically imperfect. According to them, Hofstede’s sample was not only limited but “the four dimensions are too heavily

drawn from Western concepts as he suggests that the ‘uncertainty avoidance’ dimension may not be relevant in Eastern cultures” (p. 14).

Despite the criticism, “Hofstede’s work continues to be the only study that, on an empirical basis, successfully ties cultural orientation and observable institutional differences between countries in a parsimonious framework” (McGrath *et al.*, 1992, as cited in Wasti, 1998). Triandis (1982) also states that Hofstede’s study will no doubt stand as one of the major landmarks of cross-cultural research for many years to come. In fact, a number of studies have drawn on Hofstede’s findings, for example, a study on team training (Kirkbride *et al.*, 1990), learning styles of managers (Hayes and Allinson, 1988), and cultural barriers (Wasti, 1998).

Similar to the culture of a society, an organisation also has its own culture. An organisational culture consists of its structured systems of policies and procedures and the hidden aspects of its underlying assumptions and values. Deal and Kennedy (1982) in their book on Corporate Culture, state that it is the “way we do things around here”, and it is the key to growth, success and excellence achieved by the organisation or a corporation in the competitive business environment. Similarly, Abdullah (1996) states that an organisational culture is the face a company presents to the world, and over a period of time it will evolve a distinct identity and character.

The study of organisations and their culture have been well-documented in numerous management literatures (Wasti, 1998; Kelley and Worthley, 1981; Child and Kieser, 1977; Hofstede, 1980; 1991). Most of the research carried out on corporate cultures tends to



describe what they are, how to build them and what leaders must do to help create and sustain them. For example, to the Japanese, the culture of an organisation is based on a collective orientation of its employees (Abdullah, 1996). According to Abdullah (1996), rather than just a workplace comprising separate individuals, the collaborative spirit of the village pervades Japanese work experience. There is considerable emphasis on interdependence, shared concerns and mutual help. Employees frequently make life-long commitments to their organisation, which they see as an extension of their family. Authority relations are often paternalistic and highly traditional and deferential. Strong links exist between the welfare of the individual, the corporation and the nation. In fact, in Japanese organisations it is fairly obvious that they have been able to combine the cultural values of a farming cultivation of their rice fields with the spirit of service of the samurai at the workplace (Abdullah, 1996).

Indeed, in many other foreign-based organisations, their business-oriented values are derived consciously and unconsciously from the culture of their founding fathers, shareholders and key players. For example, American cultural values have profoundly affected Mobil, IBM, Dupont and Exxon, while Japanese cultural values pervade Mitsui, Hitachi, Sony and Nissan (Abdullah, 1996). According to Abdullah, these organisations bring along their culture in the form of systems, procedures, techniques and ways of developing human resources to countries wherever they do business. However, these same systems, procedures or techniques do not necessarily work effectively in another country, primarily because of different socio-cultural systems (Wasti, 1996; Smith *et al.*, 1995).

Thus, it is obvious that management ideas or techniques practised in a particular country (be they in Japan, the USA, the UK, Germany, France, etc.) have been shaped not only by managerial ideology, business strategy, organisational structure, political and economic variables but also by the culture of that country (see Poole and Jenkins, 1997). Because of the extent of the cultural variations, a number of researchers conclude that it is indeed very difficult to transfer management ideas or techniques, especially in their pure form, from one culture to another (Hofstede, 1991, 1993; Hu and Warner, 1996; Wasti, 1998; Frenkel and Peetz, 1998; Tung, 1996). For example, Hu and Warner (1996) state that because of culture differences, “what works” in one specific culture may not work in another. Similarly, Hofstede (1993) states that the way people see, perceive and understand management and organisations is conditioned by culture. As a result of that, Hofstede says; “if already the word ‘management’ may mean so many different things, how can we expect one country’s theories of management to apply abroad?” Clark and Mallory (1996) also argue that it is difficult to apply management techniques from one culture to another because of cultural constraints. Also, Hodgetts and Luthans (1990) point out that the greater the cultural diversity between one country and another, the more likely it is that management techniques cannot be literally transferred.

A number of authors also mention that partly owing to cultural diversity, there is a significant difference between human resource management (HRM) techniques between one country and another. For example, in the USA the HRM techniques have primarily emphasised the implementation of employment legislation around issues of discrimination and equal opportunities; the development of flexible employment contracts; and the efforts to increase employee participation (Strauss, 1992). Concerns in the UK, on the other hand,

have focused around the reduction in the power of the trade unions and the linkages of HRM with corporate strategy (Storey, 1992). It has been argued that “because of the decline in trade union power, the role of personnel managers is in terminal decline and is being replaced by the line management function” (Poole and Jenkins, 1997: 843). Unlike in the USA and the UK, HRM techniques in France have more of an emphasis on language tuition and on meeting minimum levels of expenditure on training which have been established by national legislation (Smith *et al.* 1995). In Japan, there is even more of a difference where the dominant features are generally held to be high levels of employer/employee commitment and a strong emphasis on training and development in the workplace (Smith *et al.*, 1995).

Having said that, it is quite obvious that management ideas or techniques that are practised in one country have to be modified when transferred to another because the way HRM techniques have been practised in the former will not suit the political, economic and cultural practices of the latter. Clack and Mallory (1996), for example, point out that management techniques or theories such as MBO and HRM developed in the USA may have to be considerably modified to become acceptable in countries of different political, economic and cultural practices. Similarly, Ichimura (1981) argues that the Japanese have to modify their techniques when transferring to countries in South East Asia in order to become consistent with the local environment and the local practices. Francesco (1981) also indicates that the success in using Western management techniques in Hong Kong depends very much on the skill of local managers in adapting the techniques to fit local conditions, which are obviously very different from Western conditions. DiBella (1993), in his study across three different countries, namely, the Philippines, India and Uganda,

argues that when cultural differences exist, management techniques need to be adapted to achieve the outcome that is desired.

All the above studies seem to support Hofstede's (1991) general assertion that what applies in one specific culture may not apply in another culture and therefore the original ideas or techniques need to be modified in order to suit the latter. Hence, from the above discussion it can be suggested that one's own culture cannot be easily replaced or changed by any external force. This is because culture is a set of values, perceptions, beliefs, habits, basic assumptions or the way of life of a group of people.

Thus, in the context of Japanese management techniques, for example, it might be argued that in so far as they are themselves an expression of Japanese culture, their maximum effectiveness by the same token may be limited to the Japanese setting. Perhaps because of that, Hamzah *et al.* (1989) argue that what works for the Japanese in Japan may not work for others.

Based on the foregoing review, what we have actually seen here is a debate between two different views. In this respect, there is a marked disparity between one view which says that globalisation means that management ideas spread, and the other which says that management ideas actually do not spread very far because of cultural variations. What arises from this debate is an interchange between these two views and not surprisingly, neither extreme is sufficient on its own. What the issue actually concerns is the extent to which ideas spread and the extent to which culture acts as a barrier to this spread.

## **Part II**

This part discusses the transferability of the Japanese model of management or Japanese management techniques to other countries. Transfer is used as a general term to encompass the efforts made by both the Japanese firms and indigenous firms in each country in this process. The related issues that are discussed include: (i) the strategy used in the process of transplanting Japanese management and production techniques in host countries; (ii) the experience of local plants in implementing Japanese management techniques; and (iii) the barriers that inhibit the transferring of Japanese management techniques to firms in host countries.

Some authors found that Japanese management techniques have been widely emulated in North America, Europe, and Asia (McMillan, 1996; Abo, 1994; Oliver and Wilkinson, 1992). According to McMillan (1996:354), Japanese multinationals were among the first to transfer their management techniques abroad. Firms such as Sony, Hitachi, Panasonic, Sharp and Mitsubishi, in places as diverse as California, Ontario, Wales, and Tennessee have become testing grounds for Japanese management techniques using non-Japanese workers. Later, leading Japanese auto firms such as Toyota, Honda, and Nissan also established their worldwide network of local production activities and introduced Japanese management techniques (McMillan, 1996: 354).

In the last two decades, the transfer of Japanese management techniques to other countries has been made via three modes (Ackroyd *et al.*, 1988). According to Ackroyd *et al.*, the first mode is called direct Japanisation, by which, Japanese firms operating abroad try to introduce some techniques or practices of their parent companies. In the second mode,

which Ackroyd *et al.* call mediated Japanisation, locally owned firms endeavour to run their operations alongside Japanese management techniques. The third mode is called permeated or full Japanisation. According to the same authors, it is the mode in which the economy itself would actually reproduce Japanese forms of economic structure as well as production procedures and employment relations. However, it is argued that only the second mode has gained popularity in recent years because of the fact that Japanese management success both at home and abroad has been widely documented (Ackroyd *et al.*, 1988). For the purpose of this study, only the first and second modes will be discussed, beginning with the transfer of Japanese model of management to the United Kingdom.

### **3.4 The Japanese Model of Management in the United Kingdom**

#### **3.4.1 Japanese Subsidiaries**

The interest of Japanese business in European markets was particularly limited in the 1970s, because (i) Japanese corporations had always thought of European markets as difficult to penetrate; and (ii) Japanese corporations were focusing their attention on the growing trade friction with the United States (Oliver and Wilkinson, 1992). During the early 1980s, the rising export competitiveness of Japanese manufacturers increased the Japanese balance of trade surplus with the EC countries and this surplus created trade friction between the Japanese and EC countries, particularly in electronics-related sectors. The Japanese were further pressured when they were subjected to EC protective measures, such as anti-dumping duties and quantitative restraints. But with the introduction of the Single Market programme in the middle of the 1980s, the Japanese perception of the EC market has changed (see McMillan, 1996).

It has been argued, however, that it is not only the introduction of the Single Market programme that is responsible for the sudden surge in Japanese direct investment in Europe, but there are some other factors too. According to Oliver and Wilkinson (1992), these include (i) the desire to take advantage of the overseas markets; (ii) the wish to prevent further economic friction between Japan and its export-destination countries; (iii) an attempt to avoid a generally tight labour market with high wages; and (iv) an attempt to avoid high production costs at home due to the high-yen. The same authors further argue that it is the combination of all these factors that is responsible for the dramatic increase in the level of Japanese manufacturing investment in Europe.

In terms of the number of Japanese investments in Europe, McMillan (1996) points out that in 1983, there were 157 Japanese companies with manufacturing facilities in Europe. Since then they have been increasing rapidly and have reached 676 by 1991. In terms of sectors, the electronics and electrical appliances sectors account for a fourth of Japanese manufacturing activity in Europe, with chemicals and vehicle production sectors also contributing a substantial amount of Japanese investment activity.

According to McMillan (1996), Britain is the principal beneficiary of Japanese manufacturing investment in Europe, receiving more than 40 percent of the total volume. Other beneficiaries include France, Germany and Netherlands (Table 3.1).

Table 3.1

## Overseas Japanese Companies and Employees in Europe

Country	All Industry			Manufacturing		
	Companies	Employees	Expatriate	Companies	Employees	Expatriate
U.K.	871	82,519	3,349	180	40,355	765
Netherlands	370	16,235	883	39	10,000	99
France	333	28,254	757	89	13,929	231
Germany	598	53,837	2,438	105	28,179	381
Other	987	85,035	2,056	209	48,956	680

Source: McMillan, 1996, p. 358.

There are a number of reasons why the Japanese favour the UK. According to McMillan (1996), first, it is because of Britain's status as a leading European economy with a substantial internal market. Second, it is because of Britain's long-established tradition in engineering, while the third reason is due to its skilled and relatively low-cost labour. A fourth reason is attributed to the co-operative stance of both the national and local governments, while the final reason is because English is regarded as the International business language.

As far as the investment site in the UK is concerned, the principal considerations in choosing a site for Japanese companies are the quality of the labour pool, distribution logistics and good infrastructure (McMillan, 1996). Perhaps because of these considerations, it can be seen that Japanese manufacturing companies have established their operations in Southeast, Wales, Scotland, South-East England and North-East England (Hill and Munday, 1992).

What are the impacts of Japanese investment in the UK? The impacts of Japanese investment in the UK lie in the job-creation, technology, knowledge and/or skills transfer,



and reduced UK trade imbalances with Japan. In terms of job-creation, it is said that the Japanese carmakers have created more than 11,000 manufacturing jobs in the UK (Palmer, 1996). The “spillover” effect on local companies from the higher standards of incoming Japanese companies could also be more substantial, because any transfer of knowledge or skills from Japanese management techniques, which are often more sophisticated than in the West, is bound to benefit the host country. This could happen either when British managers go to work for Japanese corporations and then move on to local companies, taking their new skills with them, or when Japanese manufacturers raise the standards of UK suppliers or manufacturers by working closely with them. Indeed, there is evidence that the process is working. Lynn (1992), for instance, points out that the influence of Japanese manufacturing methods on the British car industry is quite profound and in fact, in the 1980s, there was a massive change to automation in the UK when its car industry copied Japanese automation methods and ideas.

Besides technology transfer and lifting-up standards, some authors point out that the Japanese companies operating in the UK have also introduced their brand of management techniques while dealing with local workers. For example, an earlier study by Thurley (1982) indicates that Japanese firms in the UK have employed certain policies and techniques in the process of implementing their brand of management practices. According to Thurley, the most common technique used is called task-pairing, by which Japanese managers will work closely with their Western counterparts in a given task. It is believed that by doing so, some elements of the Japanese management techniques can be transferred (Thurley, 1982).

Another technique used, which is more forceful and usually used in the manufacturing practices, is through a flexible deployment of labour. In the Japanese manufacturing environment, deployment of labour is a pre-requisite in order to operate efficiently and effectively. Therefore to ensure that employees move from one department to another, Japanese managers usually utilise the power of a single union. According to Wilkinson *et al.* (1993), Japanese managers use the power of a single union to establish management's right to deploy labour as they see fit.

It is also said that the parent company in Japan usually dispatches their experienced managers to function as team leaders when they introduce their own brand of management (Rodgers and Wong, 1996). The same authors point out that for the start, the team leaders normally introduce selective practices, such as loyalty (wearing of company's uniforms); bottom-up decision-making (*ringgi*); and groupism (suggestion box and QCC). Perhaps the Japanese have realised that they have to test the "playing field" before technical practices can be introduced. To speed up the transfer process, key line-managers and supervisors, the majority of whom are British, are sent to Japan for induction and training in the parent companies (Rodgers and Wong, 1996).

A number of other studies found that despite numerous obstacles, some elements of the Japanese management techniques that are used by a parent company in Japan have been successfully transferred to their UK subsidiaries. Among such techniques are QCCs, the suggestion system, zero defect movement, consensus decision-making, flexible working, open-office, on-the-job training, job rotation, no-lay off policies, and just-in-time (Munday,

1990; Oliver and Wilkinson, 1989, 1992; Jones, 1991; Grint, 1993; Evans, 1993; Heller, 1994; Palmer, 1996; McMillan, 1996).

According to McMillan (1996: 352), Sony and scores of Japanese firms in Wales have also been applying the Japanese management techniques such as total quality management, identical management-worker uniforms, consensus decision-making and permanent employment, although this region has been the traditional centre of domestic labour-management conflict in UK industrial relations.

In addition, it is said that Japanese manufacturing firms in the UK have introduced their own brand of personnel policies in dealing with local staff (Evans, 1993). In her 1993 study of two Japanese firms in the UK, Evans's findings suggest that some Japanese personnel practices or techniques, particularly with regard to selection procedures, training and company culture have been utilised extensively. However, according to Evans, Japanese firms follow a dual employment structure for expatriates and local staff. Similarly, it is argued that other personnel practices or techniques such as single status, in-company communications, job security, company representative bodies and the use of temporary workers have also been introduced (Oliver and Wilkinson, 1992). However, Oliver and Wilkinson are of the opinion that the Japanese managers have often had to modify these techniques to suit the local requirements. These modified techniques are known as the Anglo-Japanese hybrid management model: the blend of two distinctively different cultures (Abo, 1995).

What are some of the factors that might contribute to the success of Japanese management techniques abroad? A study by White and Trevor (1983) reveals that the extent of the implementation success depends greatly on expatriate personnel. Their finding is consistent with the evidence presented in Womack *et al.* (1990: 273). According to Womack *et al.* (1990), the Japanese affiliates in the auto industry that are successful in replicating the Japanese lean production system are the ones with a strong Japanese management presence in the early years, whereas in those plants where the key management positions are turned over to nationals too quickly, the performance is not much better than the host country average.

Similarly, Milkman (1991: 92) found a positive relationship between the presence of expatriates actively engaged in running the organisation on a daily basis and the successful implementation of Japanese production techniques. Perhaps the strongest expression of this idea comes from Kono (1984: 156), whose research led him to assert that it is absolutely essential to have Japanese managers stationed at the subsidiary for the smooth transfer of Japanese management techniques.

Despite a certain degree of success achieved by Japanese firms in the UK, the implementation process has not been without its problems. Studies such as Abo (1995); Broad (1994); and Palmer (1996) reveal that Japanese managers have encountered some difficulties while in the process of implementing their management model to local staff. The level of resistance was much higher from white-collar and managerial staff when compared to the blue-collar workforce, according to White and Trevor (1983). They further argued that this was partly because British white-collar staff were more interested in

personal competition, job mobility for career development and their own individual career path, rather than in the organisation as a whole. Broad (1994) shares this view, maintaining that lack of teamwork among British workers remains a persistent problem for their Japanese colleagues.

Among some companies that have experienced problems are Denkico, Sony and a few others. Denkico, for example, soon after they introduced QCC, ran into problems because of some resistance from both workers and supervisors (Broad, 1994). According to Broad, workers have complained that the quality circle idea was simply an attempt to keep some form of work effort going during the quality periods of “down-time”. In the case of Sony, they have been plagued by supplier problems since the implementation of JIT (Morris and Imrie, 1993). Other Japanese companies like “SpeedCo”, “CopyCo”, and “CommuniCo” also experienced similar problems when they introduced Japanese personnel policies (Palmer, 1996). According to Palmer, the problems that the Japanese managers encountered with the local workers were diverse: from a lack of work discipline, poor attendance, a high level of absenteeism, and a high labour turnover to a low level of commitment.

Even though, some studies have shown that the Japanese have been quite successful in transplanting other techniques or practices, there is little evidence that shows the “three divine treasures” have been successfully implemented by Japanese companies in the UK. One of the reasons might be because the “three divine treasures”, i.e. lifetime employment, seniority systems and the *ringgi* system are culture-bound and not compatible with Western culture. According to Jones (1991), even the system of consensus management in Japan,

which achieves employee support and loyalty, appears to be alien to a typical British management style. Hence, one can conclude that the Japanese model of management, which is believed to be tied up to the Japanese culture, is not always easily transferable and does not work as well in another cultures as typically thought by Japanese as well as Western managers.

### **3.4.2 British Firms**

Another effort in transplanting the Japanese model of management to the UK has been made by British firms. In the 1970s, following a further deterioration of the UK economy the interest in learning from Japan was fast becoming the hallmark of the decade, as reflected in the European literature on Japanese management (Gordon, 1988). Large numbers of young British managers were gazing across the Pacific Ocean to Japan in the belief that they could somehow ferret out Japan's secret of success (Gordon, 1988). The Japanese model of management is therefore seen as a way to revive the UK economy and restore its competitive edge once again (Oliver and Wilkinson, 1992: 98). As a result, companies like Lucas Industries, Ford UK and Southern Components have made an attempt to implement what they perceive as the best of Japanese techniques or practices.

It is said that British investors have recently collaborated with Japanese investors with the aims of not only to learn about Japanese management techniques but also for other reasons such as to minimise culture and language complications, trade barriers, etc. (McMillan, 1996). In fact, according to McMillan (1996), factors such as the Japanese culture and language complications, the distribution system as well as formidable entry barriers have indeed restricted British investment in Japan. Therefore, to avoid all these complications,

some British companies such as Merck and Company have joined-venture with Banyu Pharmaceuticals (McMillan, 1996: 356). British manufacturers are of the opinion that collaboration with the Japanese is a suitable strategy as they are highly committed to high technology. Furthermore, the need for change, as mentioned by Ackroyd *et al.* (1988), as well as the need to link-up with the Japanese technology (McMillan, 1996), has encouraged British managers to integrate the best of Japanese techniques into their existing system.

In the process of “learning from Japan”, British manufacturers have adopted the best of the Japanese manufacturing techniques such as JIT, *kanban*, TQC, flexible work and the suggestion system (Oliver and Wilkinson, 1992) (see Table 3.2 & 3.3). The domination of Japanese organisations and products in the world due to their superior quality is well-documented and has led to the quest for a way that provides a “Holy Grail” of quality. British manufacturers were not to be left behind and soon, QCC became the common buzzword.

Since the late 1980s QCC has been growing steadily in the UK and has being used in organisations including banks and the Civil Service (Ho, 1993). By the early 1990s, there were around 120 organisations registered with the National Society of Quality Circles (NSQC) (Ho, 1993).

Table 3.2

## Japanese Production Methods and Practices in UK Companies

Practice	Never used (%)	In use (%)	Planned or being Implemented (%)
Operator responsibility for quality	5	77	18
Continuous improvement	8	72	20
JIT production	18	68	14
Quality circles	18	68	14
Set-up time reductions	24	65	11
SPC	15	59	26
Total quality control	8	56	36
Cellular manufacture	43	50	7
Design for manufacture	39	51	10
Kanban materials control	48	42	10

Source: Oliver and Wilkinson, 1992, p. 138.

Table 3.3

## Personnel Practices in UK Companies

Practice	Never used (%)	In use (%)	Planned or being Implemented (%)
Team briefings	5	89	6
Use of temporary workers	38	59	3
Single-status facilities	36	49	15
Performance-related pay	28	64	8
Company council	41	58	1
Profit sharing	39	53	8
Performance appraisal	25	48	27

Source: Oliver and Wilkinson, 1992, p. 181.

It has also been well-documented that there are some advantages derived from the adoption of the best Japanese techniques. A study by Oliver and Wilkinson (1992), for example, reveals that Rolls Royce saved hundreds of thousand of pounds from its circle programme, as did Jaguar when the company decided to implement QCC and JIT. Moreover, Lucas, another British company, was able to develop “a family-type” relationship with suppliers after implementing JIT (Morris and Imrie, 1993). British companies supplying parts and components to NMUK also benefited from the cross-cultural technology transfer. Their



company engineers have worked closely with the Japanese engineers to meet the quality standards, as demanded by NMUK (Thompson and Rehder, 1995).

Despite the advantages, as mentioned earlier, some British companies who have adopted some elements of the Japanese management techniques have also experienced some problems. For example, Morris and Imrie (1993) claim that some British manufacturers as well as suppliers have encountered some difficulties while implementing the so-called “best” Japanese management techniques. According to them, the inability of British firms to meet the demands of the new system, as required by JIT (for instance, frequent and consistent but small batch delivery) has caused the main problem. They also claim that problems also lie in the fact that the supply infrastructures, in some cases, were relatively weak along a number of dimensions: technically, developmentally, and managerially. More profound setbacks, according to them, were that the suppliers had too wide a customer base, unlike their Japanese counterpart, and this has caused failure in JIT implementation. This clearly suggests that there are great difficulties of piecemeal implementation as far as JIT is concerned.

Besides the difficulty of its piecemeal implementation in the British economic system, another cause of the failure of the JIT system in British industry can be attributed to the attitudes of suppliers. According to Oliver and Wilkinson (1992: 100), when Rover introduced JIT, many suppliers were not satisfied because they considered this practice as an excuse to pass stockholding costs on to them. Oliver and Wilkinson further mentioned that Rover’s workers saw it as a “slow and laboured” process.

The fact that most British workers are still too used to the British way of doing things has also hindered the success of transplanting the best Japanese techniques to British firms. For example, Palmer (1996) mentions that when quality control is introduced, quality problems still exist due to the lack of the required level of discipline and commitment from British operators, who are said to be more interested in pursuing their own objectives than those of the company. Oliver and Wilkinson (1992) earlier share this view, and state that the workers' union in Ford UK rejected outright the practice of "signing off" the work after self-inspection when the company introduced the quality inspection method based on Japanese styles. "CommuniCo" (UK) Ltd faced the same problem when its comprehensive checking system (operators sign off their own work as quality checked) had to be abandoned when the system did not work and the operators made a joke out of it (Palmer, 1996).

The other obstacle that has hindered the implementation process is related to the fact that many Japanese management techniques depend on an appropriate set of supporting conditions in order to be successful in foreign settings (Oliver and Wilkinson, 1992: 173). This again suggests that it is difficult to implement Japanese techniques piecemeal. According to their study, Oliver and Wilkinson (1992) claim that "existing culture" is the single most frequently cited obstacle to change (Table 3.4).

Table 3.4

## Obstacles to Change in UK Companies

	Number of citations as:			
	First obstacle	Second obstacle	Third obstacle	Percentage of total
Existing culture	17	-	-	27
Unions/demarcation	6	3	-	14
Lack of support at senior levels	7	2	-	14
None	8	-	-	13
Attitudes of middle management	4	2	1	11
Attitudes of labour	-	3	2	8
Lack of resources/investment	3	2	-	8
Technical constraints	2	1	-	5
	(47)	(13)	(3)	(100)

Source: Oliver and Wilkinson, 1992, p. 174.

Other main barriers to the implementation of the best Japanese techniques include the attitudes of Western managers. Jones (1992) points out that it has been hard enough for Western managers to identify, let alone adopt, the operational techniques or practices such as JIT, which have served Japanese companies so well. Since mastering the skills was one of the factors that help to ensure the implementation success, according to Jones, it is always hard for Westerners to recognise the most salient lessons from their Japanese counterparts. The main reason is partly because of the fact that these salient lessons or the most important skills from the Japanese are hidden in behaviours that are difficult to reconcile with Western beliefs (Jones, 1992). One may agree that fundamentally, many of the most valuable things to learn lie in the fact that Japanese management is not simply a different way of doing the same thing, rather, it is a way of doing something differently and so differently that, in fact, to Western eyes, it is heresy.

Thus, despite the vigorous efforts by Japanese as well as British managers to implement the Japanese model of management in the UK, the degree of success has been very limited. It has been well-documented that the extent of change in British industry, in fact, appears to be not as extensive as previously perceived, as far as the Japanese model of management is concerned (Oliver and Wilkinson, 1992). Perhaps it is because of major obstacles, such as culture, and since the two culture are very different most British firms do not implement the Japanese management techniques such as seniority-based wage and promotion systems and consensus decision-making (Oliver and Wilkinson, 1992). In fact, it has been argued that most British firms still favour individual merit rather than a seniority-based system when wages and promotion are concerned (Oliver and Wilkinson, 1992).

Although open discussion and teamworking have been implemented in some British firms, it has been argued that these techniques have also failed, not only because they do not suit the British culture of individualism but also because British managers are reluctant to delegate as a result of a tendency to protect one's territory (Oliver and Wilkinson, 1992: 100). This again suggests that some of the Japanese management techniques do not work well outside a Japanese cultural setting. Nevertheless, as a result of application and adaptation, a hybrid model has emerged in the UK with many of the characteristics of the Japanese model.

### **3.5 The Japanese Model of Management in the United States**

#### **3.5.1 Japanese Subsidiaries**

The increasing number of Japanese companies in the U.S. since the mid 70's can be attributed to the fear that their products in the American market would be subject to tariff and other restrictions. In order to mitigate the prevailing tense trade relations with the Americans, the Japanese began direct investment by setting up manufacturing plants as well as forming joint ventures with established American companies. Some of the most notable examples of joint ventures are NUMMI, the joint GM/Toyota venture in California, Diamond-Star, the joint Chrysler/Mitsubishi venture in Illinois and Ford-Nissan joint venture. Apart from joint ventures with American companies, Japanese auto giants have also set up their assembly plants in the U.S. These include Honda in Ohio, Toyota in Kentucky, Nissan in Tennessee, and Subaru-Isuzu in Indiana. Since the initial success of these joint ventures, Japanese direct investment in the U.S. increased dramatically from \$10 billion to \$84 billion between 1982 to 1992 (Rao and Hashimoto, 1996).

Why were the Japanese investors keen to invest in the U.S.? It was claimed that this was because any forms of technological and production agreement with overseas partners would provide the Japanese with a strong blocking strategy to retain a market share (McMillan, 1996). According to McMillan (1996: 346), the formidable forces in the 1990s, such as the high value of the yen and the need to contract out, have also forced Japanese investors to invest overseas. In Table 3.5, which shows the Japanese investment in North America, it is interesting to note that the number of Japanese expatriates increases with their investment. These expatriates have influenced the management structure of the Japanese companies in the U.S. where Japanese expatriates have filled most of the top

management positions as well as assumed ultimate responsibilities for all vital functions (McMillan, 1996). In fact, according to Rao and Hashimoto (1996), about seventy percent of senior and middle managers employed in Japanese firms in the U.S. are Japanese, and they say that these groups of Japanese managers have been responsible for introducing Japanese management techniques to the local staff.

Table 3.5

Overseas Japanese Companies and Employees in North America

Country	All Industry			Manufacturing		
	Companies	Employees	Expatriate	Companies	Employees	Expatriate
Canada	332	39,490	866	93	23,367	275
USA	3,558	541,245	17,276	1,141	319,164	6,273
Mexico	113	39,178	337	68	36,318	247

Source: McMillan, 1996, p. 358.

Since the publication of *Theory Z* and *The Art of Japanese Management*, the literature on the Japanese model of management or Japanese management techniques and the feasibility of adopting such techniques/practices in the U.S. has been very extensive. The quality of these accounts, however, is wide-ranging. Too many are perhaps ill-informed and opportunistic efforts to capitalise on the explosive demand for information on Japan and Japanese business. Nevertheless, despite these varied and divided views, one view seems to unite them all, i.e. some Japanese management techniques are suitable and therefore can be implemented (Oliver and Wilkinson, 1992; Thompson and Rehder, 1995; McMillan, 1996), while other techniques are not compatible with the American system and culture and therefore cannot be adopted (Cole, 1983; Sethi *et al.*, 1984; Dore, 1973).

In implementing their brand of management techniques/practices in the U.S., the Japanese managers have employed certain strategies. A common strategy used is to “sandwich”

local managers with a Japanese assistant (normally of managerial rank). It is believed that in this way, management skills can be transferred as the Japanese managers worked closely with local managers. Another strategy used is to send local managers to Japan for induction and training with the parent companies. According to McMillan (1996: 352), this is the most effective way to promote Japanese management techniques among the local managers who may need to be familiarised with the style of working of their Japanese counterparts. Some argue that Japanese managers influence the local staff both through a larger organisational control system (Ouchi, 1981), and through interpersonal interactions with their subordinates (Rao and Hashimoto, 1996). According to Rao and Hashimoto (1996), the strategies employed in interpersonal influence consist of multiple tactics, such as setting deadlines, or offering an exchange of favours.

Another common strategy used by the Japanese concerns the locality of their plants. It is well-documented that the Japanese are particularly keen on greenfield settings, such as the Nissan plant in Tennessee and Honda's facility in Ohio (Mahoney and Deckop, 1993). In fact, there is a reason for this and it is argued that greenfield settings provide access to a workforce lacking both labour union affiliation and familiarity with industry traditions. As a result, Japanese management techniques are being applied successfully in these so-called "fertile grounds" (Mahoney and Deckop, 1993).

The Japanese management techniques that are transferable to the U.S. are easy to identify, the most popular being the total quality control (TQC) and quality control circles (QCCs). In fact, the importance of quality control has been illustrated in the book *The Machine that Changed the World* (Womack *et al.*, 1990), which describes how Japan's auto industry has

established plants in North America and Europe that exceed productivity (hours to produce a car, and quality levels) exceeding U.S. and European standards.

Other Japanese management techniques that are said to have been successfully implemented in the Japanese subsidiaries in the U.S. are suggestion systems (Verespej, 1992), consensus decision-making, job rotation and just-in-time (JIT) (Yasin and Wafa, 1996). A study by Florida and Kenney (1991) also reveals that Japanese transplants have successfully transferred core elements of the Japanese techniques/practices, such as wage determination, personnel practices, job security and union relations, but with some modifications. A classic example is the New United Motors Manufacturing Incorporated (NUMMI) plant, where Japanese techniques/practices such as no-layoff and teamwork have been implemented successfully (Mahoney and Deckop, 1993). Mahoney and Deckop further mention that since the Japanese took over, the employees' morale at NUMMI has been high.

However, there is no evidence that lifetime employment and seniority-based systems are being implemented. In fact, a study by Rodgers and Wong (1996) reveals that Japanese firms have made little attempt to transfer such systems to their foreign affiliates including the U.S. because of the difference in cultural environment. There is also no evidence to show that enterprise unionism has been implemented in the U.S. For example, Abo (1994) in his study found no unions at all among the sample of firms in the automobile components and semi-conductor industries. However, according to his study, in several joint ventures between Japanese automobile assemblers and American companies in which labour unions were well established, managers did not resist granting recognition to unions



that had agreed to maintain a co-operative stance in accordance with the principles of Japanese management.

The American experience with Japanese transplants has been both highly beneficial and also costly. The Japanese quality system, for example, has indisputably established New World standards for quality and productivity. A study conducted by McKinsey's Global Institute (1993) found that Japanese transplants have played a fundamental role in improving U.S. productivity by putting competitive pressure on domestic producers and transferring knowledge of the best practices through normal personnel transfers.

One classic case can be noted here. In the late 1970s, an American firm - Firestone had serious quality problems which resulted in massive recalls and, subsequently, a steep decline in product reputation and demand. But since the Japanese firm - Bridgestone took over, some aspects of teamwork and TQC have been introduced (Mahoney and Deckop, 1993). According to the same authors, employees from operators through to managers were extensively trained in quality control and problem analysis. Between 1983 and 1987, Bridgestone provided a total number of 67,496 hours of training for its workforce, which grew from 522 to 954 (Mahoney and Deckop, 1993). As a result, the rate of accident incidences (the number of accidents resulting in lost time or an ability to perform the job per 100 employees) dropped from 9.8 percent in 1983 to 3.6 percent in 1987. Productivity, on the other hand, increased 46 percent compared with 1981, a rate that almost doubled the industry's increase. Between 1983 and 1986, the ratio of tyres scrapped also declined from 5.1 to 1.3 percent; of tyres repaired, from 3.5 to 1.86 percent; and of production blemishes, from 2.8 to 0.04 percent (Mahoney and Deckop, 1993).

Despite some degree of success, the transfer of the Japanese management techniques such as consensus decision-making, teamworking and lean-system to the U.S. has not been without significant problems. Indeed, following the transplants' initial "honeymoon" period, there have been a growing number of studies and publications revealing many areas of emerging sociotechnical problems. It is reported that the problems have centred in three major areas: (i) work stress, discipline, and management control of employees and the role of unions; (ii) employee discrimination within Japanese transplants; and (iii) the social, political, and economic relationships and impact of the transplants (Rehder and Thompson, 1994). Cole and Deskins (1988) earlier share this view in their study on racial factors in site locations and employment patterns of Japanese firms in America. They found that the three Japanese transplants of Mazda, Honda, and Nissan and 51 Japanese auto-parts manufacturers in the US have hired significantly fewer African-American workers than eight new GM plants opened since 1980 in greenfield sites.

Other Japanese companies have also been condemned for discriminating against minorities and American women. One landmark case involved Sumitomo Shoji American, Inc., where some former and current secretarial employees brought a class action lawsuit against this wholly-owned Japanese subsidiary. The suit alleged that the company's practice of hiring only male Japanese nationals for management positions discriminated against women on the basis of sex and national origin (Rehder and Thompson, 1994).

However, despite these criticisms, it is hard to deny that the Japanese model of management has indisputably influenced the American management system. Abo (1994) presents an international transfer model of the Japanese management production system

that provides an analytical framework for measuring the degree of direct application of the Japanese system and its adaptation to local conditions, or the degree of hybridisation. Based on field research on the application-adaptation evaluation ratings of 34 Japanese transplants in the U.S., ten types of typical Japanese transplants have been identified and analysed. The findings are outlined below.

Japanese companies undertaking local production in the U.S., where the management environment differs radically from that in Japan, continue to favour the application of Japanese human resource and production practices. However, due to the need to adapt to local conditions in the U.S. as a result of the cultural differences, Japanese companies have to implement a type of hybrid system that differs from that of the U.S. companies as well as from that of their own parent companies in Japan. Hence, one can conclude that even though it may be difficult for the Japanese to practice their “original” version of management techniques, nevertheless, they have been quite successful in terms of transplanting their “hybrid” model to the U.S. The following discussion looks at the effort made by American firms.

### **3.5.2 American Firms**

Studies have shown that the Japanese management system has turned around many failing American businesses (Lee and Schwendiman, 1982). The success stories are evident in the auto industry. For example, General Motors has formed a joint venture with Toyota; Chrysler has teamed up with Mitsubishi; and Ford with Mazda. According to Rehder (1990), these Japanese transplants have introduced their American Big Three partners and suppliers to their high-performance management and organisational systems.

Thus, the American companies have not hesitated in attempting to adopt the Japanese management, organisation, and labour-relations systems. This is because they believe that collaboration with the Japanese is important, as the Japanese are highly committed to quality as well as to technology. Moreover, the competition created by Japanese transplants has forced some local firms to abandon their traditional approach and adopt the Japanese approach. For example, Alcan has improved its production processes by working with its Japanese affiliate, Nippon Light Metal. Hewlett-Packard drew part of its planning process, "Hoshin", from its Japanese affiliate, Yokogawa Hewlett-Packard. Olin made process improvements in the U.S. based on what it had-learned in its joint venture in Japan. Caterpillar transferred product improvement ideas from its affiliate Shin caterpillar-Mitsubishi to its home base, and Texas Instruments has done the same with manufacturing skills (Jones, 1992).

As in the UK, there are also a number of success stories among American companies trying to adopt the Japanese model of management, although the degree of success is confined to limited firms, i.e. the type Z organisations (Fukuda, 1986). Ouchi (1981) refers to type Z organisations as successful American companies that have many characteristics similar to companies in Japan. Among such firms that have used Japanese management techniques with considerable success are General Motors and Westinghouse Electric Corporation. Another American firm that has produced positive results by adopting Japanese management techniques is the Dallas-based company, Dresser. Since incorporating such techniques, Dresser has completely rebuilt itself and has accomplished many of its goals (Preston, 1994: 7).

It is well-documented that the Japanese management technique that is commonly practised by American companies is the QCC system (Lillrank, 1995). Its popularity among American companies is attributed to the success of high-quality Japanese products at competitive prices, and the Americans see this concept of management as a way for their companies to achieve competitiveness. Under the American mass production paradigm, quality problems are usually caused by sloppy workmanship, and the Americans believe that by implementing QCCs, it should instil some discipline and motivation among their workers. Hence, in the early 1980s, QCCs were widely introduced into American companies.

A study conducted by the New York Exchange (as cited in Lawler and Mohrman, 1985: 66) shows that 44 percent of all companies with more than 500 employees have quality circle programmes. The same study also reveals that over 90 percent of the Fortune 500 companies have such programmes in their structure. A more recent study, by Yavas (1995), found that many U.S. firms such as the Ford Motor Company, Motorola, Xerox, and Hughes Aerospace have now established quality-related programmes. It has also been argued that the American companies that have implemented QCCs have progressed to the point at which they could deliver the quality levels required by their customers and meet the competitive standards set by the Japanese.

Another Japanese management technique that is widely used by American firms is just-in-time (JIT). It has been pointed out that the success of Japanese JIT in the U.S. has also been widely-documented (O'Grady, 1988; Yasin and Wafa, 1996). According to Yasin and Wafa (1996), JIT has the potential for increasing a firm's efficiency and effectiveness. They point out that about 75 percent of American firms in their study reported monetary savings through

JIT. Moreover, they stated that JIT's participants have reported other benefits from using JIT and these include: (i) improved relationships with suppliers; (ii) improved customer service; and (iii) improved incoming and outgoing quality standards. An earlier study by Philipoom (1986) indicated that since implementing the JIT system, Harley Davidson has reduced its break-even point by 32 percent and in-progress inventory from US\$23 million to just over US\$8.5 million.

Despite the popularity of QCCs among some American companies, a number of authors have argued that this technique has often failed when it is actually being applied. For example, Lillrank (1995) argues that the main cause of the failure of QCCs among some American firms is that management did not see much reason to get deeply involved in the implementation process. As a result, it became natural for management to hire consultants. The QCC concept was then rapidly commercialised by the cottage segment of the consulting industry. According to Lillrank, unlike in Japan, the parallel support structure was run by line-managers anxious to see their quality problems solved, in many Western firms especially American firms, the QCC activities were run by outsiders who had no clout in operations.

The other cause of the failure of QCCs among some American firms is attributed to the fact that most American employees are not interested in them (Lincoln, 1989). Cole (1983) earlier shares this view, stating that American workers have resisted the QCC system because they do not think it is likely to change the way things have always been. Cole also claims that the resistance towards the QCC system has to do with the educational level of workers concerned. These workers, according to Cole, did not have the required mental framework to do it in terms of the ability on mathematics.

Like the QCC system, despite its popularity, some American firms also faced a number of problems when trying to implement the JIT system. These problems include, among others, the need to change work procedures and attitudes, which demanded both extra time and money (Harber *et al.*, 1990). Harber *et al.*, further explain that because JIT programmes require a significant change in work procedures and attitudes, there is a need for large scale re-education of the workforce. However, they also argue that this was not the only problem. Where an American company concentrates on the training of shopfloor employees but omits to give senior management the necessary grounding in JIT concepts, conflicting messages about the company's attitude towards JIT programme will soon sabotage shopfloor enthusiasm.

As mentioned earlier, Japanese management techniques such as lifetime employment, seniority-based wage and promotion systems and enterprise unions which are inextricably embedded in Japanese society and culture are not being implemented by most American firms because of the difference in cultural settings (Florida and Kenney, 1991). Similarly, Weinshall (1986) argues that lifetime employment is "anachronistic to Western habits and practices." Maher (1985a) earlier states that lifetime employment could not be indiscriminately transplanted to the U.S. culture which is ego-oriented, individualistic and competitive.

It is also argued that the Japanese *ringgi* system and paternalistic orientation are not transferable to a typical U.S. company where values of individualism and privacy prevail (Culpan and Kucukemiroglu, 1993). Similarly, Weinshall (1986) earlier states that the American management structure is not used to the luxury of time that the *ringgi* system

requires in decision-making. Nor do most American companies think that they have the required formal and informal structure for such a time-consuming process of politicking and manoeuvring behind the scene at every level of the organisation to achieve consensus (Weinshall, 1986).

Lorriman and Kenjo (1994), however, have different views regarding the problem faced by most American companies in the process of implementing Japanese management techniques. According to them, the problem is not so much related to the cultural factor but stems from a lack of preparations and thorough understanding of the cohesive approach of Japanese management that cause the failure of most attempts by Western companies, particularly the American companies, to emulate the Japanese model of management. This view was earlier put forward by Johnson (1982: 6-11), who states that “any American entrepreneurs who attempted to institute some of the Japanese approaches without careful analysis and preparation would soon find themselves failing.”

Thus, it is obvious from the above discussion that the adoption of Japanese management techniques is not a straightforward process for the American emulators. It appears that the Americans have been selective about which elements they could adopt and apply in their corporations, given their understanding of the Japanese model of management and the constraints imposed by the different ecological, cultural and institutional environments. Peter Drucker (1971) warned earlier that it would be folly for managers in the West to imitate the Japanese model of management blindly. However, the one thing that the Japanese have taught American managers is how to manage in today’s business environment. American managers, on the other hand, have realised that if they are to compete with the Japanese, they



must change their traditional role of command, conform, and control to one of co-ordination, commitment, and communication, as shown by their Japanese counterparts.

### **3.6 The Japanese Model of Management in the Newly Industrialising Countries (NICs)**

The West often wrongly assumes that Oriental people from a neo-Confucian realm share common cultural traditions which make them similar in orientation and action. If this were true, the implementation and adaptation of the Japanese model of management would not encounter as many problems in other Oriental countries, such as Singapore, South Korea, Hong Kong, and Taiwan, commonly known as the four Newly Industrialising Countries (NICs), as these countries are believed to share common oriental values and cultural traditions with Japan. However, this is far from being the case, as can be seen from the following discussion of the related literature.

#### **3.6.1 The Japanese Model of Management in Singapore**

In the late 1980s, the Singaporean government launched its “Look East” campaign for two main reasons. Firstly, they wanted to modify the existing management system by emphasising value formation or cultural change in an effort to increase productivity. According to Jain (1990), this was essential because the Singaporean management system was considered to be the most progressive and Westernised in South-East Asia. Secondly, the government wanted to introduce Japanese management techniques to speed up the industrialisation process (Hayashi, 1988: 35).

In their effort to “Look East”, the Singaporean government has welcomed Japanese investment. Since their initial campaign, Japanese direct investment in Singapore has increased from US\$494 million in 1987 to US\$8,481 million in 1993 (Graham and Anzai, 1994). Moreover, according to a report by JETRO (1997), it further increased from 83,728 million yen in 1991 to 114,329 million yen in 1995. However, in 1998, Japan’s FDI in Singapore, as well as in other ASEAN Countries such as Thailand, Malaysia, Indonesia and the Philippines, fell, mainly due to the recession in Japan, reduced demand in Asia as a result of the economic crisis, and the depreciation of the yen.<sup>1</sup>

There are a number of reasons why Japanese firms are keen to invest in Singapore. Firstly, the country has a minimally intrusive regulatory environment. Secondly, it has almost no legal restrictions on the use of expatriate personnel, and no requirement that certain positions, or a certain proportion of management positions, should be filled by local personnel (Rodgers and Wong, 1996). Finally, Singapore offers a highly-educated workforce and a large number of well-qualified and experienced professionals (Rodgers and Wong, 1996). Thus, because of the flexibilities mentioned above, the management style and the specific bundle of techniques that Japanese firms in Singapore have adopted reflect their own choice in responding to local environmental conditions (Jain, 1990; Rodgers and Wong, 1996).

Some of the managerial techniques that have been adopted by these firms include consensus decision-making, QCCs, the suggestion system (Jain, 1990; Ek, 1987), JIT and TQC (Hum, 1991). According to Hum, the JIT and TQC systems have played a strategic

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<sup>1</sup> [WWW document]. URL <http://www.jetro.go.jp/WHITEPAPER/Invest99/inv2-5.html>.

role within the Singaporean Local Industries Upgrading Programmes (LIUP). A study by Putti and Chong (1985) found that some Japanese firms also practise lifetime employment if one were to interpret this as meaning no dismissal for non-performance or because of general retrenchment policy.

It is also claimed that some Japanese firms based in Singapore have introduced Japanese recruitment styles where fresh graduates from universities and polytechnics are recruited and training is given according to Japanese methods of on-the-job (OJT) as well as off-the-job training (Off-OJT) (Thomson, 1984). A study by Rodgers and Wong (1996), however, found that there was no realistic chance for Japanese firms to implement a full-fledged Japanese-style (*nenko*) compensation system in the Singaporean environment, where workers still prefer the old system. In fact, a recent study by Gill and Wong (1998) found that seniority systems were the least favoured of the five Japanese management techniques (lifetime employment, seniority-based wage and promotion, enterprise unions, consensual decision making, and quality control circles) in Singapore.

Unlike in the U.S. and the UK, the Japanisation of Singapore has been encouraged by the Singaporean government and supported by the National Trade Union Congress (Jain, 1990). As a result, it can be seen that industry-wide unions exist side by side with in-house unions in almost every industry and trade in Singapore. The Singaporean government is also said to encourage consultation and harmony between labour and management, based on Japanese principles of consensus (Jain, 1990). Other Japanese management techniques, such as bottom-up communications and the provision of training to upgrade skills and productivity are also encouraged (Choy and Jain, 1987).

Although Singapore welcomes Japanese investors, some authors argue that Singapore is not a place where the Japanese model of management could be easily implemented and transferred (Gill and Wong, 1998; Rodgers and Wong, 1996; Choy and Jain, 1987). Putti and Chong (1985) earlier share this view. According to them, “the management practices of Japanese companies in Singapore are not necessarily the same as those of their parent organisations in Japan....and the Japanese companies believe that they cannot transfer their home country practices without drastic modifications because of the differences in language and the diverse education levels of Singapore’s cosmopolitan population” (Putti and Chong, 1985: 107).

A study conducted by the government of Singapore on the possibility of introducing the Japanese managerial system to large firms in the republic found that it would be necessary to make substantial modifications to the Japanese system before it could be applied, even within Japanese-affiliated companies, let alone within indigenous firms (Rodgers and Wong, 1996). This view clearly supports an earlier argument by Choy and Jain (1987), who state that Japanese firms have to modify their management techniques in their Singaporean subsidiaries. Also, Ichimura found in a 1981 study that a majority of the Japanese firms with operations in South-East Asia considered the implementation of the Japanese model of management to be practicable, but only after modifications.

The Japanese firms, according to Jain (1990), as far as possible have to adapt to the Singaporean economic environment. The fact that most Japanese firms in Singapore have not laid off workers is merely a reflection of the tight labour market in Singapore before the 1985 economic downturn (Jain, 1990). Jain further mentions that the Japanese

preference for internal promotion and their policy of promoting all deserving personnel also reflects the tight labour supply.

There are a number of factors that have hindered the process of implementing Japanese management techniques in Singapore. A study by Ek (1987) found that different environmental conditions have hindered the Japanisation of the Singaporean workforce. He states that the difficulty in introducing Japanese management techniques to Singapore was due to the fact that Singaporean workers are too self-centred and individualistic, and the majority are inadequately educated when compared to other Asian counterparts, such as in Korea, Taiwan and Japan. Because of the inadequate educational background of the production workers, their lack of problem-solving skills, and their low participation rates, the Japanese managers were forced to abandon quality control circles (Rodgers and Wong, 1996).

While it has been observed that certain Japanese management techniques have been easily acceptable to the local workforce, several studies have found that affiliates of American multinational corporations (MNCs) had an easier time of transferring their home country management techniques to Singapore than their Japanese counterparts (EK, 1987; Choy and Jain, 1987; Putti and Chong, 1985).

Based on earlier studies and their own observations, Rodgers and Wong (1996) conclude that the local norms and institutions, as well as the personal values of most Singaporean employees, are much more similar to those found in a Western country such as the U.S. than to those in Japan. Perhaps this is part of the reason why the local workforce is more

open to Western as opposed to Japanese management techniques. As far as the Japanese model of management as a whole is concerned, there has been a great deal of uncertainty among the Japanese managers in Singapore about the transferability of Japanese management techniques to Singapore (Fukuda, 1988).<sup>7</sup> Similarly, Gill and Wong (1998) state that in-house unions and seniority-based systems are virtually non-existent among the Japanese firms in their study. They also mention that in general, Japanese firms, appear to have a lower propensity to adopt their own home practices in Singapore because of cultural differences, than do other firms, e.g. American firms. This clearly suggests that cultural constraints are one of the major barriers that has made it difficult to transfer the Japanese model of management to Singapore.

### **3.6.2 The Japanese Model of Management in South Korea**

A review of the literature on the Japanese model of management in South Korea suggests that there is limited current research on this subject. As a result of this limitation, a discussion on the Japanese model of management/Japanese management techniques in South Korea will draw heavily on the earlier literature by Yoshihara (1985). Like in Singapore, the implementation of the Japanese model of management in South Korea has been strongly supported by the South Korean government.

In 1975, the South Korean government began to voice their concerns over the industrial development in South Korea. They believed that a lack of dynamic change from labour-intensive industry to heavy industry was responsible for South Korea lagging behind other developed countries. Hence, in an attempt to develop their heavy industry, South Korea

turned to Japan for a model. As a result, the 1970s brought a fervent government programme that swept across every aspect of Korean lives (Sayer, 1983).

This nation-wide programme or movement was called “Saemaul Undong” or the New Community Movement. One of its objectives was to bring about attitudinal change, i.e. to train both rural and urban Koreans to inculcate diligence, self-help and co-operative spirit (Sayer, 1983). Under this movement, one of the most widespread campaigns was to replace the old style straw roofs on farmhouses with tiles or metal. By doing so, the South Korean government sought to force the farmers into creating a superficial impression that South Korea is developed like Japan, which still serves as a measure for many South Korean development goals.

According to Chen (1995: 213), the South Korean government was confident that it could replicate Japanese success and it also believed that most Koreans should have no problem accepting Japanese management techniques because (i) they share a common cultural and religious tradition with Japan; (ii) their work ethics are similar to the Japanese; and (iii) even the existing features of the Korean management system are similar to those of the Japanese. These features include top-down decision-making, paternalistic leadership, clan management, *inhwa* (harmony-oriented cultural values), flexible lifetime employment, personal loyalty, compensation based on seniority and merit rating, and a high mobility of workers (Chen, 1995). Lee & Yoo (1987: 74-76) earlier share this view, stating that the elements of paternalism; loyalty to organisation, family and friends; and respect for those in authority and seniority that are normally found in the Japanese management system are also found in the existing Korean management system. Because of these similarities, it is

said that the Koreans should not find it difficult to accept Japanese management techniques (Lee and Yoo, 1987).

A study by Yoshihara (1985) reveals that Japanese firms in South Korea have introduced their own brand of management techniques or practices to the local workforce. According to Yoshihara, about 90 percent of Japanese firms in South Korea practise a suggestion system; about 80 percent practise quality control circles; and about 70 percent of Japanese subsidiaries in South Korea promote their workers based on a combination of seniority and merit. However, the same study also reveals that about 80 percent of Japanese firms in South Korea have to modify their management techniques to suit local conditions.

Yoshihara (1985) further mentions that a significant number of Japanese firms in South Korea have tried to stabilise employment through the careful recruitment of employees as well as by providing continuous education and training. Chen (1995: 231), however, argues that the Japanese have had no choice because labour turnover in South Korea is high, and job-hopping is common, even at senior levels. Furthermore, Korean employees, though loyal to their companies, prefer to switch jobs when they are offered a better salary by other companies (Chen, 1995: 231).

Some earlier studies, however, have shown that Japanese firms in South Korea have been quite successful in transferring their own brand of management techniques to Korea (Yoshihara, 1985; Lee and Yoo, 1987). Perhaps one of the reasons is because Japan and South Korea share a similar historical legacy of heavy governmental involvement in business which has been justified on the grounds that, in order to catch up with the



advanced nations, the government should assume responsibility for defining industrial policies and for using whatever means available to achieve identified goals (Chen, 1995: 155). This is exactly what the South Korean government have done in welcoming the Japanese to their soil (Chen, 1995).

Another reason is because of the similarity in values and culture between the two countries. According to Chen (1995: 228), both countries practise Confucianism and Buddhism and both share common key values, such as the emphasis on family, hierarchical order, interpersonal relations, the importance of education, hard work, and tolerance. This is believed to be the driving force behind the implementation process (Chen, 1995: 228).

It is also argued that the mentality of Korean managers is another influential factor (Yoshihara, 1985). According to Yoshihara, like Japanese managers, Korean managers prefer an open-office system. Besides that, they prefer to mix with their subordinates and eat in the same canteen as any other workers of lower rank. This mentality and attitude has made the transfer process much easier (Yoshihara, 1985).

Despite some degree of success, it has also been argued that the process of transferring the Japanese model of management to Korean soil has not been very smooth (Lee and Yoo, 1987; Yoshihara, 1985; Chen, 1995). Lee and Yoo (1987) assert that since the Koreans are so attached to their existing management style, Japanese management techniques have failed to fully penetrate some Korean organisations. Lee and Yoo further mention that unlike the Japanese, Koreans prefer to be given specific individual responsibilities

assigned to them. Japanese employers, on the other hand, find it very difficult to implant teamwork and open communication among the individualistic Koreans (Lee and Yoo, 1987). Chen (1995: 219) also argues that the failure of teamwork and open communication among Koreans is due to the fact that they are not culturally encouraged to share information openly with others except in close personal relationships.

It is further argued that Koreans do not like the *ringgi* decision-making process of the Japanese (Lee and Yoo, 1987). Instead, they would rather prefer a top-down decision-making style in which 80 percent of the authority lies in the upper management level, with middle or lower level management having limited authority (Lee and Yoo, 1987: 106). Where most of the important decisions are made by top management, the lower rank employees, in turn, accept the decision without complaint, as this is in conformity with their Confucian ethics where respect for elders and seniors is a way of life (Lee and Yoo, 1987: 106).

From the foregoing review, it can be concluded that despite the similarity between South Korean culture and that of the Japanese, it could not guarantee the Japanese managers the successful transfer of their brand of managerial technique in its pure form to Korea. Like in Singapore, Japanese management techniques have to be modified in order to suit the Korean cultural setting. Even then, it is argued that the indigenous workers do not easily accept the Japanese management techniques because of their culture-bound nature. What is obvious, however, is that the Koreans have accepted some Japanese management techniques that have been successfully practised in other countries.

### **3.6.3 The Japanese Model of Management in Hong Kong**

As with Korea, very few studies on the transferability of the Japanese model of management to Hong Kong have been carried out. Because of this limitation, the discussion here draws heavily on major studies by Tomita (1985) and Fukuda (1988).

While there are no incentives for foreign investors, they are entirely free from any extra legal constraints specifically levied on foreign capital in terms of personnel assignment, taxation, and procurement and remittance of capital. Thus, foreign business enterprises in Hong Kong are in a position to determine and shape industrial relations practices along with their business objectives in their own way. However, given this freedom and despite the similarity in cultural and religious tradition, i.e. Confucianism, earlier studies have shown that it is misleading to assume that the Japanese model of management could be transferred easily to Hong Kong (Fukuda, 1988).

A study by Tomita (1985) on Japanese management in Hong Kong reveals that some Japanese management techniques have been used, and particularly the system of stable employment fortified by annual pay rises. This emphasis indicates that the stabilisation of employment has been a pressing issue for Japanese management faced with mobile labour in Hong Kong (Tomita, 1985). However, it is argued that even though it is given priority by Japanese managers, this is not necessarily aimed at building a Japanese-style labour market where the quality of the labour force is skilfully associated with specific corporate culture in terms of their skills and aptitudes, or sense of belonging to the organisation (Tomita, 1985).

Other Japanese management techniques that are said to have been transferred to and used in Hong Kong are internal promotion, *ringgi* decision-making, and teamworking (Fukuda, 1988; Tomita, 1985). According to Tomita (1985), a vacancy in a Japanese firm is usually filled internally, except in rapidly-expanding, hi-technology fields where needs could not readily be met from the existing workforce. Tomita further mentions that as a rule, new recruits are first placed at the bottom of the corporate hierarchy, in accordance with educational attainment, and after a certain period (usually from five to ten years), start to be promoted on the basis of merit, job function and length of service within a moderate range on a set schedule. It is said that a big jump to senior position is extremely rare for about the first 20 years, since it is believed that such treatment will jeopardise corporate “harmony” (Tomita, 1985: 69).

It is also mentioned that similar in-house promotion policies, though deemed to be sufficiently different in philosophy, have been adopted by Japanese firms in Hong Kong, though the length of service is less emphasised and merit is said to be given more weight (Tomita, 1985). But like in any other Asian country, such promotion policies have invited dissatisfaction among ambitious employees and have induced them to leave for better opportunities (Tomita, 1985). Japanese managers, however, have considered employees quitting as unavoidable and see little rationality in altering a wage structure and a promotion system that they have introduced in their firms in Hong Kong (Tomita, 1985: 69).

Training, according to Japanese practices, is not heavily emphasised due to the fact that job-hopping among Hong Kong employees is common. Fukuda (1988) mentions that

workers in Hong Kong like to move from one job to another in search of more money as well as prestige. Tomita (1985) also mentions that about 88.9 percent of local managers have gained job experience from other organisations and that they have changed their job an average of 2.6 times with the highest being 7 times. Perhaps this explains why Japanese firms in Hong Kong have not provided training for their workers as they have usually done in Japan. Tomita (1985) also points out that training is very basic and is aimed at preventing quick labour turnover to facilitate smooth operations. Tomita (1985: 68) concludes, “probably because of such attitudes on the part of the Japanese staff, not many local middle managers...appreciated the ‘Japanese willingness to transfer new technology and management know-how’ or consider ‘good learning chance for technology and know-how’ a satisfactory feature of Japanese management.”

As in many other foreign countries, one can see that modifications have been made within the range of the existing components of Japanese management techniques in order to conform to the realities of Hong Kong communities. In this regard, Tomita infers that the Japanese model of management in Hong Kong is not a cultural extension of a parent corporation as the “ethnocentric” hypothesis asserts, but rather is more associated with the “community-influence” hypothesis. The “ethnocentric” hypothesis asserts that the management of corporations, which are wholly owned by foreign nationals, is, in effect, a cultural as well as an economic extension of the parent corporation (Perlmutter, 1972: 21-50). On the other hand, the “community-influence” hypothesis suggests that management has to adjust its practices to the social and cultural realities of the communities in which it operates (Parker, 1967: 65).

Even then, some techniques or practices that Japanese managers in Hong Kong have introduced have been severely criticised. For example, *ringgi* decision-making is disparaged because its purpose is not to make decisions but to give employees the necessary information regarding decisions that have been made earlier (Chen, 1995). Tomita (1985) also mentions that local middle managers are less inclined to use such a technique, as the Chinese will not easily foster the feeling of participation in the firm unless they are the executives or owners of the company.

Hence, it can be concluded that certain barriers that have hampered the implementation process of the Japanese model of management in Hōng Kong derive from cultural and linguistic issues. For example, Tomita (1985) concludes that because of the difference in customs Japanese staff tend to form a closed and exclusive circle among themselves. Local middle managers, on the other hand, like to justify status differences in the corporate community. As a result, as many as 50 percent of local managers' thought they needed a private office, and 43.8 percent did not have lunch with the workers. These attitudes, together with the exclusive Japanese attitude, imply that "we-group" feeling within the firm encompassing all employees, is little fostered and is perhaps an unrealistic aim, according to Tomita.

### **3.6.4 The Japanese Model of Management in Taiwan**

An extensive study on Japanese management in Taiwan carried out by Ito (1985) is heavily drawn on for the purpose of this discussion. According to Ito (1985: 94), the Japanese management techniques that have been practised by Japanese managers in their subsidiaries in Taiwan are ranked as follows: emphasis on management philosophy and

objectives (83%); employment stabilisation (81%); emphasis on smooth human relations (71%); seniority-based wage system (45%); *ringgi* decision-making (43%); job rotation (39%); little dependence on job manuals (38%); the minimisation of status difference between workers and managers (30%); one big office (29%); and group responsibility (22%).

It is also reported that about 56.8 percent of labour unions in Japanese subsidiaries take the form of enterprise unions (Ito, 1985: 100). Other Japanese management techniques that have been emphasised by Japanese managers are continuous training, suggestion schemes, QC circles, and retirement and pension schemes.

In the area of training, Japanese subsidiaries in Taiwan have sent a higher percentage of local managers to parent companies in Japan than have Japanese companies in other ASEAN countries (Ito, 1985). Japanese managers in Taiwan, however, have not relied heavily on a seniority-based system as far as promotion is concerned. Ito points out that the majority of Japanese subsidiaries in Taiwan have used a combination of seniority and merit system. This is partly a strategy to reduce the number of workers leaving the company because of a higher percentage of job-hopping in Taiwan. In addition, Japanese managers have also adopted other strategies to stop job-hopping, such as commendations for long service, internal promotion, smooth human relations between workers and managers, high productivity-high wage policy, job rotation and a scheme to encourage workers to buy houses (Ito, 1985).

Compared with the other three NICs, the degree of implementation success is much higher in Taiwan (Ito, 1985). According to Ito (1985: 96), one of the reasons is that Taiwan is more similar to Japan in terms of economic development. Another reason often cited is that Taiwan is much closer both geographically and culturally to Japan and that more local employees in Taiwan can speak Japanese (Ito, 1985). Ito also mentions that many local Chinese in their late 40s and 50s working for Japanese subsidiaries can read and speak Japanese and these are the groups of workers that have favoured the *ringgi* decision-making system. The fact that the educational standards in Taiwan are much higher have also contributed to the openness of the Taiwanese towards the Japanese model of management (Ito, 1985).

However, it has been argued that the implementation of some Japanese management techniques in Taiwan has not exactly been smooth sailing (Ito, 1985; Chen, 1982). According to Ito (1985), unlike in Japan where managers practise paternalistic roles, managers in Taiwan are very practical and individualistic, making it difficult for a Japanese management technique such as the paternal leadership style to succeed there. Similarly, Chen (1982) points out that there is a sense of distrust and dissatisfaction among the Chinese in Taiwan towards the Japanese and such a sentiment is an obstacle to the Japanisation of the Taiwanese industry.

Chen (1982) mentions that Taiwan's manufacturers are angry and distrustful of the Japanese, whom they regard as lacking in sincerity, especially concerning technology transfer into Taiwan. Chen further claims that the Taiwanese blame the Japanese because they are reluctant to do business with them. Instead, they would prefer to do business with



their own people. According to the same author, the Investment Commission officials in Taiwan also complain that the painful experience with Japanese firms in the past two decades has created ill-feeling towards them. Naturally, this has affected the efforts to disseminate certain Japanese management techniques in Taiwan.

### **3.7 Conclusion**

Firstly, the foregoing literature review has not only demonstrated the extent of internationalisation or globalisation of business but it has also drawn attention to some of the difficulties in transferring managerial ideas or techniques between countries, particularly because of the question of culture. Specific studies on the transfer of Japanese approaches to management, either direct or indirect, have reinforced and exemplified this message. Therefore, as a result, there are few if any examples of simple complete translation of the Japanese model of management. More commonly, it is modified, selected items have been transferred or a hybrid system has been created.

Secondly, the literature has also shown that some elements are more often transferred than others, for example, QCCs, the suggestion system, and just-in-time (JIT) (see USA). On the other hand, lifetime employment, the *ringgi* system, and the seniority system (but see South Korea) are less commonly transferred. This suggests that cultural variations are a major barrier to the transfer of Japanese management techniques to other countries. Because of such cultural factors there is no exact match in terms of elements transferred between countries studied in these list, but there are many similarities.

Finally, the literature also draws attention to some of the factors that make transfer easier. For example, apart from the modification of the techniques, the kind of factors mentioned include the use of expatriates (e.g., in the UK and the USA), visits to Japan (e.g. UK), “sandwich” (e.g. USA), and government support (e.g. in the four NICs, and particularly, in Singapore). However, none of these necessarily lead to wholesale, simple transfer, but are associated with some of the more successful attempts or partial transfer.

In the next chapter (Chapter 4) the role of the state in the economy is discussed.

## CHAPTER FOUR

### THE ROLE OF THE STATE IN THE ECONOMY

#### 4.1 Introduction

The objective of this chapter is to discuss the role of the state in the economy. In order to do that, first, we will briefly look at the different theories on the role of the state. This is important because with these discussions laid down we will be able to determine which theory or theories can be applied to the role of the state in the developing economies that we will discuss later. Following this, we will then examine the evidence on the role of the state as a driver to both the economic development and, as part of that, as a driving force in changing people's attitudes. Such analysis is necessary because in some countries, such as Korea and Singapore, these two roles cannot be separated and often the state has to intervene to change people's attitudes in order to accelerate economic development. In discussing the state's role as a driver to economic development, we will examine Korea, Taiwan, Singapore and Hong Kong, also known as the newly industrialising countries (NICs), while in analysing the state's role as a driving force in changing people's attitudes we will discuss Korea, Singapore and China. The reason for taking these countries as examples will be highlighted later. The discussion in this chapter lays the foundation for future discussion on the Look East Policy which will be presented in Chapter 5.

#### 4.2 Theories on the Role of the State in Economic Development

In this section, we will briefly look at three different theories of state intervention. They are: welfare economics, political-economy and rent-seeking. Theories on the role of the state in economic development are vast and can give rise to endless discussions. However, our objective here is not to review them in great detail but just to recognise the different

traditions within the theories of the role of the state. It is therefore important to note that the discussion in this section is simply a background.

#### **4.2.1 The Welfare Economics Theory**

The welfare economics theory is said to be concerned with the social desirability of alternative economic states (Gough, 1979; Roberts, 1998; Samuelson and Nordhaus, 1992). One of the most important debates in this theory is on market failure and a role for state intervention. That is, in real world economies, competition may not hold and not all markets may exist. Hence, the market-determined allocation of resources is not likely to be efficient (Katz and Rosen, 1994) or there is failure in the market mechanism in equating private and social costs and benefits (Chang, 1996). Because of that, there are opportunities for the state to intervene and enhance economic efficiency. There are three groups of arguments to this tradition; they are: public goods, non-competitive markets and externalities, as briefly discussed below.

Public goods is defined as a commodity that is nonrival<sup>1</sup> in consumption (Katz and Rosen, 1994: 630). As public goods can be consumed by both groups of consumers (those who are paying as well as those who are not paying for its consumption), they are likely to be underprovided due to the “free-rider” problem (Elster, 1989). Therefore, in order to provide the optimal amount of public goods (so as to minimise the underprovision problem), the state has to intervene by taxing working people and businesses.

Similarly, it is argued that the existence of scale economies can result in non-competitive market structures (for instance, monopoly-type market) and a decision made by an

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<sup>1</sup> Katz and Rosen state that ‘nonrival’ means when one household partakes of the commodity’s benefits, it does not diminish the benefits received by all other consumers of the commodity.

individual producer can affect the quantity and price in the market. As a result, some consumer surplus will be transferred to firms in the form of “monopoly profit”, and such a transfer can impose a “deadweight loss” to a society (Samuelson and Nordhaus, 1992). Therefore, in order to guarantee an optimal output, the state needs to intervene. One such interventionist measure is anti-trust or anti-monopoly legislation to break up existing monopolies. Another measure that the state can use is the taking over of a private company and converts it into public ownership (Chang, 1996).

There is also the need for state intervention on externality grounds. Externalities exist where there are some spill-over effects from an individual’s activities to those of others, leading to a discrepancy between the private and the social cost/benefit structures (Segal, 1999). It may be possible to overcome externality problems by defining property rights more precisely and by establishing negotiations between the parties involved. However, in many cases, it is economically impossible to do so because of the massive transaction costs involved. Therefore, as a result of the absence of a “property-rights” solution, it is justifiable for the state to intervene. State intervention can take the form of providing a subsidy to those who create positive externalities like research and development (R & D), or it can take the form of imposing tax (for example, pollution tax) on those who create negative externalities like pollution (Dahlman, 1979; Schob, 1996).

To recap, all three arguments seem to agree that state intervention is needed for reasons such as to provide the optimal amount of public goods, to guarantee the optimal output, and as a result of the absence of a “property-rights” solution.

The welfare economics theory, however, is not free from criticism. First of all, it allegedly makes a naive set of assumptions about the nature and ability of the state (Chang, 1996). Secondly, it has been criticised for its concern with result, i.e. situations are evaluated in terms of the allocation of resources, rather than in terms of how the allocation was determined. A number of scholars (for instance, Katz and Rosen, 1994) have argued that a society should be judged by the processes used at the allocation, and not by the end results. These scholars also question whether people are free to enter contracts and whether public processes are democratic. To the extent that this view is valid, welfare economics lack any normative significance, according to these scholars. Finally, it is claimed that this theory lacks a moral basis. It is argued that in the real world, people's attitudes towards markets are heavily influenced by factors that have little to do with welfare economics. For example, the Roman Catholic tradition has long been hostile to capitalism; a hostility based in the Roman Catholic concern not about the allocation of resources, but about the effect of the system on people's spiritual well-being. They believe that a selfish spirit pervades market economies, and such selfishness is corrosive to the human soul (Rooney, 1989).

#### **4.2.2 The Political Economy Theory**

This theory traditionally refers to the school of classical British economists, notably Adam Smith and David Ricardo. In their major works, i.e. *The Wealth of Nations* (1776) and *Principles of Political Economy* (1817), Smith and Ricardo developed an analysis of the burgeoning economic system of their day, i.e. capitalism. This is characterised, in part, by the generalisation of commodity production, i.e. the production of almost all goods and services for sale rather than for the consumption of the producer (Gough, 1979).

It is said that the political economy advocates have long criticised the welfare economics theory “for too readily assuming that the state will act like Plato’s Philosopher King. That is, is it the intention, or the objective, of the state to serve the public?” (Chang, 1996: 18). There are three groups of arguments that question such assumptions; they are: the autonomous-state approach, the interest-group approach and the self-seeking-bureaucrats approach; as briefly discussed below.

The autonomous-state approach is one of the groups of arguments that question the intention of the state. In this approach, the state is regarded as “a dynamic independent force with its own objective function that is distinct from that of the society” (Findlay, 1990). Being a dynamic independent force, the state may formulate and pursue goals that are not simply reflective of the demands or interests of particular social groups, classes, or society (Skocpol, 1985). Some historical examples are Japan’s Meiji restoration, Turkey’s Ataturk revolution, Egypt’s Nasser revolution, and Peru’s 1968 coup, in which “dynamic autonomous” bureaucrats, including military official, seized and reorganised state power. These so-called “dynamic autonomous” bureaucrats then used the state to destroy an existing dominant class, a landed upper-class or aristocracy, and to reorient national economic development (Trimberger, 1978).

The interest-group approach is another group of arguments that questions the intention of the state. In this approach, the state is seen as “an arena within which economic interest groups or normative social movements contended or allied with one another to shape the making of public policy decisions about the allocations of benefits among demanding groups” (Skocpol, 1985: 4). The argument states that since the most powerful groups in

society are the ones that will be most able to affect the decisions of the state, therefore the economic policies will lean more in their favour (Skocpol, 1985).

In the self-seeking-bureaucrats approach, it is assumed that bureaucrats are budget-maximisers. Salary, public reputation, power, patronage, output of the bureau, ease of making changes and ease of managing the bureau are among the several variables that may enter a bureaucrat's motives. All except the last two are a positive function of the total budget of the bureau during a bureaucrat's tenure. Because bureaucrats derive utility from a higher salary and the greater power of their bureau, therefore it is rational for them to maximise the budget rather than to optimise the social output (Niskanen, 1973).

Based on the above discussion, clearly the political economy advocates seem to reject the welfare economics theory's assumption that the state will act in the public interest. But like the welfare economics theory, the political economy theory has also been criticised. This is because, firstly, although the competitive constraint on the state is recognised, there is a strong presumption that the outcome will be in its favour as a "predator". Secondly, although the interest-group approach of the political-economy theory concentrates on whose objectives are imposed on the state, it, however, does not properly discuss whether the state can achieve such objectives. Finally, the same applies to the theory of self-seeking bureaucrats, where it is assumed that bureaucrats can assert their own objectives without too many difficulties (Chang, 1996).

#### **4.2.3 The Rent-Seeking Theory**

Unlike the welfare economics theory and the political economy theory, the rent-seeking theory is a very different approach. In this theory, it is argued that state intervention incurs



not only traditional dead-weight losses but also costs when private agents divert resources into unproductive activities in order to capture rents generated by state intervention (Parkin *et al.*, 1997).

What is rent-seeking? It refers to activities aimed at obtaining or keeping economic rent (Katz and Rosen, 1994), which is defined as “that part of the payment to an owner of resources over and above that which those resources could command in any alternative use” (Buchanan, 1980a).

Why is rent-seeking said to be the driving force behind the demand for political favours? This is because incumbents in an industry with existing entry restrictions typically are willing to spend money to maintain their favoured position. In the same way, firms that see an opportunity to obtain rents if certain government actions are taken will devote resources to convincing politicians and regulators to take such actions (Katz and Rosen, 1994).

The rent-seeking argument also provides some interesting insights concerning the interaction between individual behaviour and the institutional setting. For example, it raises the important point that the combined results of individual maximisations can differ sharply according to the institutional setting. However, despite such insight, the rent-seeking theory also has a number of less apparent flaws.

Firstly, the nature of rent-seeking costs is not clearly defined in the literature, resulting in conceptual confusions (Samuels and Mercuro, 1984). Secondly, the problem of rent-seeking costs which are often of a once-and-for-all nature (because once a rent is granted,

an entry barrier into the rent market is likely to be created which will discourage potential entrants from spending resources to dislodge the incumbent), is not explicitly discussed in the rent-seeking literature (Littlechild, 1981). Finally, there is a strongly biased view in the rent-seeking literature which assumes that restrictions on entry will be created only by state intervention. In fact, it is argued that firms are frequently anxious to deter potential entrants (Katz and Rosen, 1994).

To conclude, it is obvious that there are a number of disagreements between different theories with regard to the role of the state in the market. For example, the advocates of the welfare economic theory argue that there is a need for the state to intervene in the market because of its inefficiency. They continue to explain that by intervening in the market, the state will be able to move markets towards the ideal. The advocates of the political economy theory, however, do not agree with this argument because, according to them, there is no clear explanation with regard to what is the real intention that drives the state to intervene in the market or, in other words, is state intervention warranted or not? Unlike the former, the latter (i.e. the advocates of the political economic theory) argue that because the state can be regarded as a dynamic independent force where its objective function can be different from that of the society, it can therefore formulate and pursue goals that are not simply reflective of the demands of the society. They also argue that the most powerful groups in the society can, in fact, influence the state to intervene and when this happens, the economic policies that the state introduces will be more in their favour. The advocates of the rent-seeking theory, on the other hand, seem to agree that there is a need for the state to intervene in the market, particularly the monopoly-type market, in order to prevent market failure. In other words, a market fails when monopoly power exists, because it is usually possible to increase profit by restricting output and increasing

price. Therefore, in order to move markets towards the ideal, the state has to intervene by regulating monopoly and enforcing laws that prevent cartels and other restrictions on competition.

Perhaps it is partly because of the above disagreements that state intervention in industry has been looked at with suspicion, and accused of opening the window of opportunity for business interests to loot the state exchequer (see Chang, 1996). This suspicion seems more than natural when state intervention in industry or industrial policy does not make theoretical sense according to the conventional framework (see, for example, Deane, 1989; Buchanan, 1980a; Reinert, 1999). Nevertheless, the rise of the East Asian economies prior to the 1998 economic crisis, where the state has implemented strong economic and industrial policy measures with great success, has aroused further interest in the roles of the state.

Having said this, we will now examine the role of the state, particularly in the economic development of the four newly industrialising countries (NICs) and see how the above theories can be applied.

### **4.3 The Evidence on the Role of the State**

As mentioned earlier, in this part of the discussion we will examine the evidence on the role of the state as a driver to both economic development and as part of that, as a driving force in changing people's attitudes. In discussing the role of the state in spear-heading economic development, we will look at the four newly industrialising countries (NICs), i.e. Korea, Taiwan, Singapore and Hong Kong. The reason why they have been chosen is because they are among the few good examples where the role of the state has been very

vital, especially in initiating the process of economic development – making them the fastest growing economies in East Asia. On the other hand, in examining the role of the state as a driving force in changing people’s attitudes in order to facilitate economic development we will look at Korea, Singapore and China. The reason for analysing these countries is because not only do they have quite powerful and determined governments but these governments have been striving to change their people’s attitudes by launching powerful policies and campaigns.

#### **4.3.1 The Role of the State as a Driving Force in the Economic Development of the Four NICs**

To begin our discussion in this subsection, we will briefly highlight some of the reasons why state intervention is viewed as important in generating economic development. Following this, we will outline some of the roles played by the state. Next, we will examine the pattern of economic growth in Korea, Taiwan, Singapore and Hong Kong (the four NICs). With this discussion laid down, we will then look at the kind of role the state in these countries is playing in generating economic development. It should be noted that we are not producing a full discussion but simply acknowledging that there are different views in this tradition.

In discussing the state’s role in developing countries, in particular in the four NICs, one can consider the extent of state commitment to economic development and the methods of state intervention in the private sector. State commitment can be discussed in terms of the commitment of the political leadership to economic development and functional realignment through the restructuring of organisations and institutions, and can also be examined in terms of financial mobilisation, which is reflected in national budgeting and

public ownership of business, and in terms of the means of exercising power in influencing economic behaviour.

In discussing the role of state in the economic development of the four NICs and in many other countries in South East Asia, there are two important questions to ask: firstly, why is state intervention viewed as very important? and secondly, what are some of its roles? A number of commentators (for instance, Soon, 1994; Okuku, 1997) view the role of the state in these countries as vital because there is a need: (i) to create domestic supplies of factors of production when the private sector is unable or unwilling to create them; (ii) to preserve a competitive market structure through the regulation of large private enterprises; (iii) to adjust for the failure of markets to achieve a desired allocation of resources; and (iv) to achieve a more desirable distribution of income.

Having mentioned all of that, we will now highlight some of the roles played by the state. These include setting the legal rules; buying goods and services from paper clips to aircraft carriers; producing services, such as defence; making payments, such as pensions (Rosen, 1992); exerting a major influence on prices, interest rates and production (executed through taxation and borrowing) (Begg *et al.*, 1997); determining the legal framework that sets the basic rules for ownership of property and the operation of markets (Dutta and Heining, 1999); regulating economic behaviour; setting detailed rules for the operation of businesses and also formulating acts, among others, the investment act to encourage foreign direct investment (FDI) (Reinert, 1999; Wade, 1990); engaging in the mobilisation and allocation of resources; stabilising the national economy; promoting technological innovation; as the guardian of political stability, which is a prerequisite for economic growth; as the instrument for law and order; as the major investor; as a source of

development financing; as a powerful agent of social change; as a motivating force behind investment decisions by private business and as a safeguard of social security (Joung, 1987). This list demonstrates that in order to expedite economic development there are a number of significant roles that the state has to play.

We will now examine the pattern of economic growth in Korea, Taiwan, Singapore and Hong Kong. Following this, we will discuss some of the factors (for instance, state commitment) that contribute to their impressive growth rates. Although these countries have experienced rapid economic growth in recent decades, their prospects at the end of the Second World War were hardly promising (Midgley, 1986). Singapore and Hong Kong, for example, had been centres of entrepot trade but the war had shut down their traditional mercantile pursuits and had seriously damaged their infrastructure (Jones, 1990). On the other hand, Taiwan was devastated by American bombing and following the victory of the communist forces on the mainland in 1947, the economy suffered further strain when some 1.5 million nationalists fled to the island (Amsden, 1985). Although Korea, which was one of the most backward Third World nations, had not sustained great damage during the Second World War, the conflict preceding the division of the country in 1953 was devastating. Whatever industries had been established were destroyed and the traditional agricultural economy atrophied as millions of rural people were killed or fled their lands (Jones, 1990). It would have been surprising if economists in the 1950s could have predicted the subsequent industrial metamorphosis of these societies. Indeed, most economists (for instance, Rosenstein-Rodan, 1961) thought they had limited prospects of economic success.

However, during the 1950s, economists were surprised by the performance of the four NICs. The reason was because their growth rates were impressive not only by Third World standards but also by those of the industrial nations. While GNP increases by about 4 percent per annum were evident in the industrial countries between 1960 and 1980, they averaged 10 percent in Taiwan, 9.5 percent in Hong Kong, 9 percent in Korea and 8.5 percent in Singapore. Since then, their per capita incomes have also increased in line with growth rates and are now among the highest in the developing world (Midgley, 1986). The gains recorded in Singapore are illustrative. Little (1979) asserts that Singapore's per capita income increased from about US\$400 in 1960 to US\$1,830 in 1973 (at constant 1973 prices) making Singapore the richest country in the developing world. By 1980, its per capita income was US\$4,400 – higher than Greece, Portugal and Yugoslavia, and only slightly lower than Ireland (World Bank Development Report (WBDR) 1982).

What are the factors that contribute to the impressive growth rates in these countries? A number of scholars (for instance, Little, 1979; Beng, 1980) claim that all four nations experienced a substantive degree of structural transformation as manufacturing industry replaced agriculture as the dominant economic sector. In Korea, for example, the share of agriculture in gross domestic product (GDP) fell from 37 percent to 16 percent between 1960 and 1980, while that of the manufacturing industry increased from 20 percent to 41 percent during the same period (WBDR 1982). A similar transposition of the respective shares of manufacturing industry and agriculture occurred in Taiwan (Kuznets, 1979). In Singapore, entrepot trade ceased to be the primary economic sector in 1974, when domestic exports exceeded re-exports for the first time (Beng, 1980). Similarly, in Hong Kong, domestic exports exceeded re-exports (Geiger and Geiger, 1973).

Looking at these claims, it is apparent that the state has played an important role in the economic development of these countries. Indeed, a number of authors (Lewis, 1955; Johnson, 1982; Kono, 1984; Yamawaki, 1988; Soon, 1994; Okuku, 1997) support this view. They also claim that economic development of the four NICs is engineered by paternalistic governments or, in other words, by the “developmental state” – a state which offers subsidies and protection to offset the disadvantages faced by national firms and industries.

In Taiwan, for example, it is claimed that its nationalists not only carried out extensive land reform and agricultural modernisation programmes but they also nationalised key industries and imposed strict import controls. Instead of promoting a free market, a kind of dual economy has been created in which exports and only exports could be manufactured under virtually free trade conditions (Little, 1979). Similarly, it is reported that the state has also intervened to ensure that the prices of foreign exchange and of the financial market are kept near scarcity values and that monetary stability is maintained (World Bank Policy Research Report 1993). In addition, it is alleged that the state has actively played a crucial role in linking cheap Taiwanese labour to foreign capital (Bello and Rosenfeld, 1992). The same authors also argue that in the 1960s, state policy was guided by the need to sustain economic growth after the exhaustion of the import-substitution industrialisation of the 1950s. However, in the 1970s and 1980s, a major concern of the state became the expansion of the infrastructure for growth and facilitating the transfer of technology from foreign to Taiwanese firms, especially as development technocrats achieved a strong influence within the Ministry of Economic Affairs (Bello and Rosenfeld, 1992).



The Korean government adopted an even more rigorous form of interventionism that not only created incentives for foreign investment but mobilised, screened and regulated capital flows. Consequently, the country has become “one of the free world’s most tightly supervised economies with the state initiating almost every major investment by the private sector and wielding enough power to ensure that companies that make investments also make a profit” (Neurath, 1980). In addition, it is claimed that because of the state’s strong involvement in economic development, Korea has become one of the most rapidly growing economies in the world (Joung, 1987). The same author states that with the successful implementation of a series of Five-Year Development Plans that have been carried out by the Korean government since 1962, Korea has been transformed from a largely agrarian, subsistence economy into a newly industrialising one. Joung further states that by 1986, the economy had achieved a record performance in many respects, for example, gross national product (GNP) reached the US\$100 billion level and Korea became the world’s twelfth largest trading country.

Similarly, Westphal *et al.* (1988) suggest that the state in Korea has been playing a significant role in industrial development and especially in encouraging the development of heavy and chemical industries by setting targets and offering a variety of financial incentives to the industries involved. In fact, few can deny that the incredible economic growth of Korea has been initiated and steered by the state. Lee and Yoo (1987: 80) argue that “many Korean enterprises entirely owe their success to government support. Thus, a close relationship between the government and business has been inevitable. In fact, such relationship with the government has been essential in order to receive benefits, such as preferential disposal of government-vested properties; preferential allotment of foreign aids and grants during the period of reconstruction; preference for obtaining loans during

the period of development; designation of general trading company (GTC) and export financing during the take-off period; preference for taxation and financing; and inclusion in the five-year economic development plans of the government.” In addition, the government’s control of the banking system since the early 1960s has made it possible to steer large enterprises into the industries the government want to develop. Consequently, business groups cannot help but maintain a close relationship with the government, thus this relationship in Korea is often referred to “Korea Inc.” (Lee and Yoo, 1987).

Singapore’s drive towards industrialisation has also been characterised by interventionism. Although more flexible than Korea and Taiwan, the state has adopted a variety of measures designed to accelerate economic development. These measures include a plan to upgrade Singapore from a centre of entrepot trade to an industrial metropolis. In order to do so, the former Prime Minister, Lee Kwan Yew, and the leadership of the People’s Action party (PAP) envisioned The Malaysian Federation as the protected market for Singapore’s industrial goods. However, with the loss of this market, PAP technocrats dumped the accompanying strategy of import-substitution industrialisation and in desperation adopted the new approach of export-oriented industrialisation (Bello and Rosenfeld, 1992).

Similarly, it is claimed that export markets, foreign capital and cheap labour were the essential ingredients of the new approach, and the PAP government pioneered among third world governments in devising packages of incentives that would attract the multinationals (Beng, 1980). The same author asserts that the main attraction was low-cost labour, the supply of which the government ensured by decapitating and thus destroying the independent labour movement. Also, it is argued that Singapore has developed rapidly in part because of the strong role played by the state (Hirst and Thompson, 1996). According

to them, the state in Singapore has used its control of political power to promote public investment in education, housing and infrastructure. It is also claimed that the state has established programmes typically with more moderate incentives to accelerate the development of advanced industries (Gill and Wong, 1998). According to the same authors, investment incentives given by the state encouraged the rapid growth of foreign direct investment (FDI) in Singapore.

Although Hong Kong can be regarded as the most *laissez faire* of the four countries, it is incorrect to suggest that the state has been entirely non-interventionist. In fact, the state has intervened in the economic development and the extent of its involvement can be assessed by looking at the overall contribution of the public sector to GDP and its growth, and its contribution to specific industries. For example, when compared with Taiwan and Korea, the government's expenditure (including capital expenditure) in Hong Kong for 1992 was about 15 percent of GDP, while in Taiwan and Korea it was 16.3 percent and 17.4 percent respectively.<sup>2</sup> Looking at these percentages, although lower in Hong Kong, the differences are not great. This suggests that the state did play a role in the economy.

Besides the above, there are several areas where state intervention is needed. These include the provision of industrial land, the establishment of productivity as well as standard and testing centres, the take-over of several banks in the 1983-85 period, setting up the infrastructure, and giving product development support and trade promotion. With regard to industrial land, the state provides land at concession prices for manufacturing

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<sup>2</sup> [WWW document]. URL <http://www.library.unsw.edu.au/~jazerby/econ3112/html>

enterprises. This represents a direct state intervention into the market by altering the price of land for manufacturers. With respect to productivity and standard and testing centres, the state intervenes by providing funding and support in production techniques and in the transfer of technology. In terms of the take-over of several banks in the 1983-85 period, the state has intervened when it has noticed that a collapse of the banks might result in an even greater drop in confidence in the Hong Kong economy.

With regard to infrastructure, although it could be argued that the state did not finance much of the Hong Kong infrastructure from public funds, it did take the responsibility of ensuring that the finance from the private sector was adequate. As in the other three countries discussed earlier, the state in Hong Kong currently intervenes and provides assistance that helps to improve Hong Kong's productivity growth, improvement in the quality of the product or service and industrial design. In addition, the state has been a major contributor to trade promotion. During the 1998 economic crisis, the state began to involve itself in the stockmarket by buying shares. In all, the state spent about HK\$118 billion and became the largest shareholder in some of the territory's biggest blue-chips companies (The Economist, 9<sup>th</sup> October 1999).

The question here is, compared with the other three countries mentioned earlier, can the state role in Hong Kong be considered a fully "hands-off" policy? Based on the above discussion, it is clear that it has participated in each of the support activities mentioned above, and that this participation has ranged from the minor regulatory functions of examining the private sector suppliers of infrastructure facilities (for instance, bus companies) for fitness and adequacy of service, to supply a large part of the required funding for support activities. Vocational education is a good example of a support

activity for which the state in Hong Kong is the principal source of finance. According to some authors (for instance, Chen, 1979), there are no significant private sector suppliers of vocational training in Hong Kong as a result of the substantial amount of state funding. In fact, generally the public sector dominates education and training in Hong Kong and the funding comprises a large share of recurrent expenditure. Having said this, it is apparent that the state in Hong Kong is not entirely “hands-off”, but its role differs from that of the state in the other three countries.

From the foregoing review, except for Hong Kong, one might say that the development of the newly industrialising countries has not been characterised by a *laissez faire* policy but by extensive government intervention and the deliberate adoption of policies that would promote industrialisation. Although that might be the case, when we look closely at the role of the state in these countries, there is no justification in saying that the state is mainly of an interventionist and/or corporatist type. In fact, it might be more appropriate to say that their economic development is driven by the combined forces of corporatism, monopoly capitalism and the spirit of free enterprise. This can be explained by the fact that although the state intervenes in the market, it does have a strong commitment to a free market. In other words, state intervention is not aimed at constraining private enterprise but is very much there to support and develop the private market by setting its boundaries. Therefore, one may conclude that there is a freedom of private enterprise but within state direction. In fact, looking at the economy of the newly industrialising countries, this strategy has proved effective.

Thus, it is incorrect to conclude that the states in the four NICs only fit into the theory of the welfare economic state. In fact, based on the above discussion we can say that the

roles of the states in these countries involve a combination of all the three theories mentioned earlier. This is because when the private sector cannot provide the goods and services for the general public, the state has to intervene. In this regard, the state is said to play its welfare role. At other times, the state has to play a role within the sphere of both the political economy and rent-seeking, partly because of strong pressure from the most powerful groups in society. In fact, this is not something new even in some developed countries. For example, in the case of rent-seeking, in aggregate, firms spend millions of pounds lobbying Parliament in the pursuit of licences and laws that create barriers to entry and establish a monopoly right. Once that right is acquired, the same firms hope to make an economic profit in the long run. However, monopoly profit is not desirable from the consumers' point of view and if left unchecked it can, in fact, lead to market inefficiency. Therefore, to move markets towards the ideal, state intervention is necessary i.e. the state must regulate these firms to ensure that their monopoly status does not lead to market inefficiency.

It is clear from the above discussion that the state in the developing countries has an important role to play in their economic development, and very often it has to change the attitudes and mind-sets of its people in order to make sure that they can achieve the level of economic success that it aims at. In the following discussion, we will look at how successful the state can be in changing the attitude of its people in order to facilitate economic development.

#### **4.3.2 The Role of the State as a Driver to Change People's Attitudes**

Having discussed the role of the state as a driving force in economic development, in this subsection, we are going to look at the role of the state in influencing people's attitudes,

taking Singapore, Korea and China as examples. It is important to note that these are clearly not typical examples if one wished to examine a cross-section of the world as a whole. But these are the more popular examples when we consider the Malaysian situation. The reason is because the circumstances in these countries, while not exactly the same as in Malaysia, have a number of similarities, such as the implementation of programmes to change people's minds and attitudes. To some extent such programmes have been quite successful, as we will discuss shortly.

In today's world, no country is untouched by the forces of globalisation (see Chapter 3). In fact, the economies of individual countries have now become "the economy of the world". Computer technology has increased the speed of interaction between producers and markets. The lowering of tariffs has removed many of the obstacles which previously affected the location of production facilities. Moreover, the relative saturation of old markets has forced entrepreneurs to look towards markets abroad for survival, while labour costs in industrialised markets have compelled foreign companies to relocate to, or to establish facilities in developing countries where production costs are lower, in order to prosper.

Globalisation brings benefits as well as challenges to the states in developing countries. On the benefits side, globalisation introduces new management ideas and fosters unprecedented opportunities for wealth creation and perhaps for the betterment of the human condition (see Hirst and Thompson, 1996). But one of the greatest challenges facing the state in developing countries is how to react to the forces of globalisation and also how to benefit from new management ideas which can be "alien" to the local people. It is generally believed that in order to benefit from new management ideas or, in other

words, to promote new management ideas among their people, the states in developing countries have launched a number of policies or campaigns to influence people's attitudes.

We will now examine the role of the state in changing people's attitudes by taking Singapore as our first example. A review of the related literature reveals that the Singaporean government has made a number of attempts to achieve this. For example, the former Prime Minister Lee Kwan Yew, first tried to change the way the Singaporeans behave. In doing so, he launched a number of powerful campaigns, such as the "keep Singapore clean" campaign, the "annual clean public toilets" campaign, the "no smoking in public places" campaign, the "keep public facilities free from damages" campaign, "drug-free Singapore", etc. Lee's efforts were then continued by his successor, the present Prime Minister Goh Chok Tong.

In the late 1980s, the Singaporean government launched its "Look East" campaign, which was founded on a belief that the Japanese "role model" was culturally compatible with Singapore's values and inspirations. Throughout this campaign, the Singaporean government strongly believed that it could change work attitudes, labour turnover, productivity, efficiency and labour-management relations among Singaporeans by encouraging them to adopt Japanese work culture and management techniques (Jain, 1990). Also, by introducing Japanese management ideas or techniques and work ethics among the local workforce, the government believed that these would not only help to change attitudes to work but would also speed up the industrialisation process (Hayashi, 1988: 35).



As in Singapore, there is evidence from Korea that the state has played a crucial role in trying to alter people's attitudes and mind-sets and to achieve this, the government has launched one of its most powerful campaigns. The nationwide campaign, which was officially proposed by former President Park Chung Hee in 1970, is called the "Saemaul Undong" and its basic foundation is the training of rural and urban people in diligence, hard work, self-help and cooperative spirit. It is basically a national movement aimed at cultivating people's morale for economic development and is based on Japanese ideology.

Later, in 1972, the directors of the Saemaul Undong divided the programme into three elements. They are: spiritual enlightenment or attitudinal change; improvement in the living environment or social and cultural change; and income increase or modernisation of agriculture. These elements are also referred to as human development, social development and economic development. The South Korean government strongly believed that if the South Koreans were able to acquire all the qualities as outlined in the Saemaul Undong, not only could they adopt the Japanese management techniques but they could also replicate their success (see Sayer, 1983).

Unlike in Singapore and South Korea where both governments have tried to replicate Japanese achievements, and in the process have launched policies related to changing culture, the Cultural Revolution in China was not about changing culture in order to copy Japanese success as it emerged much earlier, i.e. in the spring of 1966. A number of commentators (for example, Chen, 1975; Schram, 1989) have in fact suggested that the Cultural Revolution had two objectives which were interrelated: (i) to change moral values and attitude; and (ii) to promote both modernisation and economic development.

According to Schram (1989: 200), “the origins of the Cultural Revolution can be traced to two trends which emerged in 1958-1959: the new high tide of the Mao cult, and the leftist political and ideological climate, manifested above all in the ever shriller emphasis on class struggle.” Looking at the ideologies that Chairman Mao forwarded to his people, the Cultural Revolution is indeed of a complex nature that has raised a number of questions and involved differences of emphasis among Chinese leaders over basic directional choices for the society at large (Gurtov, 1971). According to Gurtov (1971: 315-317), the choices were: “whether Maoist-style politics (or ideology) could continue to ‘take command’ or would have to yield at least equal place to the practical problems and limitations involved in fixing priorities and setting goals; whether radical Maoism befit a China in transition or would have to be modified if China is to realise its historically based claim to great power status; and whether China would inevitably ‘change colour’ or could remain ideologically ‘pure red’ even in the throes of modernisation.” As these questions came to the surface in the summer of 1966, the foreign affairs bureaucracy, like the party apparatus as a whole, was suddenly forced to defend itself against the unleashed frenzy of young radicals out to “make revolution” (Gurtov, 1971).

However, from its advent in the spring of 1966 until the mid-autumn of 1968, China’s Cultural Revolution was primarily an urban phenomenon (Baum, 1971). Baum argues that “a substantial majority of China’s rural villages not only failed to experience significant Red Guard agitation, ‘power seizures’, or internecine factional struggles, but also remained, throughout much of this two and a half year period, effectively insulated from all but the most cursory information concerning the occurrence of such events elsewhere. For most of China’s 550 million or more rural peasants and basic-level cadres, most of the time, the Cultural Revolution was simply not a particularly salient fact of everyday life” (p.

370). It was only with the nationwide intensification of a rural “struggle-criticism-transformation” campaign in the autumn and winter of 1968-1969 that the Cultural Revolution became a concrete reality for the majority of China’s peasantry (Baum, 1971).

Having briefly examined the policies or campaigns adopted by these governments, we will now look at whether or not they have been successful in terms of changing their people’s attitudes.

In Singapore, it has been reported that the government has been quite successful in influencing the minds and attitudes of its people. This is because the majority (if not all) of the Singaporeans responded positively to most of the government’s campaigns as listed earlier (Whiting, 1996). Even the “Look East” campaign can be said to have been quite successful despite the fact that it was abandoned fairly quickly and it was partly as a result of this campaign that some elements of the Japanese management techniques, such as QCCs, the suggestion system, TQC and JIT have been successfully transferred to Singapore (Jain, 1990; Ek, 1987; Hum, 1991). It could be argued that if the “Look East” campaign has not been abandoned so quickly, perhaps its impact in changing the Singaporean’s attitudes could have been even more substantial.

The question here is why has the Singaporean government been so successful in most of its campaigns? There could be a number of reasons for this. One of them could be because of the government’s strong, long-term commitment to ensure a favourable outcome. For example, in continuing the work of the former prime minister in the “Clean Public Toilets Education Campaign”, in 1996, the present Prime Minister Goh Chok Tong called the Public Education Department requesting that it continue to plan and organise educational

campaigns to persuade the public to adopt good toilet habits and to help keep public toilets clean and dry.

Then, in August 1998, a month-long campaign was held. Mass participation activities, such as the People's Choice Awards; a Model Public Toilet poster contest; a public event at the Jurong Bird Park comprising activities such as a scavenger hunt and a children's spot-art competition; radio contests; and a public toilet feedback hotline were organised for the campaign. Radio information capsules were aired to publicise these activities while schools, town councils and grassroots organisations were also encouraged to organise in-house events in conjunction with this campaign. Moreover, the Public Education Department continues to carry out annual surveys to gauge the public's behaviour in using public toilets.<sup>3</sup> But such massive involvement is not only restricted to the "clean public toilets" education campaign. In fact, the Public Education Department also executes programmes to educate the public on the importance of keeping Singapore clean. Educational materials, such as posters, pamphlets and anti-littering counselling videos are distributed and exhibitions and talks are conducted in schools to reinforce the message of the importance of keeping public places clean.<sup>4</sup>

In addition to the above, the government has also enforced a number of laws, some more stringently than others. For example, Singapore is renowned as a country with tough anti-drug legislation, and penalties ranging from 5 years to 30 years, canning by the rotan, life imprisonment and the death penalty for drug trafficking offences.

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<sup>3</sup> [WWW document]. URL <http://www.gov.sg/env/info/campaigns/toilet.html>

<sup>4</sup> [WWW document]. URL <http://www.gov.sg/env/info/campaigns/litter.html>

Another reason could be because many other parties, especially from the private sector have become involved. For example, the advertising and media industries have joined forces to apply their creativity and expertise in campaign, such as in promoting a drug-free Singapore. Batey Ads Pte Ltd, for instance, has donated a significant amount of its creative resources to develop dramatic, and powerful TV and print ads, while a range of media owners have contributed advertising space. It is reported that such contributions currently total S\$1.1 million.<sup>5</sup>

Unlike in Singapore, where certain government campaigns, and particularly the “Look East” campaign, have been launched in order to introduce the Japanese management techniques and work ethics, in Korea the Saemaul Undong Movement is aimed at three things. As mentioned earlier, they are spiritual change; social and cultural changes as well as improving the overall standard of living by encouraging people, especially farmers, to use modern ways of production in order to increase their income. Thus, despite the fact that the Saemaul Undong Movement has been heavily criticised, the government has been relatively successful especially in persuading farmers to change their attitudes and lifestyles (Sayer, 1983).

As in Singapore, the success of this movement has also been due to factors such as a strong government commitment. For example, to ensure that this movement will continue to produce positive results, first of all, President Park needs to mobilise the campaign countrywide. To do this, he has demanded active participation from many government departments and agencies. A Centralised National Council is then formed to formulate the overall plans and to make all the ultimate decisions. The plans are then passed down through the Provincial Councils and Country Councils to Township Councils which are

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<sup>5</sup> [WWW document]. URL [http://www.drugfree.org.sg/frame\\_campaign.html](http://www.drugfree.org.sg/frame_campaign.html)

then responsible for implementing the plans in the surrounding villages. The membership of the National Council reflects the strength of the National administrative effort. The council is chaired by the Minister of Home Affairs, but also includes assistant ministers from the ministries of Home Affairs, Finance, National Defence, Education, Agriculture and Fisheries, Commerce and Industry, Health and Social Affairs, etc. However, it does not stop at this level. In fact, even at village level, the government has set up a Village Development Committee consisting of fifteen representatives and it has established a Saemaul Leader in each village (Sayer, 1983).

In addition to the above, the government has also been actively involved in certain aspects of Saemaul education. For example, by 1977, 197,259 village leaders had received Saemaul training; 35,057 non-farmers, such as students, business leaders, etc. and 218,997 civil servants had taken a shorter, seven-day course; and over 19 million villages had received some kind of local instruction (Ban, 1983). Apart from such government effort, many private organisations have also become involved with the common objective of making this movement successful (Kim, 1983).

Unlike in Singapore and Korea, the Cultural Revolution in China has encountered a number of problems and has also been strongly criticised. Chen (1975), for instance, claims that Mao faced a hard time with his Cultural Revolution because almost immediately after it was launched there was a stubborn resistance from the vested interests in power, the “capitalist roaders”, and particularly from Liu Shao-Chi, leader of the revisionist establishment. Similarly, Schram (1989) argues that although Mao’s goals of promoting moral values, combating bureaucracy, encouraging popular participation and stressing China’s self-reliance were generally laudable, the methods he used were largely

self-defeating. Schram also directs his criticism towards Mao by pointing out that he was in fact much better at conquering power than at ruling the country and bringing about attitudinal changes among his people. But despite the fact that Mao Tse-Tung faced a great deal of difficulty with his Cultural Revolution, it achieved two main goals; the violent upheaval of an old social order; and complete and fundamental change (Chen, 1975; Schram, 1989).

It is argued that the reason for the success of the Cultural Revolution was in part because of Mao's popularity. His revolution had strong support from the great mass of the people, i.e. workers, peasants and the vast majority of cadres and intellectuals (Chen, 1975: 436). In fact, Mao proved so popular and influential that from the summer of 1966 to 1969, factories, work units and army units across the country produced badges carrying his image and stamped out several billion badges in tens of thousands of varieties (Meisner, 1986). Even to this day, Mao is still very popular among the Chinese, while within the Communist party's creed, Maoism remains strong (The Economist, December 25, 1993). The same magazine reports that to reinforce Mao's popularity, in November 1993, the Communist Party published a list of films to be shown to children across the country, 34 of which are compulsory and 66 optional. For seven-year-olds, "The Young Mao" is compulsory, whereas eight-year-olds have to watch "A Revolutionary Household".

We now turn to the question of why Mao was so popular especially among the peasants. Firstly, it was because having close ties with rural China (Mao was born in 1893 in Shao Shan, Hunan Province, where for years his world consisted of the rice field and the village school) he and his associates became passionately concerned with rural development, and especially in upgrading the livelihood of the peasants. In fact, it was argued that after

Mao, peasants were no longer mere statistics, and no longer people who could be written off as a social force (Gray, 1988).

Secondly, the majority of the Chinese, especially Mao supporters, believe that without him, a strong communist movement would not have existed and that he was also partly responsible for China's unification (Terrill, 1993).

Finally, it was because of Mao's strength of character. Some authors (for instance, Terrill, 1993) believe that there was a "personal fire" in him. This was possibly derived from the self-assurance and belief in his cause that Mao demonstrated from his late 20s through to his 50s. As he grew up in dislocated times and when millions were ready to support an iconoclast, he proved that he was willing to use force and he thrived by keeping relatively distant from Moscow.

Based on the foregoing review, it can be concluded that it is possible for the state, particularly in developing countries, to influence a change in people's attitudes. This is because it is not only very determined but also quite powerful and is able to introduce and impose policies and laws which, for example, in the West people might regard as draconian. Moreover, unlike in the West, the states in developing countries have more control and influence over the media to the extent that they can do more compared to the states in the West. As a result, they are able to effect more radical changes. But of course, none of them are 100 percent successful. What is interesting, however, is the fact that they have a higher degree of success when compared with the states in the West.



However, it is important to point out that although it is difficult to gauge the level at which success has been achieved in the developing countries, a number of commentators have in fact pointed out that there are some changes in terms of attitudes that have been brought about in these countries. The case of Singapore is the most interesting one, not only because of the real efforts that were made to alter behaviour in order to facilitate economic development, but also because Singapore is clearly geographically and historically close to Malaysia, and while the two governments are different, they have many points of contact between them. Our next task therefore is to examine whether or not Malaysia's Look East Policy has been successful in changing the Malaysians' attitudes in order to facilitate the transfer of Japanese management techniques.

#### **4.4 Conclusion**

Having reviewed the related literature, we can conclude the following: firstly, the literature shows that despite a number of disagreements between different economic theories with regard to whether state intervention is warranted or not, a number of commentators (for instance, Skocpol, 1985; Deane, 1989; Katz and Rosen, 1994; Chang, 1996) seem to agree that state intervention is necessary in order to move markets towards the ideal.

Secondly, the literature suggests that all four countries have governments that have acted decisively to promote economic development and with the possible exception of Hong Kong, they are characterised by authoritarian and corporate styles of political management.

Thirdly, the literature reveals that the newly industrialising countries, particularly Korea, Taiwan and Singapore, have relied on public policies to promote the economy that are very different from the strategies of financial rectitude, avoidance of state intervention, and

openness to international competition preached by Western countries and international agencies *pari passu* with their advocacy of “good government”.

Finally, the review of the related literature suggests that it is difficult to assess how successful the state has been in changing people’s attitudes, and clearly no government has achieved entirely what it set out to achieve. Nevertheless, a number of commentators (for instance, Sayer, 1983; Terrill, 1993; Whiting, 1996) have claimed that there is some evidence of changes taking place pertaining to attitudes as a result of the state’s role in this area.

## CHAPTER FIVE

### THE LOOK EAST POLICY

#### 5.1 Introduction

The objective of this chapter is to present the Look East Policy (LEP), which was officially launched in February 1982. The chapter starts by discussing the history of pre and post-war relations between Malaysia and Japan. It then goes on to examine the reasons why the Malaysian government launched the Look East Policy. Next it analyses how the Japanese model of management or Japanese management techniques and work ethics have been promoted in Malaysia. Included in this part of the discussion are the promotion of in-house unions and Malaysian *sogoshosha*. It then goes on to discuss some of the more significant managerial and economic ramifications of the increased Japanese presence (particularly Japanese investors) in Malaysia since the advent of the LEP. Finally, the chapter presents the problems associated with the LEP, ending with the general hypothesis of the study.

It is important to note that because of limited current literature and restrictions on public access to most of the information related to the LEP, the discussions in this chapter are heavily based on literature written and studies conducted in the 1980s and early 1990s.

#### 5.2 The History of Pre and Post-War Relations between Malaysia and Japan

##### 5.2.1 Pre-War Cultural Images of the Japanese

In the pre-war era, the Japanese community in Malaysia was made up of migrant petty traders such as barbers, photographers, bicycle shop owners, prostitutes or *karayuki-san*

(Leng, 1983), and businessmen in primary and plantation sectors such as iron ore and rubber (Smith, 1994). During this era, the Japanese were attracted to Malaysia (at that time called Malaya, Sarawak and North Borneo) by two main factors; first, by the rubber plantation industry, which had become lucrative by 1910 and second, by the economic opportunities made available by the British in Malaysia. However, the British restricted Japanese economic involvement in Malaya when they passed the Rubber Restriction Act of 1917, and later the quota system on cotton imports in the late 1930s. It was these two measures that indeed provided strategic military reasons for the Japanese to invade Malaya, which they did in 1941, when they took control of Malaya and the Borneo Territories for three years, i.e. from 1941 to 1945. During this period, ethnic relations were put under great stress because of the differential treatment accorded to races by the Japanese (Smith, 1994). On the one hand, the Japanese sought the collaboration of the Malays in achieving the aims of the Greater East Asia Co-Prosperity Sphere. On the other hand, the Japanese treated the Chinese brutally because of the war experience they had experienced in mainland China (Smith, 1994).

Despite its brief military rule, Japan has never had a good image among the Malaysians (Kheng, 1983). According to Kheng (1983), this was because of the notorious behaviour of the Japanese soldiers, and the atrocities that occurred during their occupation. Similarly, Smith (1994) claims that the Malaysians were mercilessly manipulated and maltreated as the Japanese were brutal in dealing with those who disobeyed them. The Japanese Occupation has also been blamed for the disruption of the economy and of the pre-existing social order (Kheng, 1983). Kheng also claims that the occupying forces requisitioned food supplies and the normal patterns of subsistence agriculture were disrupted. Smith

(1994) claims that families lived in fear of their daughters being raped or sexually exploited by the Japanese soldiers while men were rounded up to work on the Death Railway; many of whom never returned. According to Kheng (1983), the Japanese Occupation was also responsible for causing the ethnic divide between the Malays and the Chinese.

Because of these bitter experiences, it is said that even to this day the older generation of the Malaysians who lived under the brief Japanese Occupation bear an animosity towards the Japanese (Smith, 1994). This is partly because Japanese aggression has caused the Malaysians not only physical damage, but also “moral trauma”. However, despite the chaos that it created, the Japanese Occupation brought several important changes for Malaysia’s administration. For example, it was the first time in the country’s history that an integrated government was imposed on the whole of Malaysia, with a central authority based in Singapore (Singapore was expelled from Malaysia in 1965 due to political differences (see Chapter 6), and this was a marked contrast with the pre-war dual system of direct and indirect rule (Kheng, 1983).

### **5.2.2 Post-War Cultural Images of the Japanese**

Smith (1994) argues that the contemporary Japanese community in Malaysia is still influenced by the Japanese military stereotype of the Occupation years. Most Malaysians, and particularly the Chinese families can recall at least one relative killed by the Japanese during this time (FEER, 30<sup>th</sup> October 1991). The Japanese, on the other hand, did not try to establish a social and business relationship with Malaysians, especially in the early years of Malaysia Independence. One of the reasons for the low profile adopted by the Japanese

and their slow contact in Malaysia prior to 1970 was because they were busy reconstructing their war-torn economy. However, the scenario changed in the early 1970s when Malaysia's hatred towards the Japanese was pushed into the background by economic factors. For example, from the start of that decade, Japanese cars and consumer products were in high demand because they were considered to be good value for money before the rising yen, or *endaka*. This was a period when the Japanese again invaded Malaysia in great numbers, but this time as civilians. They came as investors, signing contracts for mineral and timber concessions, and creating joint ventures in car assemblies and electronics. As a result, Japanese products began to flood the Malaysian markets.

As the relationship between Malaysia and Japan improved during this time, the Malaysian government also invited Japanese investors to expand their investment in the Malaysian service sector, hotels, restaurants, clubs and bars, department stores, travels and advertising agencies, and to support the Japanese business community members, the Japanese Chamber of Commerce and JETRO (Japan External Trade Organisation) were established in Kuala Lumpur.

At present, with regard to the Japanese cultural influences upon Malaysian society, Smith (1994) claims that they can be felt everywhere as a result of the "spill-over" effect of the closer ties between Malaysia and Japan. Japanese influence, for instance, can be observed in television programmes, where there have been a number of long-running Japanese daily serials shown on the Malaysian television channels, dubbed in *Bahasa Malaysia* (Malaysia National Language). There are also several exclusive Japanese-style clubs now open in Kuala Lumpur, while Japanese restaurants and *karaoke* bars have sprung all over its

business district in order to cater for their needs. Smith (1994) mentions that there has never been a period that has witnessed such a close relationship between Japan and Malaysia as the present one.

### 5.3 The Look East Policy (LEP)

Despite the bitter experiences during the Japanese Occupation, the Mahathir administration is keen to “Look East”. Thus, shortly after his inauguration in 1981, Mahathir launched the Look East Policy. A brief chronology of the start of the policy is presented in Table 5.1

Table 5.1

A Chronology of the Start of the Look East Policy

Date	Events
July 16 <sup>th</sup> , 1981	Mahathir was inaugurated as fourth Prime Minister
End of 1981	Mahathir announced a ‘Buy British Last’ directive
January 1982	Mahathir launched the Look East Policy
February 8 <sup>th</sup> , 1982	Mahathir officially made known the LEP to the Japanese when he announced the policy at the 5 <sup>th</sup> Joint Annual Conference of the Malaysia-Japan and the Japan-Malaysia Economic Association in Kuala Lumpur

#### 5.3.1 What is the Look East Policy?

According to Mahathir<sup>1</sup>, “The Look East Policy is a policy that is aimed to encourage all Malaysian to look towards Japan. The main objective is to acquire the kind of policies, management systems, and work ethic that the Japanese have.”

<sup>1</sup> Far Eastern Economic Review, 11<sup>th</sup> June 1982.

According to Lim (1984), the Look East Policy is aimed at introducing Japanese work ethic and management techniques to Malaysia in order to improve productivity and overall economic performance, and, hence enhance Malaysia's industrialisation with Japanese technology and capital. Jomo (1994: 6), however, puts a slightly different slant on what the Look East Policy is all about. According to him, the LEP is "a campaign to boost productivity by inducing hard work, loyalty and promoting greater output and quality, and more effective modes of labour organisation and management practices." Jomo further points out that what the policy means is a reference to Japan in three main areas, i.e. work ethic, management techniques and the transfer of technology from Japan to Malaysia. Jomo also mentions that to some extent the LEP does refer to South Korea in the areas of work ethic, construction and rural development.

Based on the above, it seems that the two authors have different interpretations of what the LEP is all about. For example, Lim argues that the aim of the LEP is to introduce Japanese policies in order to accelerate the industrialisation process in Malaysia. Jomo, however, goes further by arguing that the LEP is not only aimed at introducing the Japanese policies but it is also aimed at introducing effective modes of labour organisation based on the Japanese model.

Despite different interpretations of the nature of the LEP, most commentators agree that its main objective is to stimulate value and behaviour change among Malaysians, improve management practices, and to capitalise on Japanese technology and economic practice in order to prepare the country to become a developed nation by the year 2020.



In support of the Look East Policy are concrete proposals in two areas: first, in human resource development; to train large numbers of Malaysian students in Japanese undergraduate courses, to set up a Japanese language training centre at the University of Malaya to prepare students for this, and to send more workers to Japan for on-the-job training through the Association for Overseas Technical Scholarship (AOTS) scheme already established; second, to set up economic institutions new to Malaysia and already existing in Japan, for example, general trading companies (*sogoshosha*), and to expand the incidence of in-house unions (each of these will be discussed in detail later). These can be seen as directly inspired by the Japanese model.

The Look East Policy was officially announced on 8<sup>th</sup> February 1982 at the 5<sup>th</sup> Joint Annual Conference of the Malaysia-Japan and the Japan-Malaysia Economic Associations in Kuala Lumpur, emerging right in the middle of Malaysia's twenty-year project of economic and social restructuring: the New Economic Policy (NEP).

Briefly, the NEP was introduced in May 1970 and was given a 20-year time frame. The two main objectives of the NEP were (i) the eradication of poverty irrespective of race; and (ii) the restructuring of society to correct racial economic imbalance. What it meant was that non-*Bumiputras* would no longer be allowed to carry out their economic pursuits as freely as before, i.e. without regard to the economic position of the *Bumiputras* (see Chapter 6 for the definition of *Bumiputra* and non-*Bumiputra*). As the NEP almost came to an end (it expired in 1990) the government soon found ways to “reincarnate” it. Hence came the LEP, which, unlike the NEP, has a wider focus.

The structure of the LEP is as follows: The Look East Committee, the policy body, is chaired by one of two ministers in the Prime Minister's Department and its members are the Chief Secretary of Government, the directors of the Economic Planning Unit and the Public Services Department, and the secretaries general of the Treasury and the Ministry of Education. The Look East Technical Committee, the operational body, is chaired by the deputy director general of the Economic Planning Unit and staffed by members of the Public Services Department, particularly its training division. The location of the Technical Committee reflects the centrality to the LEP of education and training programmes, as the division has substantial experience in the supervision of training programmes and in arranging and administering overseas education and training. As Mahathir is very much the architect of the policy, he is able to keep close supervision on policy development and its implementation. This became evident when he institutionalised responsibility for the policy in his own department.

### **5.3.2 The Reasons for the Implementation of the Look East Policy**

There are a number of reasons why the LEP has been introduced and implemented, but the best place to begin such an explanation is with Mahathir's goals for and thinking on national development. Firstly, it is believed that Mahathir intends to use the LEP to transform Malaysia into an industrialised country with the help of the Japanese. As such, in his notable speech on 8<sup>th</sup> February 1982 at the 5<sup>th</sup> Joint Annual Conference (JAC) of the Malaysian-Japan and the Japan-Malaysian Association in Kuala Lumpur he said, "Malaysia has all the basic ingredients to become an important industrialised country in Asia after Japan and South Korea." In fact, even before he became Prime Minister, Mahathir was concerned with the Malaysian economy, ever since the country gained

independence from Great Britain in 1957. This was because the economy had relied mainly on rubber and tin, which provided two-thirds of all export earnings, and even though other commodities such as pineapple, pepper, tobacco, cocoa, timber, petroleum and palm oil later took shares of the export market, Mahathir realised that Malaysia could not depend on these primary commodities much longer because their prices had been volatile since the late 1970s. Thus, with the launching of the LEP, Mahathir now expects that the Japanese will help Malaysia expand its manufacturing activities.

Secondly, being a purposeful, nationalistic leader who has set a course to restructure Malaysia's political economy, Mahathir has decided to emulate the two East Asian "models" of development rather than the Western model, which he feels is no longer adequate for Malaysia's development purposes. It is also argued that Malaysia should emulate the East Asian "model" rather than the Western "model", and particularly the British one, not only because its former master is currently subject to many economical and socio-political problems but also because Great Britain is no longer a superpower (Rajendran, 1993). It is further argued that "Looking West" is common in the ASEAN countries and the Malaysian government has realised that ethical and moral values in the West are no longer compatible with those in Malaysia. Therefore, it would be more appropriate to emulate some of the countries in the East because of the common oriental culture and ethical values (Rajendran, 1993: 91). Similarly, it is argued that a shift of this nature will benefit Malaysia as its people can relate more easily to the values of the East (Soong, 1983).

Coincidentally, in the early 1980s Malaysia's relationship with Britain was at its lowest ebb (Jomo, 1990). The strained relations between the two countries at that time were caused by a series of events. The first of these was triggered by the British media's and the London Stock Exchange's hostile reception to the Malaysian government's take-over of the Guthrie Corporation, one of the oldest British plantation companies in Malaysia. The take-over was mounted by a major government investment agency, Permodalan Nasional Berhad (PNB, or the National Equity Corporation) and it was conducted so swiftly on the morning of 7<sup>th</sup> September 1981 that it surprised both Guthrie's management and the London Stock Exchange. As a result, certain leading British newspapers chose to describe the take-over as an act of nationalisation, a comment which badly stung Mahathir - who is known as a strong critic of nationalisation (Teik, 1995: 55). The second event concerned the severe financial losses suffered by the Malaysian government when the London Metal Exchange abruptly amended its rule to limit the premiums payable by short-sellers who were unable to deliver on tin futures at a time when the Malaysian government quietly but actively supported tin prices. The third event that generated further frustration was the issue of landing rights. According to Teik (1995: 55), Britain had refused to give two additional landing slots at Heathrow airport for Malaysia Airlines System Berhad (MAS), which wanted to operate a new route between Kuala Lumpur, London and Mexico City. What actually happened was that Britain had advised Malaysia to purchase four additional units of Boeing 747 before the additional landing slots could be considered. But when MAS did purchase four units of Boeing 747, Malaysia was disappointed to find out that Britain did not approve the landing slots (Teik, 1995: 55). The last straw was over a dramatic increase in student tuition fees for all foreign students in Britain. Because there were more than 50,000 Malaysians studying in Britain at that time, including Mahathir's

son, these actions increased the tensions that were already escalating between the two nations (Jomo, 1994; Means, 1991: 92). Hence, as the disputes intensified, Mahathir announced the “Buy British Last” directive, and by the end of 1981 there was a total boycott of British goods.

Thirdly, Malaysia wanted to capitalise on Japanese technology to develop its manufacturing sector. Mahathir’s desire to develop Malaysia into an industrialised country was cultivated while acting as Trade and Industry Minister (1978-1981). It was during this time that the Heavy Industries Corporation of Malaysia (HICOM) was formed. Since then, HICOM has been central to the public promotion of large industrial projects in automobiles, iron and steel, small engines and cement. As Japan had been Malaysia’s most important trading partner since the late 1970s, Mahathir believed that the LEP would be able to attract more Japanese investors to Malaysia, and that these (Japanese) investors would then transfer their technology to Malaysia (Mahathir, 1983). It is also claimed that because of the LEP the joint venture company called Proton or National Automobile Enterprise was established which involved two main parties, namely, HICOM and Mitsubishi with a shareholding of 70% and 30% respectively (Jomo, 1983).

Fourthly, Mahathir strongly believes that the adoption of Japanese management techniques and work ethic to be one of the best remedies for corporate ills diagnosed among both Malaysian private firms and public enterprises. He maintains that the only way to successfully promote the adoption of Japanese management techniques and work ethic among Malaysians is through a nation-wide campaign, and that this can be achieved through the launching of a powerful policy, such as the LEP (Mahathir, 1983).

Finally, the personality and political style of Mahathir plays a significant role in the “birth” of the LEP. Compared with the three previous Prime Ministers who had studied law in the UK and had maintained closed connections with the Malay aristocracy and accepted traditional Malay political styles involving indirection and compromise, Mahathir represents a new breed of locally-educated Malaysian nationalists who are impatient with social and political factors which frustrate certain reformist objectives. Being locally-educated, he is more inclined to adopt an Eastern model of development especially after being criticised by the British press (see Jomo, 1994).

#### **5.4 Promotion of Japanese Management Systems in Malaysia**

A key element in the Look East Policy is the promotion of the Japanese management systems, i.e. Japanese management techniques and work ethic, and this has been given priority by the Mahathir administration since the launch of the LEP. In doing so, Mahathir has encouraged both Japanese firms in Malaysia and Malaysian organisations to become involved.

The review of the literature on Japanese management systems in Malaysia before the LEP reveals that Japanese managerial techniques and work ethic were almost unknown among local managers, even though in the late 1970s, some Japanese management techniques had been used by Japanese managers in their subsidiaries in Malaysia in dealing with the local workforce (Smith, 1984). However since its inception, some Japanese management techniques have become “popular”, particularly among government agencies and public sector enterprises.<sup>2</sup> It is claimed that the popularity of such techniques among the latter

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<sup>2</sup> Yasin (1990) found that most government agencies and public sector enterprises had implemented QCC, TQC, open-office system, on-the-job training and suggestion system.

was due to a strong push by the government (Yasin, 1990). However, it is beyond the scope of this study to discuss this in further detail as it is intended to look at the manufacturing sector.

The following discussion (Section 5.4.1 and Section 5.4.2) highlights the efforts made by Japanese firms in Malaysia and Malaysian organisations<sup>3</sup> in promoting Japanese management techniques and work ethic in Malaysia.

#### **5.4.1 Japanese Firms**

The number of Japanese firms or joint ventures in Malaysia has significantly increased in the past decade. By the end of 1968, there were 48 Japanese firms in Malaysia with total investments of RM32.2 million. Of the 54 Japanese firms established during 1957-1969, 33 were in the manufacturing sector and of these, there were 8 firms in petroleum and chemicals, 12 companies in steel and other metals, 4 in wood products, 2 in food, 1 in textiles, 3 in electrical and electronics, and 3 in transport machinery (Denker, 1994). In fact, during this period (1957-1969), Japanese investments in Malaysia were a response to Malaysia's import-substitution policy.

During the following decade (1970-1980), Japanese investment was further welcomed when the second and third Prime Ministers, Tun Abdul Razak and Tun Hussein Onn respectively, provided incentives and other infrastructural facilities to attract foreign

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<sup>3</sup> Malaysian organisations refer to government agencies, public enterprises and private enterprises.

investors.<sup>4</sup> Thus, between 1970 and 1974 there were 124 Japanese firms established in Malaysia, and as of 1975, there were over 200 Japanese companies, with a total investment of RM625 million (Denker, 1994). In the mid-1970s Japanese investments in Malaysia dropped sharply due to the oil crisis which was felt strongly in Japan at that time.

The Malaysian government's attitude towards Japanese investment became even more indulgent with the LEP. In the period 1980 to 1993, there were 457 new Japanese firms established in the manufacturing sector, while in the non-manufacturing sector there were 234 new firms (Denker, 1994). The sudden increase in Japanese investment in Malaysia since the launch of the LEP has triggered a vigorous debate among the locals as to whether the Japanese have actively promoted their managerial practices in Malaysia. And, the debate goes, if they have, how did implementation actually occur? How extensive has the practice been? And has the implementation or transplanting process been smooth? To answer these questions, we will review some of the literature in this area.

Even before the LEP was launched in 1982, evidence showed that the Japanese firms operating in Malaysia were introducing their own brand of management practices among their Malaysian workers. For example, according to an earlier study by Lim and Ping (1979) on Japanese firms operating in Malaysia, some Japanese practices had been used, for example, by Japanese managers in Nippon Electric Company (Malaysia) Sdn Bhd who had been actively promoting their management practices among the local workforce. According to the same authors, they had placed a lot of weight on the quality of their

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<sup>4</sup> One of the incentives was the more liberal Investment Incentives Act of 1968. This act, besides incorporating tax holidays to companies granted pioneer status, gave additional tax holidays depending on the nature of the product, the location of the company and the local raw material content. Infrastructural facilities were free-trade zones and licensed manufacturing warehouses.



product and they had also encouraged their Malaysian workers to get involve in QCCs and to give their views on how to handle each task. To some extent, this study suggests that such firms have been instrumental in introducing Japanese management practices even before the LEP was launched.

However, it could also be argued that the Japanese firms operating in Malaysia might have been even more active in promoting their techniques especially when encouraged to do so by the Malaysian government via its LEP.

One of the earliest studies on the operations of these firms soon after the launch of the LEP, was conducted by Wendy Smith (1983), who points out that they (Japanese) have been actively implementing techniques such as QCCs, TQC and the suggestion system and have achieved this implementation through several methods. One is to send a group of selected local managers whom they could trust to carry out their policies to Japan for training, which is usually over a one-year period. These managers are selected primarily for their weaknesses, i.e. their lack of bargaining power, and they are trained in a way to make them familiar with Japanese values (Smith, 1983).

Another strategy is to give a personnel manager position to a local Malay. Smith (1983) points out that through this strategy, the Japanese minimise misunderstanding between them and the local staff, as the Malay Personnel Manager could play a key role as cultural interpreter as well as the main channel for worker-management communication. According to the same author, this strategy seems to work well for the Japanese.

Another early study on Japanese firms operating in Malaysia was conducted by Imaoka (1985). In this study, Imaoka surveyed the Malaysian subsidiaries or joint ventures of Japanese origin in 1982, which covered all those companies in the manufacturing sector of the JETRO Kuala Lumpur Representative Office list; a total of 49 companies. Three sheets of his questionnaire schedule were sent to each firm, one for the Japanese top manager (in Japanese) and two for local middle managers or supervisors (in English). The date of his study reveals that it was conducted in the summer of 1982; the earliest stage of the LEP. As such, it could be argued that the impact of the LEP on Imaoka's study could be minimal. Nevertheless, it is worth highlighting Imaoka's findings as they are quite relevant to our research.

Unlike Smith's study, Imaoka's study did not specifically mention the techniques used by the Japanese in Malaysia in implementing their brand of management practices. Based on his findings, Imaoka (1985) claims that some Japanese top executives seem to consciously apply the Japanese model of management to their Malaysian subsidiaries or joint ventures within the sphere of their authority, and this model can be categorised into two major management policies. According to Imaoka, the first is associated with a long-term remuneration policy where emphasis is given to stability of employment, a seniority-merit wage system, a seniority-merit promotion system, as well as job rotation and multi-skilled workman schemes (Table 5.2). The second is related to an organisational policy where there is an emphasis on collective decision-making, indoctrination of management philosophy, human relations policy, collective responsibility, the *ringgi* system, and the minimisation of status differentiation between labour and management (Table 5.2).

Imaoka has stressed that these two categories or types of policies are jointly considered by most Japanese top executives to constitute the Japanese model of management.

Table 5.2

Management Policies which Japanese Top Management Executives Advocate and Implement as Japanese Style Management

	Percentage of Total Responses <sup>1</sup>
Securing stable employment	16.5
Stressing the philosophy and aims of management	10.7
Giving emphasis to human relation policy	8.3
Seniority-merit wage system	7.8
Collective or team decision-making system	14.1
Seniority-merit promotion system	5.3
Job-rotation and multi-skill system	9.2
Minimisation of status difference between management and workers	3.4
Elastic management system	12.1
Application of the ringgi system	3.9
Collective or team responsibility system	6.8
Others	1.9
Total	100.0

Note to Table 5.2 – <sup>1</sup> Since the multiple answer system is used in the Questionnaire, total answers are more than the number of respondents.

Source: Imaoka, 1985, p.19.

Imaoka also asserts that to implement the Japanese style of personnel management, it is essential to keep the local workers and staff for as long as possible. According to Imaoka, for this purpose Japanese firms in Malaysia have emphasised in-firm promotion systems, seniority-merit wage systems, emphasis on the human relations between workers and management, commendations for long service, long-term oriented on-the-job training, and personnel welfare policies (Table 5.3). In contrast, the short-sighted, high-wage policy has not been emphasised. Imaoka also claims that to maximise on the organisational policy, as

mentioned earlier, many Malaysian subsidiaries or joint ventures of Japanese origin utilise small group activity systems, such as bottom-up suggestion schemes, QCCs and zero defect (ZD) movements.

Table 5.3

Personnel Policies to Retain Personnel

	Percentage of Total Responses <sup>1</sup>
In-company promotion system	18.1
Seniority-merit promotion system	12.2
Reconciling human relations between the management and workers	11.8
Officially commending long service	10.9
Continuous training system	10.4
Building up personnel welfare facilities	10.0
Retirement benefit system	6.3
Wage incentive scheme	5.9
Job rotation	5.0
Small group activities	5.0
Housing scheme	2.3
Others	2.1
Total	100.0

Note to Table 5.3 – <sup>1</sup> Since the multiple answer system is used in the Questionnaire, total answers are more than the number of respondents.

Source: Imaoka, 1985, p.19.

As far as a remuneration system is concerned, it is claimed that Malaysian subsidiaries or joint ventures of Japanese origin closely follow the practice of their parent companies in Japan (Imaoka, 1985). Although the amount of remuneration is not always the same as that paid to workers in Japan, Imaoka points out that most Malaysian subsidiaries or joint ventures of Japanese origin are quite consistent in giving bonuses of 1.8 months' wages per year for administrative and supervisory staff and 1.5 months' wages per year for other workers. He also mentions that apart from giving bonuses, they also provide welfare

facilities to their workers, such as the provision of staff cafeterias, company housing and dormitories, commuter buses, medical treatment, sport facilities, locker rooms and company uniforms.

Other Japanese management practices such as on-the-job training (OJT) (Koike and Inoki, 1990), groupism, human relations, welfare benefits within the company (Nakano, 1985), promotion from within and the preference for hiring new graduates (Lim and Ping, 1979), are also used by Japanese firms in Malaysia. But according to Smith (1983), the degree of training involved in OJT that is given to local workers is much less compared to that given in Japan. However, as far as human relations are concerned Nakano (1985) claims that contact between managers and subordinates in Japanese firms operating in Malaysia is very frequent. He points out that about 78.2 percent of the managers in Japanese firms have had their lunch together with lower level employees in a single-status canteen.

A more recent study on the old and new competition and Malaysian manufacturing firms carried out by Abdullah (1995) reveals that about 57 percent of Japanese firms in Malaysia practise QC circles where employees are encouraged to participate in QC meetings. Abdullah also claims that the suggestion system has been used extensively by such firms, and mentions that Sony and Matsushita have introduced the “suggestion box” approach, where employees are encouraged to write in and suggest work improvements. Moreover, he describes how some Japanese firms hold competitions for the best suggestion of the month as part of the suggestion system promotion programmes.

Nevertheless, despite the efforts made by the Japanese to promote their brand of management, it is claimed that the process has not been very smooth (Imaoka, 1985; Jain, 1990). Numerous studies (Imaoka, 1985; Smith 1983; Jain, 1990; Koike and Inoki, 1990; Chen, 1995) have analysed the nature of the obstacles. One such problem, according to these authors, is that the Japanese and Malaysian have different cultural backgrounds and religious beliefs. While the Japanese practice Confucianism and Buddhism (Japan's official religion is Shintoism), the majority of Malaysians practise Islam. Thus, according to these authors, the majority of Malaysian Muslim workers and particularly female employees working for the Japanese firms in Malaysia are not keen to share a single-status canteen, as they believe it is against their religion to mix with male workers. Soong (1983) also claims that most of these Malaysian employees believe that the Japanese model is not compatible with the basic tenets of the Islamic faith.

A second obstacle is a lack of loyalty. According to Jain (1990), it is difficult for the Japanese operating in Malaysia to instil concepts of work culture such as loyalty and identification with the firms in both skilled and unskilled Malaysian workers because the latter do not believe that they should be loyal to their company. Perhaps this helps to explain why Japanese lifetime employment has never been introduced in full force by the Japanese firms operating in Malaysia.

A third problem has arisen because of the high mobility of workers in Malaysia. Kawabe (1991) claims that as a result, it is difficult to implement practices such as job-rotation and on-the-job training (OJT) as these require long-term employment. Kawabe also mentions

unlike the Japanese, most Malaysian workers did not hesitate to job-hop when they could get better wages and salaries.

Fourthly, communication barriers between Japanese staff and the local workers also hinder the successful implementation of the Japanese model in Malaysia (Imaoka, 1985). According to Imaoka, the majority of Malaysians working for the Japanese cannot understand the Japanese language and vice-versa, and this is not conducive to close working relationships. Although understanding each other's language does not guarantee a close relationship between people of different cultures, Smith (1983) argues that at least it may enhance a better mutual understanding. Smith claims that as a result of the subsequent cultural divide, Japanese staff prefer to form a closed and exclusive circle among themselves rather than socialising with local workers. Imaoka (1985) also claims that unlike the relationship that exists in Japan, there is no personal relationship outside the workplace between Japanese staff and local workers.

Finally, there are obstacles presented by the Japanese model itself. Imaoka (1985) claims that serious conflicts are observed in areas such as managerial authority and decision-making processes. The local managers, according to Imaoka, are not happy with the decision-making processes, which are highly centralised. He also mentions that decisions regarding recruitment, dismissal, promotion and training are decided upon by top Japanese management without consulting local managers. Similarly, Abdullah (1995) claims that even though there is consultation during the decision-making process, meetings are called just to agree on decisions that have already been made at the head office in Japan.

To sum up, the early works on Japanese firms operating in Malaysia show the problems involved in transferring Japanese policies or practices. But it has to be stressed that these concern the early stages of the LEP or in other words the period when the LEP was newly introduced. What will be interesting to see is whether or not these problems can be overcome through sustained government action via the LEP.

#### **5.4.2 Malaysian Organisations**

As stated earlier, in this subsection the efforts made by Malaysian organisations to promote Japanese management systems in Malaysia are highlighted. Following that, we will highlight some of the elements of the Japanese management techniques that have been adopted by organisations/companies in Malaysia as a result of these promotions.

As discussed in Section 5.4, the Japanese model of management was not popular in Malaysia in the 1970s. However, by early 1980s the mood had changed with the launching of the LEP. It is said that Mahathir administration has used the policy to encourage Malaysian managers and the public as a whole to learn the values, norms, work ethic, management practices and technology of the Japanese and adapt it to the Malaysian situation (Lim, 1984). Since the early 1980s, government campaigns have been intensified to promote a public understanding of the policy's objectives.

The first campaign, which began in late 1982, was known as "Mahathir Restoration". According to Hamzah (1990), it was launched because the level of punctuality in the government agencies and the public sector enterprises (to a lesser extent in the private sector) had become a serious problem. To curb this, the government introduced a punch-



card system, which requires all public sector employees in particular, including the Prime Minister, to clock in before 8:00 a.m. and clock out after 4:15 p.m. each working day. At the very beginning, this system faced strong resistance from Malaysian workers but Mahathir's pace has not slowed (Hamzah, 1990). Following the punch-card system, the government promoted a different work ethic based on Japanese principles of discipline and loyalty which they believe would create harmony and a family-type atmosphere at the work-place. This was carried out through the use of name-tags for all employees with the logo of their respective organisations. Morning exercise, as practised by the Japanese, has since been introduced. As a result, a number of private firms<sup>5</sup> have inculcated the habit of singing their corporate song before the morning exercise routine.

Besides promoting value and behaviour changes among Malaysians, the government is encouraging quality and productivity based on the Japanese model in the belief that these two areas (quality and productivity) have been the major obstacles to the progress of Malaysia (Hamid, 1993). On 27<sup>th</sup> November 1989, the government officially launched a campaign to introduce quality control circles (QCCs) nation-wide. Unlike in Japan, where QCCs are mainly promoted by private firms, the scenario in Malaysia is very different as this key role is given to the National Productivity Corporation (NPC) and the National Institute of Public Administration (INTAN), which are both government agencies.

The first step undertaken by the NPC to accelerate the growth of QC circles and to widen participation in the movement is to form a QCC Secretariat. Included in this body are representatives from the universities, Trade Unions, employers' federations, Institute of

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<sup>5</sup>One notable example is Interfinance Berhad (local finance company).

Engineers and Institute of Quality Control of Malaysia. The NPC has also invited a number of companies from the private sector who have experience in QCCs to serve on an advisory board. These companies include Matsushita Electric, Goodyear, Dunlop, Hewlett Packard and Selangor Pewter.

The key role of the NPC is to initiate and organise QCC activities, train personnel in QCC techniques, disseminate information, provide advisory and consultancy services and to register QCCs and their members (Torrington and Huat, 1994: 145). However, until the 1980s, the promotion of QCCs had only been at national level and it was towards the end of that decade that the NPC was formed in each State to undertake the promotional activities at state level. Since then, Quality Day has been officially celebrated annually by all firms and government agencies in Malaysia due to the widespread of NPC branches and QCC activities.

Because of the promotional activities carried out by the NPC and INTAN, it has been claimed that QCCs have spread all over Malaysia, that they involve various sectors, especially government departments/agencies and ministries, and include various categories of employees ranging from office boys, typists, clerks to officers (Torrington and Huat, 1994: 146). Statistics also show that there were between 300-350 QCCs in the government agencies by the end of 1982 and about 1,000 quality control circles by 1984. This figure has been increasing ever since (Hamid, 1993: 109).

In the private sector, Selangor Pewter was among the first local companies to introduce QC circles. Later, other firms such as Dunlop, Malaysia Packaging, Pernas Daikin, Kilang

Wang Kima Sdn Bhd and Yeo Hiap Seng also introduced their own QC circles. Torrington and Huat (1994: 146) claim that several supermarkets have also introduced QCC activities in their outlets throughout Malaysia. According to Tong (1986: 44-5), the hospitality industry such as the Holiday Inn Hotel chain has also introduced QCCs. He further claims that the Holiday Inn Hotel chain has involved the majority of its employees from housekeeping and coffee-house to front office in QCC activities. A more recent study by Abdullah (1995) on the old and new competition and Malaysian manufacturing firms reveals that other, smaller Malaysian firms also practise QC circles.

Besides QCC, other Japanese practices such as the suggestion system, open office system and in-house unions have also been introduced and implemented in Malaysia (Abdullah, 1995). According to Abdullah, most government agencies and private companies have a suggestion box where employees as well as the public can drop in suggestions or concerns.

Hamid<sup>6</sup> (1993) claims that the government has also introduced different work ethics such as team discussion and teamwork based on Japanese practices. He describes how the government has also issued a directive to heads of departments and senior managers in Malaysia that they should begin to cultivate and maintain good relationships with their subordinates. In building such relationships, these managers are encouraged to spend non-work time with subordinates in order to establish informal contact and reduce

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<sup>6</sup> Hamid was a formal Secretary to the Government of Malaysia. Therefore, in light of his position at that time, his claim should be interpreted with caution as obviously he favours the government. Perhaps it would also be appropriate to consider this (claims) as an anecdote.

communication barriers (Hamid, 1993). To expedite this process, INTAN has been directed by the government to conduct courses pertaining to attitudinal development and leadership skills. Helping INTAN, another government training arm, the National Civics Bureau in the Prime Minister's Department has also been asked to organise a "Nation Building Course" with the objective of inculcating positive values, such as hard work, loyalty and discipline as displayed by the Japanese.

The above review demonstrates the extent to which the government in particular, has been quite successful in promoting Japanese management systems especially among the public sector enterprises and government agencies. But it is also clear that there is a lack of research that shows how successful the government has been in promoting Japanese management systems, especially in the manufacturing industry in Malaysia.

The following sections (Sections 5.5 - 5.6) will discuss two other major issues that the Malaysian government has been promoting. They are in-house unionism and Malaysian *sogoshoshas*.

## **5.5 The Promotion of the In-House Unionism**

Unlike other Japanese practices, in-house unionism has been given a special emphasis by the Mahathir administration. The main reason is because the government strongly believes that it is a key factor underlying the Japanese "miracle". Hence, the Ministry of Labour (now the Ministry of Human Resource Development) has been instructed to take measures to restructure the trade union movement. In-house unionism, rather than industrial or occupational unionism, is the model held out for workers, especially those who are, as yet,

not members of trade unions in the private sector's new export-oriented industries (Arudsothy, 1994).

What is an in-house union? Aminuddin (1996: 81) defines an in-house union as "one where members are all employed by the same employer. This immediately suggests that members of such unions can and will be involved in different occupations."

The Malaysian government's interest in in-house unionism came about as a result of two main events. The first was the 1979 dispute between the Malaysia Airline System Berhad (MAS) and its employees, which involved lower-grade MAS employees, including ground crew, some cabin crew, clerical staff, and technicians, who were negotiating a new collective agreement with the management through their union, the Airline Employees' Union (AEU). In late 1978, these employees refused to do overtime so as to press their claims for a new agreement. Following the dispute's deadlock, MAS referred it to the Ministry of Labour, after which the workers resumed their normal duties. The aftermath of the MAS-AEU dispute was a disaster for the union movement, and led to its deregistration on 14<sup>th</sup> April 1979 (Aminuddin, 1996: 73; Jomo and Todd, 1994: 143). Subsequently, its members were split into two new unions, namely, the Malaysia Airline System Employees' Union, an in-house union registered on 30<sup>th</sup> August 1979; and the Foreign Airlines Employees' Union, registered on 24<sup>th</sup> April 1980. It is also claimed that a revised salary scale for MAS employees was announced by the government on the day the AEU was deregistered (Jomo and Todd, 1994: 143). However, according to Jomo and Todd, the immediate consequence was that the workers were denied any rights to negotiate their wages and had to accept the government's offer.

The second event was a result of wage differentials between enterprises with different productivity and profitability. The government argues that an in-house union is more conducive to raising productivity and promoting smooth labour-management relations within the context of a company, instead of class solidarity (see Wad and Jomo, 1994). Enforcing this, Mahathir said:

“Some of our companies have just set up and are coming up, but if forced to pay the same benefits as the more successful ones, will definitely not succeed. Hence, it would be more meaningful for these firms, especially the new ones, to have in-house unions which have proved to be a big success in Japan...by having a union within a firm, the union could negotiate with the management concerned, while taking into consideration the various circumstances. And with workers totally involved in the company, which would result in increased productivity and higher profits, all sectors would benefit, including the government through revenue. It would therefore be more meaningful for the thousands of workers in firms, and not represented by unions, to have in-house unions” (New Straits Times, 6<sup>th</sup> March 1983).

In 1983, the government officially announced that it would encourage the growth of in-house unions. In giving his assurance, Mahathir states:

“The formation and growth of in-house unions would not be carried out at the expense of the supposedly Western, mainly national, industry-based trade unions in Malaysia inherited from the late British colonial period. These

would continue to co-exist with the supposedly Japanese in-house unions for it was not the government's intention to negate the work of trade unions as it was well aware of the need for trade unions to protect the legitimate rights of workers in the country. But what was equally important was the national interest and the need for a successful system suited for Malaysia in its development efforts" (New Straits Times, 6<sup>th</sup> March 1983).

Mahathir, as cited in Muzaffar (1983), also claims that in-house unions would protect the interest of labour, and develop more harmonious employer-employee relations where workers, managers and owners alike would feel that they were part of one "big happy family". Mahathir believes that as a result, productivity would increase since everyone would be working together and the company would look after their welfare. In support of the establishment of an in-house union, the Registrar of Trade Unions (RTU) also claimed that such unions would produce leaders who would be much more aware of their companies' needs, thus facilitating the introduction of improved productivity programmes (RTU, 1983). The RTU added that in-house unions would be less able to compare the wages and conditions offered by different employers within an industry, thus reducing the pressure on companies with a lower capacity-to-pay to match the higher wages and/or better conditions provided by other employers. Recognising this advantage to themselves, some employers initiated the formation of in-house unions in order to avoid their workers' involvement with established and stronger unions (Jomo and Todd, 1994).

According to Wad and Jomo (1994), in 1983, two in-house unions were registered. One was an in-house union for Petronas workers, although the workers could have joined the

National Union for Petroleum and Chemical Workers. The other was an in-house union for the textile workers at Tanaka Sdn. Bhd. in Penang, who could have joined the Penang Textile and Clothing Workers' Union. By 1984 the number of in-house unions had reached 177 and further increased to 199 by 1986. Wad and Jomo (1994) claim that during the same period (1984 to 1986), in-house union membership increased from 165,956 to 180,974. They also claim that by the end of 1988, in-house unions formed 47% of the total trade unions in Malaysia.

With regard to the private sector alone, there were 179 in-house unions with 125,266 members by the end of 1994. By comparison, in 1985 there were only 52 in-house unions with a combined membership of 25,000 (Aminuddin, 1996). According to the same author, two of the largest in-house unions in Malaysia are the National Union of Telekom Employees and Tenaga Nasional Berhad Employees Union.

Aminuddin (1996) claims that the number of in-house unions in Malaysia has been increasing rapidly for a number of reasons. Firstly, most new unions being registered are in-house unions, as national unions already exist in all the major industries. Secondly, in-house union development has been affected by the attitudes of employers and the government, both of whom are more amenable to and more co-operative with in-house unions. Thirdly, it is believed that an in-house union is more likely to be appreciative of the situation in its own place of employment and with its own employer, and be less influenced by "outsiders" such as politicians. As a result, there will develop a closer relationship between employer and union, which will lead to more peaceful industrial relations. The co-operative spirit so developed will lead to higher levels of productivity,



and such an atmosphere should encourage more and continued foreign investment in Malaysia. Finally, employers prefer their workers to be represented by in-house unions rather than industry-wide unions.

Jomo and Todd (1994), however, give a different view of why there is an increase in the number of in-house unions. They argue the increase is because: (i) the expansion of industry-wide union has been limited by the Registrar of Trade Unions (RTU) as the RTU is in favour of the formation of in-house unions; and (ii) when workers in a particular company start to take an interest in becoming members of a national union, the company will take steps to encourage the establishment of an in-house union.

In terms of which type of union can obtain better benefits for its members, Aminuddin (1996) argues that this question is still unanswerable as there are no available data on the matter. Table 5.4 shows the comparison of benefits for two companies making tyres, one with an in-house union and one whose workers are members of a national union.

Table 5.4

Comparison of Benefits Obtained by an In-house Union  
and a National Union<sup>7</sup>

<b>Benefit</b>	<b>In-house Union</b>	<b>National Union</b>
Bonus	2 <sup>3</sup> / <sub>4</sub> months	2 <sup>1</sup> / <sub>4</sub> months
Public holidays	All	All
Shift allowance	RM50-75	RM60-72
Marriage leave	6 days	4 days
Working hours per week	45	45

Source: Aminuddin, 1996, p. 84.

<sup>7</sup> Collective agreements between DMIB Bhd and DMIB Employees Union and Goodyear Malaysia Bhd and the National Union of Employees in companies manufacturing rubber products.

Despite Mahathir's claims, a number of authors (for instance, Mohamed, 1988; Aminuddin, 1996) argue that in reality, in-house unionism has a number of disadvantages as follows: (i) in-house unions are generally weak because membership is limited and confined to workers in one particular company; (ii) since the leadership of an in-house union is chosen from the small number of members, this gives rise to the possibility of the employer trying to exploit such leaders; (iii) the union's financial strength will not enable it to carry out its normal trade union activities; (iv) there is a fear of victimisation among union leaders particularly in relation to promotions, termination of employment, transfers and assignment of duties which are management prerogatives; and (v) in-house unions with a small membership will be unable to provide scholarships and other social benefits for their members (Mohamed, 1988).

Similarly, Aminuddin (1996) mentions that some companies have found that the process of collective bargaining is, in fact, more difficult when dealing with an in-house union because of the inexperience and poor negotiating skills of the in-house union leaders. The same author points out that the in-house union leaders tend to be ignorant of the bargaining process, which requires give and take. Moreover, with their better knowledge of the company's financial position the in-house union leaders can be quite stubborn in holding out better terms and conditions of employment (Aminuddin, 1996).

## **5.6 The Establishment of Malaysian Sogoshoshas**

Another facet of the LEP is the establishment of Malaysian *sogoshoshas*. Mahathir, as cited in Soong (1983), believes that the Japanese *sogoshoshas* merit emulation as they have contributed enormously to the growth of Japan's economy.

What is a *sogoshosha*? According to Yoshihara (1982: 10), “A *sogoshosha* is a large trading firm with many products (not concentrating in one product group, such as textiles or steel), it engages in both export and import, it has offices in various parts of the world, and wields considerable power in the spheres of marketing and finance.”

What are the common traits of Japanese *sogoshoshas*? Lim and Gomez (1994) have listed what they believe to be the common traits of major Japanese *sogoshoshas*. They state that most major Japanese *sogoshoshas* have long histories; most of them were established during the Meiji era; they have huge paid-up capitals and high turnover rates; and they have extensive world-wide branch networks which employ large numbers of staff. Mitsui, for instance, is the oldest *sogoshosha*, and was established in 1874. By the early 1980s, it had 181 offices overseas and employed more than 13,000 employees (Yoshihara: 1982: 2-3). Sumitomo was incorporated in 1945 and has 130 offices in 80 countries, and employed 7,500 employees by the end of 1981 (Malaysian Business, April 1982). Marubeni has a paid-up capital of US\$145 million and has 49 domestic offices, 80 overseas branches and offices, 210 subsidiaries and affiliates in Japan, and 516 subsidiaries and affiliates overseas. By the end of 1982, the company employed more than 10,000 employees (Business Times, 9<sup>th</sup> May 1983).

There are a number of reasons why the Malaysian government has favoured the establishment of *sogoshoshas*. Firstly, by the early 1980s the Malaysian government expected to be unable to stave off global recession much longer. Hence, by forming large international corporations, it believed that the repercussions of the impending recession on Malaysia's economy could be curtailed or minimised (Malaysian Business, April 1982).

Secondly, the Malaysian government argued that the local incorporation of *sogoshoshas* was necessary because they would play a vanguard role for Malaysia's export-led growth drive and act as catalysts for the development of manufacturing, especially resource-based industries (Lim, 1983). In addition, the government further maintained that *sogoshoshas* could develop efficient marketing organisations to help Malaysian manufacturers penetrate overseas markets, as most of the former possessed neither the expertise nor the resources to effectively promote their products independently in overseas markets (Lim and Gomez, 1994). Besides helping Malaysian manufacturers to promote their products in overseas markets, the government also believed that *sogoshoshas* could assist Malaysian manufacturers in two ways: (i) by helping to export the products of Malaysian manufacturers and at the same time act as overseas sales and purchasing agents for them; and (ii) *sogoshoshas* could concurrently provide the necessary advice and information on overseas market requirements in terms of design, quality and packaging.

Thirdly, the government also argued that *sogoshoshas* were necessary because they could act as consortiums to cope with larger orders from overseas buyers which single manufacturers could not meet. The fact that Malaysian manufacturers have been reluctant to commit themselves to large single orders is partly because they have a limited capacity to do so, according to Lim (1983). Therefore, by acting as trade intermediaries between local manufacturers and overseas buyers, it was believed that *sogoshoshas* could organise and execute larger overseas orders, and at the same time spread out the risks among the many manufacturers involved (Lim, 1983).

Fourthly, the government further argued that the establishment of local *sogoshoshas* was necessary because they could play an effective role in helping local manufacturers to penetrate and promote their products in new markets such as in Latin America, the South Pacific, Africa and West Asia. According to Mahathir (as cited in Lim and Gomez, 1994), such new markets are not only important for manufactured goods, but also for Malaysia's primary commodities.

Finally, the government argued that *sogoshoshas* could play an important role in counter trade. For example, Mahathir (as cited in Lim and Gomez, 1994), stated that counter trade was particularly important for Malaysian manufacturers with foreign exchange constraints and having problems exporting their products, particularly palm oil. Recognising this problem, Mahathir contended that *sogoshoshas* were well-placed to conduct counter trade because such trading companies could buy and sell products all over the world. Enforcing this, Mahathir (as cited in Lim and Gomez, 1994), said that part of the reason why Malaysia had not entered into counter trade in a big way was because of the absence of *sogoshoshas* to undertake such tasks.

In light of the above arguments, the government began to positively encourage the establishment of Malaysian *sogoshoshas* based on the Japanese model of *sogoshosha*. As a result, by the mid 1980s there were six Malaysian *sogoshoshas* formed and these were: Sime Darby Pernas Trading Corporation Sdn Bhd (SDP), a joint venture between Sime Darby and Pernas; the Multi-Purpose International Trading Corporation, a merger formed between Multi-Purpose Holding Bhd and the Luxembourg giant ITM SA International; NASTRA, a joint venture between the Malaysian Mining Corporation, Petronas, Felda and

Kuok Brothers; MATRA, a joint venture involving Kumpulan FIMA, Kumpulan Perangsang Selangor, United Motor Works (UMW) and Palmco Holdings; the Malaysian Overseas Investment Corporation (MOIC), which combined ten big corporate names and business leaders, including Malayan United Industries (MUI), MAA Holdings Sdn Bhd and Sime Darby; and Perdagangan Antarabangsa Malaysia (PAM), a joint venture between Mitsui Co., one of the leading Japanese *sogoshoshas*, investors from Sabah and Sarawak and the National Youth Cooperative (KOBENA). PAM was the first local *sogoshosha* to have an established Japanese partner with vast experience in international trading (Lim, 1983).

Despite the strong political will of the government, none of the Malaysian *sogoshoshas* have been successful (Lim, 1983; Jomo, 1994; Lim and Gomez, 1994). One example is the Sime Darby Pemas Trading Corporation Sdn Bhd (SDP). Even though the SDP is the biggest *sogoshosha*, it is claimed that it might be a very long time before it will reach the status of a fully-fledged *sogoshosha* (Lim and Gomez, 1994; Jomo, 1994). Part of the reason is because the SDP has been capitalised at only RM5 million (Ringgit Malaysia), a mere pittance compared with the multi-million dollar investments of a Japanese *sogoshosha* such as Marubeni with a paid-up capital of US\$145 million (see Lim, 1983). Because of the lack of capital investment, expertise and clear function of the local *sogoshosas*, it is not surprising when a political scientist and renowned critic of the government, such as Jomo, argues whether Malaysia really needs any *sogoshoshas* at all.

## **5.7 The Managerial and Economic Ramifications of the Increased Japanese Presence in Malaysia**

This section presents some of the more significant managerial and economic ramifications of the increased Japanese presence in Malaysia since the advent of the LEP.

### **5.7.1 Management Practices**

Before the LEP, the early days of Malaysian management practices were said to be based on the British-style since the early managers in Malaysia were British people who were then the ruling group in the country (Yasin, 1990). The British administrators ran the government machinery while the British managers ran the rubber estates and tin mines. When they left in 1957, their managerial traditions were left behind and the Malaysian managers, who had been under the guidance of their British masters, continued them. Today, the continuity of the British management system is reinforced by the fact that some British multinational companies in Malaysia are still headed by British expatriates. The tradition continues to dominate present day managers because those who took over from the British had been inculcated by the British system and the majority of them had been trained and educated in Britain. For example, of the four Prime Ministers since Malaysia obtained her independence in 1957, three of them were British-trained lawyers. Therefore, it was only natural for them to favour the British style of management during their tenure of office.

Besides the above, other forms of Western styles of management, such as the American style, were also introduced in Malaysia when American investors arrived to set up companies and joint ventures in the early 1970s. Thus, American managers who were

based in Malaysia brought along with them the American management culture. One notable example is IBM. When IBM began its operation in Malaysia, it practised the American style of management, as the majority of its top management staff comprised Americans. When these managers returned to their home office, the Malaysian managers who took over continued their predecessors' style of management, largely because they were still under the control of their superiors in the main office in the United States. Moreover, the popularity of American style of management in the late 1970s was also partly due to the efforts made by American-educated Malaysian managers. Around the mid-1970s, the government started sending Malaysian students to the United States for tertiary education. When these students came back to work in Malaysia they brought with them elements of American management system.

Towards the beginning of the 1980s, another management style began to make its presence felt in Malaysia. It was the Japanese style of management, or also known as the Japanese model of management or Japanese management techniques. As already mentioned in subsection 5.4.1, earlier studies found that the Japanese companies operating in Malaysia had encountered a number of problems when they introduced their brand of management. On the one hand, as discussed, this was partly because some elements of the Japanese model of management were not compatible with Malaysian culture. On the other hand, it was difficult for the Japanese managers to introduce their practices because Japanese companies started their operations after their Western counterparts had already established theirs, and created their own management style in Malaysia (Kawabe, 1991).



According to Kawabe (1991), without realising the strong influence of the Western management style, many Japanese managers in Malaysia started to employ local managers who operated with Western ways of thinking when the Japanese companies moved their production bases to Malaysia in the late 1970s. Soon these managers experienced some problems because the contract system, the decision-making process, the style of communication, the evaluation of employees, the promotion system and human relations in Japanese companies were very different from those they were used to (Kawabe, 1991).

Similarly, Smith (1994) mentions that many Japanese managers in Malaysia also found it difficult to apply their practices among their local workers. But the problem was gradually resolved and, with support from the Malaysian government, the Japanese companies in Malaysia began to hire Malaysian students who had studied in Japan through the auspices of two programmes that started under the LEP. One such programme was the dispatch of Eastern Technical Trainees. The first group of 132 trainees selected from government organisations, business companies and educational and training organisations went to Japan in September 1982. After studying the Japanese language for six months, they were then sent for on-the-job training (OJT) in a Japanese organisation for another six months. By the end of 1990, about 1,600 trainees had completed the programme (Kawabe, 1991).

The second programme started when the Malaysian government encouraged students to study at Japanese universities and vocational schools. The first batch of graduates from higher vocational schools returned to Malaysia in March 1986, and the first batch of university graduates in March 1987. These graduates were said to have mastered Japanese and understood the culture because they had studied with Japanese students (Kawabe,

1991). It is also said that by employing these graduates the problems caused by the dual structure of Japanese companies in Malaysia were solved because the role of Japanese expatriates in translating Japanese systems into Malaysia were readily accepted by these graduates or recruits (Kawabe, 1991).

The important question here is how popular has the Japanese model of management been in Malaysia or how far has the Japanese model of management influenced the Malaysian management system since the LEP was introduced? There are two very different views on this. One view that says the Japanese model of management has been quite popular in Malaysia is put forward by Yasin (1990). The other view that says the opposite is stated by Kawabe (1991).

Yasin (1990) in a study on the transferability of Japanese model of management to Malaysian public sector enterprises claims that since the implementation of the LEP, the Japanese model of management has become popular, especially among the younger generation of managers in the Malaysian public sector enterprises. He suggests that this is partly because more cadres of younger managers are trained either locally or at Eastern institutions of Japan and South Korea. In addition, Yasin points out that the LEP has brought a whole new evolution in terms of management styles in Malaysia, and as a result there is a widespread adoption of techniques, such as QCCs, job-rotation, on-the-job training, the suggestion system and the open office system among the Malaysian public sector enterprises.

A study by Kawabe (1991) on the problems of and perspectives on Japanese management in Malaysia since the Look East Policy was introduced, however, found that the Japanese style of management was, in fact, not very popular among most Malaysians. According to Kawabe, as Malaysia is a kind of “qualification society” much influenced by British tradition, university graduates wanted to be treated differently compared with lower-educated employees, and to be given privileges such as their own offices rather than having to work in an open office system. Kawabe also mentions that since Malaysian graduates have trouble with such treatment within the Japanese companies in which they work, they often leave these firms to join Western companies where they are better privileges, opportunities for promotion and other fringe benefits. The fact that Malaysian graduates prefer to join Western companies also indicates that Western companies in Malaysia have a more established reputation compared to the more recently arriving Japanese companies (Kawabe, 1991).

Looking at these two very different views, it is in fact quite difficult to assess how far the Japanese model of management has influenced the Malaysian management system. What is clear, however, is that there is no one management style that dominates the management systems that are currently being practised in Malaysia. Based on the review of the related literature, the “spill-over” effects of the Look East Policy in terms of introducing the Japanese model of management to Malaysia, especially among the public sector enterprises and government agencies to some extent are evident. In fact, in Malaysia to this day, Japanese and Western style management systems can now co-exist. Furthermore, bearing in mind that, of course, to a large extent, Western management has borrowed techniques from Japanese management – so now we have a kind of integration between West and

East. As a result of this integration, the present management system in Malaysia is indeed a composite of some major management practices, namely, the Western system, the Japanese system and more recently the Islamic system, which together formed a mixed-style management system in Malaysia. Perhaps, in the long run, there is a strong possibility that Malaysia's very own style of management could emerge since the country is similar to Japan in that both have experienced the development of industrial and business society prior to the transformation of the traditional social system. Therefore, the values of the traditional systems may be applied in management. In Malaysia, for example, the traditional idea of mutual aid called *gotong-royong* and the decision-making process called *mesyuarat*, if applied in an adapted form to business systems, would result in the creation of a Malaysian style of management.

### **5.7.2 Technology Transfer**

Before we proceed with the discussion on technology transfer, it is important to note that in this part of the discussion, we are going to examine the situation in the 1980s, as this was the high point of the LEP.

Technology is defined as "the means or capacity to perform a particular activity" (Chew *et al.*, 1992). According to Dunning (1982), technology can exist either in the form of material capital (embodied in plant, tools, machinery, or other capital equipment items), intellectual capital (knowledge of production, marketing, or financial processes sometimes encoded in specifications, blueprints, patents, etc.), or human capital (specialised skills in management, marketing, finance, and the use and creation of new information and ideas).

Technology transfer is a misleading concept, according to Takeuchi (1991: 200). It gives the impression of a whole set of technology that is complete and transferable like a piece of baggage accompanied by a bundle of handbook manuals. Takeuchi defines technology transfer as (i) the production of a new commodity or adoption of a new manufacturing technology in the recipient country; and (ii) such production or technology made possible, or realised, through import or direct investment from abroad instead of through invention in the recipient country.

Dunning (1982) mentions that the transfer of technology covers a wide spectrum of activity, from simple importation to operation, repair and maintenance, mastery of principles, adaptation and further development. Kimbara (1991: 162) has classified the technology involved in the transfer process in a range of activities, from operations to design of manufacturing equipment, into nine groups: operation technology of the existing production process; maintenance; quality control; improvement of production technology and introduction of new technology; production management; modification of existing products; design and development of new products; mould development; and development of manufacturing equipment and facilities.

It is important to note that we are not going to deal strictly with the above definition. The reason is because when the Malaysians were sent to Japan for training or attending courses they learnt not only about technology but also about other things such as management skills, Japanese history, culture, work ethic etc. Thus, for ease of presentation we will cover some of those in this section although, strictly speaking, they are not technology transfer.

Due to the heterogeneity and great variety of methods in which technology is transferred, it is a convention to measure its flow through the different modes of transfer. These include foreign direct investment (FDI), licensing agreements, technical assistance, joint ventures, technical journals and the importation of specialised capital equipment. While it is beyond the scope of this study to discuss all the modes of transfer we are particularly interested in discussing in detail two of these, i.e. FDI and technical assistance or co-operation. The main reason is because these are the two modes that the Malaysian government has emphasised and moreover more information on them is readily available.

As far as the government is concerned, the objective of acquiring technological know-how from Japan is to advance the industrialisation process and economic modernisation as rapidly as possible in order to ensure Malaysians the benefits of modern technology. Since the Look East Policy was launched in 1982, foreign direct investment (FDI), particularly from Japan has increased rapidly. This is discussed in detail in Section 5.7.3.

With its launch, the Malaysian government has made transfer of technology a condition of contract for the Japanese and other foreign investors. One of the requirements of the contract is the establishment of training programmes paid for by foreign companies who conduct business in Malaysia. The manner and presumed effectiveness of training for local workers proposed in the tender is taken into account in awarding contracts. As a result, a number of Japanese, South Korean and other foreign companies have accordingly established such programmes in Malaysia. For example, South Korea's Hyundai Engineering and Construction has agreed to train 1,000 Malaysian construction workers a

year at a centre established in Penang as part of the company's successful 1981 tender to do the bulk of the work on the Penang bridge (FEER, 27<sup>th</sup> November 1981).

In 1983, 600 Malaysians were trained in Japan under a similar programme, mostly on a short-term basis. In 1984, FUDO Construction conducted a six-week training programme for construction personnel as a condition of a contract awarded in Malaysia. This included a number of all-day lecture sessions on various aspects of construction planning and control and technical topics, as well as several construction site, factory and laboratory visits. In the same year, 41 Malaysian government officials were sent to South Korea for a nine-month course sponsored by the Hyundai group to study its management practices (Machado, 1987).

Technical assistance or co-operation between Japan and Malaysia has also been emphasised, especially with the establishment of Malaysian's first car project, Proton. As Proton is a joint venture company between HICOM of Malaysia and Mitsubishi of Japan, Mitsubishi has promised her Malaysian partner the following: construction of the plant; starting dates; equity shares; training of Malaysian personnel; and new design changes every two years, with model changes once every five years (Jomo, 1994: 270).

In terms of training Malaysian personnel, out of Proton's 1,300 workers in 1988, a total of 323 persons, including 250 workers, 55 staff members and 18 managers, were trained in Japan by the Mitsubishi Motor Corporation between 1983 and 1986. Of the 323 trainees, 90 percent were Malays, 6 percent were Chinese and 4 percent were Indians. Of the 323 trainees that were sent to Japan, 138 received financial support from the Malaysian

government as part of the LEP, while another 158 received monetary assistance from Proton. In Japan, these trainees attended courses on Japanese history and society. Shortly after that, they went to the Mitsubishi Motor Corporation's Mizushima Factory for practical operations and engineering training, and stayed in Japan for approximately 12 months before returned to Proton. By 1986, 11 groups in all had been sent to Japan for 6 to 12 months' training. Besides these groups, Proton also sent their managers to Japan for training for periods ranging from 34 to 88 days (Jomo, 1994).

Besides such technical programmes, two others which are more academically oriented were also established between Japan and Malaysia. The first programme, which is called *Pengajian Jepun* (Japanese Curriculum), was designed in conformity with Malaysia's national education policy, which in turn is clearly geared to support Mahathir's development goals and concerns with value change. By the end of 1985, a total of 230 degree and diploma students and 1220 trainees had gone to Japan, primarily in the high priority fields such as engineering and management studies (Malaysian Digest, 15<sup>th</sup> November 1985).

The second programme is called the government-to-government programme, whereby the Malaysian government pay for participants' transportation costs to Japan and a stipend while they are there, while the host government pays for the education or training and some of the participants' costs. Participants are sent to Japan with the objective of learning technology, management and the work ethic of the Japanese first-hand rather than learning them in Malaysia (Machado, 1987). There have been four government-to-government programmes for degree students, executives, industrial trainees and technical college



students since the LEP was launched. In 1982 University Malaya (UM) launched a programme to prepare *Bumiputra* students to enter Japanese universities. In response to this, the Japanese government financed the construction of a RM4 million Japanese Language Centre on the UM campus and sent six language and nine academic instructors to the centre. Students studied Japanese intensively for half a year, then, while continuing with language, they took science and social science courses taught by the Japanese academic instructors for an additional year and a half. On completion, they went to Japan and entered universities as third-year degree candidates in scientific and technical fields. Based on the information that is available, the first batch of 39 students from the UM Centre went in 1984, followed by another 60 in 1985 and 100 more in 1986 (Machado, 1987). Upon graduation, almost all of these graduates were employed by Japanese companies and they were “used” as a channel to facilitate the transfer of technological know-how and managerial skills to Malaysia (Machado, 1987).

To further encourage the transfer of technology as well as managerial skills, the Malaysian government has launched two additional programmes based on executive development and industrial training. The former is designed primarily for public sector managers while the latter is for professionals (such as engineers), technical instructors, technicians, and members of the general work force of both the public and private sectors.

Based on the information that is available, from 1983, several groups per year, each consisting of nine or ten managerial personnel, particularly from the government departments and statutory bodies, were sent to Japan for a year or less under the executive development programme for individual posting with private and public organisations in

areas such as managerial skills. These participants were assigned to companies, *sogoshoshas*, public authorities and co-operatives. On the other hand, under the industrial training programme, since September 1982, groups of about 200 to 250 have been sent to Japan about every six months, with individuals staying for four to six months, depending on the area of study (Machado, 1987).

A special programme for the development of technical institutions has also been launched. The Metal Industry Technology Centre (MITEC), which was established jointly by the Malaysian and Japanese governments in Shah Alam in 1981, was the first institution under such a programme. The purpose of MITEC is to improve the level of technology in the metal industry, particularly in small and medium-scale firms, in order to enable them to meet the demand for higher quality metal products. The Centre also provides technical advisory services to factories throughout the country as well as helping them with managerial problems. By mid-1984 the Centre had provided such services to more than 300 manufacturing companies and had organised a regional training programme in metalworking technology for Malaysians, Indonesians, Thais and Filipinos. According to Machado (1987), 42 Japanese experts were assigned to lecture and give practical training at the Centre while 32 Malaysians were sent to Japan for three to twelve-month periods to prepare them to become technical consultants to the centre. In August 1984 the Japanese left, leaving MITEC completely under Malaysian management.

Because of the close relationship between Malaysia and Japan since the implementation of the LEP, several other government agencies such as the Standard Industrial Research Institute of Malaysia (SIRIM), the Palm Oil Research Institute of Malaysia (PORIM) and

the Forestry Research Institute of Malaysia (FRIM) have also received expert assistance from Japan.

The SIRIM was the first local agency to receive expert assistance from Japan Electric Components Testing Institute (JET) as the two organisations had been working closely on the technical co-operation regarding the inspection and testing of electric household machinery and equipment. Another local agency, PORIM received expert assistance from the Japan International Co-operation Agency (JICA). JICA had sent their experts to assist PORIM personnel in their research regarding various techniques associated with palm oil. Also a recipient of JICA assistance was FRIM, who had been working closely with the former on a research project regarding techniques for processing lumber into composite products and wood-based panel products, and for the drying and preservation of lumber. As a result of this working relationship, Japanese joint venture companies with Malaysian private firms were set up to produce wood-based panel products.

Since the inception of the LEP, JICA has also sent their experts in human resources, manufacturing and forestry to Malaysia (Chew *et al.*, 1992). Among the various technical co-operation projects between JICA and Malaysia were:

- The Sabah Re-afforestation Technical Development and Training Project
- The Radiation Applications Project
- The Development of Biotechnology at the Faculty of Food Science and Biotechnology, University Pertanian Malaysia or Malaysia Agriculture University (UPM)
- The Project for Upgrading Accident and Emergency Care Services at Sarawak

- The Project for the Research and Development on Diagnosis of Selected Tropical Diseases
- Effective Wood Utilisation Research in Sarawak
- The Project on the Evaluation and Analysis of Hazardous Chemical Substances and Biological Treatment of Hazardous Chemicals

Despite the efforts made by the Malaysian government to encourage such technology and managerial skills transfer from Japan to Malaysia, a number of studies (for instance, Fong, 1992) found that this is still lacking. This is partly because the Japanese did not consider a transfer of this nature among their goals when they invested in Malaysia (Fong, 1992). Sim (1978) also claims that Japanese companies operating in Malaysia are reluctant to transfer their technology and managerial skills because their original objectives for establishing their plants in Malaysia were to take advantage of the surplus cheap labour and abundant raw materials. Perhaps because of that, most commentators claim that even with the “push” from the Malaysian government, most Japanese companies in operation are not very keen to transfer their technological know-how and managerial skills to the Malaysians (Jomo, 1983; 1994; Soong, 1983; Fong, 1992).

### **5.7.3 Investment**

It is appropriate at this juncture to discuss in detail the character of Japanese investments in Malaysia and to draw out its implications for the LEP. Japanese investment in Malaysia, like that of other industrialised economies, has contributed to and benefited from both the import-substitution (IS) and export-orientation (EO) phases of Malaysia’s development. According to Denker (1994), Japanese investment in Malaysia can be divided into three

phases or periods. The first of these ranges from 1957 to 1969. The second period from 1970 and ends in 1980, and the final period starts from 1981, and ends in 1986. The first period coincides with the leadership of the first Prime Minister, Tunku Abdul Rahman and was generally characterised by *laissez-faire* policies, except for efforts to encourage import-substituting industrialisation. The second period coincides with the leadership of the second and third Prime Ministers, Tun Abdul Razak and Tun Hussein Onn, and is usually associated with an unusual mix of increased state intervention, public sector growth and a foreign-led, export-oriented industrialisation. The final period coincides with the current Prime Minister, Mahathir, and has often been linked with the peak period of the LEP (Denker, 1994).

Although the third period ends in 1986 (according to Denker, 1994) our discussion will not end at that point but will be extended to beyond 1986. The reason is because we want to analyse some of the impact of the investment policies that Mahathir has introduced, as well as examine the position of Japanese investment in Malaysia in 1988 and beyond.

Looking at the earlier development of Japanese investment in Malaysia, it appeared to start in November 1959, when the Nozawa Asbestos Cement Company established Marex Industries as a joint venture with a local partner. Japanese investment during the early 1960s did not exceed 26 companies (Kawabe, 1991). However, by the end of 1968, there were 48 Japanese companies in Malaysia, 40 of which were joint ventures, with four holding pioneer status. By the end of the first period (1969), total Japanese investments in Malaysia with pioneer status amounted to US\$32.2 million (Denker, 1994). Japan was

thus listed fifth among the foreign countries investing in Malaysia in 1969. Table 5.5 shows the number of Japanese investments in Malaysia between 1957 and 1997.

Table 5.5

Japanese Investments in Malaysia, 1957-97

Year	Number	Percentage	Cumulative %
<u>Manufacturing</u>			
Pre-1957	11	0.9	0.9
1957-69	33	2.7	3.6
1970-80	104	8.4	12.0
1981-86	37	2.9	14.9
1987-93	420	33.7	48.6
1994-97	640	51.4	100.0
Total	1245	100.0	100.0
<u>Non-manufacturing</u>			
Pre-1957	32	5.5	5.5
1957-69	21	3.6	9.1
1970-80	70	11.9	21.0
1981-86	111	18.9	39.9
1987-93	123	20.9	60.8
1994-97	230	39.2	100.0
Total	587	100.0	100.0

Source: Figures for Pre-1957 to 1993 extracted from Denker, 1994, p. 45; figures for 1994 to 1997 extracted from MIDA Report 1998.

As mentioned earlier, out of the 54 Japanese companies established between 1957 and 1969, 33 were in the manufacturing sector and 21 in the non-manufacturing sector, and of the former, there were 8 in petroleum and chemicals, 12 companies in steel and other metals, 4 in wood products, 2 in food, 1 in textiles, 3 in electricals and electronics and 3 in transport machinery (Denker, 1994). The concentration of Japanese investments in steel and other metals, petroleum, chemistry, and wood products suggests that the Japanese were

mainly interested in processing natural resources to supply input for Japanese industry at home. The fact that about 71%, or 15 out of the 21 companies outside manufacturing were dealing only in foreign trade also suggests that the Japanese' basic interest was in supplying raw materials like timber, iron-ore and copper required by the Japanese economy.

During the second period (1970-80) Japanese investment was welcomed by the second Prime Minister, Tun Abdul Razak, who adopted the pragmatic view that the more money you have, the faster you expedite development. After Tun Abdul Razak, the third Prime Minister, Tun Hussein Onn, also welcomed Japanese investment. Thus, it was under the administration of these two premiers that Malaysia adopted a policy to woo Japanese investors to Malaysia, through, for example, participation in the week-long exhibition sponsored by the Southeast Asian Promotion Centre for Trade, Investment and Tourism, with facilities provided by the Japanese External Trade Organization (JETRO). To further attract Japanese investors to Malaysia, on 11<sup>th</sup> July 1972, a Malaysian seminar was held in Osaka and at the same time a Malaysian Investment Centre was opened in Tokyo.<sup>8</sup>

Malaysia's new policy of encouraging Japanese investment saw the establishment of 124 Japanese companies between 1970 and 1974. In 1973 alone, a total of 40 Japanese companies were set up, either on a joint venture basis, or totally Japanese-owned. As of 1975, there were over 200 Japanese companies, with a total investment of RM625 million (Denker, 1994). However, between 1973 and 1974, there was a sharp drop in Japanese investments in Malaysia from RM315 million to RM120 million. This drop occurred

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<sup>8</sup> New Straits Times, 12<sup>th</sup> July 1973.

partly because the Japanese investors were reluctant to get involved in fresh overseas commitments and also because investment regulations in Malaysia were getting stricter (Denker, 1994).

As the Japanese investors started to shy away from Malaysia, a number of trade missions to Japan were made, one of which was under the then Deputy Prime Minister, Mahathir Mohamad. During the third period (1981-1986), Japanese investment was further welcomed by Mahathir when he launched the LEP. During this time, 37 new firms were established in the manufacturing sector, with 8 in transport machinery, 5 in steel and other metal products, 4 in petrochemicals, 7 in other miscellaneous manufacturing branches and 13 in product marketing. However, a significant drop in the number of new manufacturing firms was observed compared with the earlier periods due to a decrease in investment enthusiasm as a result of a severe recession in the Malaysian economy. Despite that, the number of non-manufacturing firms increased to 111 compared to 70 in the preceding periods (see Table 5.5 on the previous page). Out of the 111 firms, 46 were in construction, 24 in foreign trade, 14 in banking and insurance, 13 in services, 8 in transport, 5 in other non-manufacturing and 1 in agriculture and forestry. The basic reason for the increase in investment in the non-manufacturing sector was the rapid growth of profits from the construction and real property sectors in Malaysia, the former of which grew fourfold between 1970 and 1984, with its share of national output increasing from 3.9% to 5.4%. In this period, its annual growth rate was 9.3% in real terms, i.e. higher than the gross domestic product (GDP) growth of 7.9% (Denker, 1994).



The overall pattern of Japanese investment over the three periods can be classified as follows: in the manufacturing sector are steel and other metals, electricals and electronics, petro-chemicals, textiles and textiles products; and in the non-manufacturing sector are foreign trade, construction, finance and insurance, and services. Comparing the three periods mentioned above, it is observed that Japanese investment in the first period was generally oriented to raw material acquisition and trade. In the second period, labour-intensive industries employing cheap workers as well as raw material processing and trade-related investment became more evident. This reflected economic conditions in Japan after 1970, with Japanese investors seeking opportunities to increase market shares and export competitiveness on the basis of the inexpensive labour and favourable investment conditions offered by Malaysia. Then, in the third period, the overall pattern seems to show strong concentrations in scientific equipment (46%), electrical and electronic products (45%), and machinery manufacturing (41%). The Japanese share of investment is relatively small in the soft drink, tobacco, leather products, paper, printing and publishing, chemical and chemical products, rubber products, and furniture and fixtures (Table 5.6). The strong concentration in the scientific equipment and electrical and electronic products was partly because since the launch of the Look East Policy the government has encouraged the development of high technology industries and, at the same time, Japanese investors feared that tariff protection could exclude them from Malaysian market.

Table 5.6

Japanese Enterprises' Investments in Malaysia, by Industry and Their Ratio to Total Investment (RM'000).

Industry	Japanese Investment (a)	Total Investment (b)	(a) (b) %
Food manufacturing	91,281	4,642,313	2.0
Beverages and tobacco	24,423	766,559	3.2
Textiles and textile products	281,466	2,119,100	13.0
Leather products	0	73,363	0
Wood and wood products	113,214	2,135,526	5.0
Furniture and fixtures	20,640	302,194	0
Paper, printing, and publishing	21,971	1,329,943	2.0
Chemicals and chemical products	358,296	3,043,274	12.0
Petroleum and coal	90,240	1,946,379	5.0
Rubber products	51,704	1,246,625	4.0
Plastic products	225,978	1,090,186	21.0
Non-metallic products	285,895	3,015,664	9.0
Basic metal products	339,696	2,447,872	14.0
Fabricated metal products	191,799	1,826,726	10.0
Machinery manufacturing	353,732	871,207	41.0
Electrical and electronic products	2,425,979	5,397,822	45.0
Transport equipment	224,603	1,865,461	12.0
Scientific and measuring equipment	134,800	294,469	46.0
Miscellaneous	40,344	307,619	13.0
Total	5,276,061	34,722,302	15.0

Source: Malaysia Industrial Development Authority (MIDA), p. 18-20.

Why have foreign investors, particularly the Japanese been keen to invest in Malaysia? There are, in fact, a number of answers to this question. Firstly, it is because, as mentioned, the Japanese investors feared that tariff protection imposed by the Malaysian government could exclude them from the local market. Therefore, to avoid this they moved their plants to Malaysia (Katano, 1981). Secondly, as discussed, it was to take advantage of the abundant raw materials as well as cheap labour (Saravanamuttu, 1983). Thirdly, it was because of the scarcity of land in Japan (Meng, 1975). Fourthly, because the Japanese wanted to move pollution-intensive industries and those industries with low skills, e.g. textiles, out of Japan. According to Goley (1983), in the early 1970s Japan's

most prestigious business council recommended a strategic restructuring of the Japanese economy through the decade. This called for the exportation of low value-added and high-pollution manufacturing processes while developing “clean” and “high-technology” industries in Japan. Fifthly, foreign investors were attracted by Malaysia’s political stability (Denker, 1994).

Finally, the most important reason is perhaps because of the LEP. Unlike the preceding explanations, this reason requires more discussion because it is considered both pertinent and relevant to this study. The economic development during the 1980s of big projects, such as iron and steel works, and problems, such as world recession and the decline of market prices for primary commodities, e.g. palm oil, rubber and tin, created financial problems for the Malaysian government. To solve these problems the government borrowed funds from foreign countries but this only further increased Malaysia’s external debt to RM21.3 billion (27.8% of GNP) in 1985. Under such circumstances the use of private capital, particularly foreign private capital that does not bring financial burden to the country, became very important. Recognising its benefits, Mahathir included in his Look East Policy’s campaign two important items: the promotion of industrialisation and the wooing of foreign investment, particularly from Japan. In order to attract foreign capital, on 8<sup>th</sup> July 1985 the government decided to relax policies on foreign investment, a measure that allowed foreign companies to have 100 percent equity capital if they export more than 80 percent of their products and 51 percent of equity capital even if they export just 20 percent of their products.

Because Malaysia experienced a further blow to the economy in 1985, which shows a minus growth figure for the first time since independence, the introduction of foreign capital became necessary to stimulate the economy. After Mahathir relaxed policies on foreign investment as mentioned earlier, on 30<sup>th</sup> September 1986, he further announced a new incentive policy aimed at relaxing the control on foreign capital ratios and on expatriate postings. During this time, 100 percent foreign capital was allowed on the condition that a company did not produce products competitive with local manufacturers. Since then the government has allowed 100 percent foreign ownership to those companies that export more than 50 percent of their products, employ constantly more than 350 people and reflect the ethnic population ratios in Malaysia. Regarding expatriate postings, with each new foreign investment of more than US\$2 million, five ten-year expatriate postings, including one key posting, are automatically allowed.

The policies, particularly investment policies, introduced by Mahathir have attracted large number of Japanese investment to Malaysia. For example, by 1988 Japan had become the largest foreign investor in Malaysia, with a share of 25% and by 1989 its share had increased to 31.1%. Even though in 1990 its share had decreased to 28.5 % by 1994 Japan had become the second largest foreign investor in Malaysia with its share of 25.3 % (Taiwan came first), and in 1995 Japan once again emerged as the largest foreign investor in Malaysia with a share of 22.9%.

A recent report<sup>9</sup>, however, shows that the United State of America has overtaken Japan with its share of RM6.5 billion. Japan is now second with its share of RM1.1 billion,

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<sup>9</sup> Mida recorded RM12.6 billion in FDI last year, The Star Online, February 8, 1999 [WWW document]. URL <http://www.jaring.my/star/current/08snfeat.html>.

followed by the Netherlands (RM1.1 billion), Singapore (RM805 million), and Britain (614.6 million) (Table 5.7).

Table 5.7

Top Five Major Sources of Investment (1998)

Country	1998	Percentage of Total Foreign Investments
USA	RM6.5 billion	51.6
Japan	RM1.1 billion	9.0
Netherlands	RM1.1 billion	8.6
Singapore	RM805 million	6.4
Britain	RM614.6 million	4.9

Source: The Star, 8<sup>th</sup> February 1999.

Based on the above discussion, it is apparent that to some extent the relaxation of investment policies during the Look East Policy's period did manage to attract Japanese investment to Malaysia. However, towards the 1990s, the number of Japanese new projects or investments to Malaysia slowed down. For example, according to the Export Import Bank 1998 survey, the decline in Japanese FDI could be mainly attributed to the winding down of high-level FDI activities in recent years by Japanese companies due to the economic downturn in Japan and mounting concerns over the Asian crisis. Although the number of new projects or investments has declined, on a more positive note a report<sup>10</sup> shows that Japan registered the highest number in terms of expansion and diversification projects, with a total of 92 compared to only 18 projects. According to the same report,

<sup>10</sup> Mida recorded RM12.6 billion in FDI last year, The Star Online; 8<sup>th</sup> February 1999 [WWW document]. URL <http://www.jaring.my/star/current/08snfeat.html>.

proposed Japanese investments in the expansion and diversification projects were also higher, at RM785 million compared to RM358.9 million in new projects.

Besides the relaxation of investment policies, the Mahathir administration has also provided investment incentives to encourage foreign investors, particularly Japanese investors, to invest in Malaysia. Among some of these incentives are pioneer status, investment tax credit, labour utilisation relief, without tax incentive, location incentives, export incentives and special incentives for agricultural industries. Pioneer status (PS) is given to Japanese companies as well as other foreign companies intending to produce goods not already manufactured on a commercial scale in Malaysia. Companies enjoying PS are exempt from the 40 percent company tax and 5 percent development tax with a tax holiday period of 2 to 5 years, which can be extended to a maximum of 8 years. In addition to PS, Investment Tax Credit (ITC) up to 25 percent is granted to companies for location, priority products and local content, while Labour Utilisation Relief (LUR), which is similar to pioneer status, is granted according to the number of employees. Location incentives of up to 10 years are given to companies located in the states of Sarawak and Sabah and the "Eastern Corridor" of Peninsular Malaysia, while export incentives are given to companies that manufacture goods for the export market. Besides these incentives, companies are also given a pioneer certificate, accelerated depreciation allowances, deduction for promotion expenses overseas, increased capital allowance and hotel incentives.

A study by Denker (1994) found that out of 184 Japanese firms established in the manufacturing sector in 1987, 105 firms had pioneer status, 21 firms had investment tax

credit, 1 firm had labour utilisation relief, 53 firms had no incentives, while 4 firms had unknown incentive status. In terms of the industrial breakdown, Denker's findings reveal the following: textiles and textile products, chemical industry, non-metallic mineral and basic metal industries have benefited most from these incentives. Denker also points out that 63% of firms in the textile industry, 53% of the firms in the chemical industry, 43% of firms in non-metallic mineral products industry and 55% of firms in basic metal industry have benefited from pioneer status.

The latest addition to the incentives mentioned earlier is the reinvestment allowance (RA). RA is granted to manufacturing companies which incur qualifying capital expenditure for the expansion of production capacity, modernisation and upgrading of production facilities, and diversification into related products. The RA is in the form of an allowance of 60% of the capital expenditure incurred by these companies. The allowance can offset 70% of the statutory income in the year of assessment. Any unabsorbed allowance is allowed to be carried forward to subsequently years until it is fully utilised. Companies that reinvest in promoted areas in the states of Sabah and Sarawak and the "Eastern Corridor" of Peninsular Malaysia are allowed to utilise the allowance fully to offset the statutory income for the year of assessment. To encourage companies to reinvest in equipment which can significantly improve their productivity level, an allowance of 60% can be used fully to offset the statutory income, similar to the scheme granted to the "Eastern Corridor" of Peninsular Malaysia, Sabah and Sarawak.

Besides the incentives mentioned above, the government also offers industrial estates and free trade zone facilities (FTZ). Industrial estates provide a basic infrastructure such as

roads, water, power and telecommunications facilities to manufacturing companies. According to the half-yearly survey by the Malaysian Industrial Development Authority (MIDA), by 1<sup>st</sup> July 1996, a total of 206 industrial estates had been established throughout the country to cater to the needs of manufacturing companies. These industrial estates were developed by government agencies, namely, the States Economic Development Corporations (SEDCs), Regional Development Authorities (RDAs), port authorities and municipalities. In addition to the existing industrial estates, 59 new ones are being planned by the government agencies to meet the increasing demand for industrial land.

Free trade zones (FTZs) are specifically designed for manufacturing establishments producing or assembling products essentially for export. The objective of providing FTZs or free zone facilities to export-oriented industries is to enable them to enjoy minimum customs control and formalities in their import of raw materials, parts, machinery and equipment as well as in the export of their finished products. To date, twelve FTZs have been established, namely, Bayan Lepas, Prai, Prai Wharf, Batu Berendam, Tanjung Kling, Sungei Way, Ampang Hulu Kelang, Telok Penglima Garang, Johor Port Authority Industrial Land, Jelapang, Kinta and Muara Tabuan (MITI, 1997). Manufacturing companies to be considered for locations in FTZs are: (i) those whose entire products are meant for export (however, in exceptional circumstances companies exporting not less than 80% of their products can be considered for location in the FTZs); and (ii) those whose raw materials or components are mainly imported. Although that is the case, the government encourages companies located in FTZs to use local raw materials or components wherever possible. Out of 416 Japanese companies investing in Malaysia in 1987, 106 were established in free trade zones and industrial estates, while 310 firms were located outside



them. According to Anazawa (1994), most of the Japanese companies investing in Malaysia in the first half of the 1970s established themselves in the free trade zones, mainly in Selangor. By the mid-1970s, other Japanese companies such as the Torey group were established in the Prai free trade zone in Penang, while Toyobo was established in Perak and Kedah. Because of the concentration of Japanese companies in developed regions, such as Selangor and Penang, where a well-developed infrastructure already existed, a number of authors have claimed that Japanese investment did not serve to reduce regional differences and local poverty (Saravanamuttu, 1983; Denker, 1994).

Another facility that is quite similar to the FTZs are licensed manufacturing warehouses (LMWs). The government has allowed the setting up of a LMW where the establishment of a FTZ is neither practical nor desirable. To be eligible for a LMW, a company has to meet the following requirements: (i) its entire products are meant for export or no less than 80% of its production must be intended for export markets; and (ii) its raw materials or components must be mainly imported.

The latest facility provided by the government is the Multimedia Super Corridor (MSC), a 15-by-50 kilometre zone extending south from Malaysia's present national capital and business hub, Kuala Lumpur, is a "perfect" environment for companies wanting to create, distribute and employ multimedia products and services. The MSC brings together four key elements:

- The best possible physical infrastructure, including Kuala Lumpur City Centre, a new world-class airport and integrated logistics hub, rapid rail links to Kuala Lumpur, a 'smart' highway, and two new 'intelligent' garden cities

- New laws, policies and practices designed to enable and encourage electronic commerce, facilitate the development of multimedia applications, and position Malaysia as the regional leader in intellectual property protection
- High-capacity global telecommunications and logistics infrastructure built on the MSC's 2.5 gigabit-to-10 gigabit digital optical fibre backbone and using the latest ATM switches to provide fibre to the Buildings. This network will have a 5-gigabit international gateway with direct links to the US, Europe, and Japan, as well as to other nations in ASEAN
- Fully empowered one-stop shop - the Multimedia Development Corporation (MDC), created to manage and market the MSC

Thus, it can be concluded that besides Malaysia's sound economic policy, political stability, and cheap but educated labour resources, the relaxation of investment policies and investment incentives under the LEP remain the major attraction points in attracting foreign investors, particularly from Japan. In fact, it can be said that the government, via its LEP, has been very generous to the Japanese, so much so that they dominated the Malaysian manufacturing sector until the late 1980s.

Being the major player, Japanese investment in Malaysia has had both its positive and negative effects. The positive effects were that Japanese investments contributed to the Malaysian economy not only by making linkages among sectors, cultivating human resources, and spurring the relaxation of regulations but also by creating new job

opportunities. For example, between 1991 and 1995, Japanese investments created a total of 129,220 new jobs (Table 5.8), and were also partly responsible for making Malaysia one of the leading exporters of electronic products. For example, in 1995 Malaysia exported RM82.094 billion worth of electronic products and by 1996 this had reached RM87.805 billion.<sup>11</sup> The electronic industry is now a leading contributor to Malaysia's manufacturing, employment and exports and has attained a high profile among the principle industries in Malaysia.

Table 5.8

Japanese Investment in Approved Projects (1991-1995)

	1991	1992	1993	1994	1995	Total
Number	181	146	133	204	175	839
Employment	38,305	19,931	20,791	32,952	17,241	129,220
Investment (RM Million)	3,705.9	2,684.2	1,661.2	1,765.2	2,096.3	11,912.8

Source: MIDA.

Despite its positive effects, there have also a number of negative implications of Japanese investments in Malaysia. It has been argued that these arose from the fact that the Japanese shifted their low-valued added and high-pollution industries to Malaysia (Denker, 1994). Saravanamuttu (1983) claims that Japanese firms in Malaysia were not noted for liberal skill transfer policies as far as Malaysian firms were concerned. According to the same author, the fact that most Japanese companies were located in free trade zones of well-developed states such as Selangor/KL and Penang did not serve to reduce regional differences and local poverty as requested by the Malaysian government.

<sup>11</sup> Sarawak Tribune, 16<sup>th</sup> September 1997.

Similarly, Jomo (1994) mentions that the tendency of the Japanese companies to concentrate in developed states and major towns shows that infrastructural facilities and other advantages were still generally more important to Japanese companies than were the benefits of locational incentives. Thus, a number of authors (Saravanamuttu, 1983; Jomo, 1994; Denker, 1994) concur that Japanese investments have had a tendency to further exacerbate patterns of uneven and unequal regional growth within Malaysia.

### **5.8 Problems Associated with the Look East Policy**

Despite the government's deliberate efforts to promote its LEP, a number of problems seem to have emerged. Firstly, the policy seems to lack support from older generations, as they believe that the LEP favours the Japanese<sup>12</sup> (Jomo, 1983; 1990; Saravanamuttu, 1983; Rajendran, 1993; Smith, 1994). Besides the lack of support from the older generations, it is also claimed that the LEP has little support from non-Malays, particularly the Chinese community in Malaysia (Lim, 1984; Jomo, 1994). There are two main reasons for this. One is because the LEP is said to contain racial objectives (Lim, 1984). According to Lim, because the policy is pro-*Bumiputra*, out of 373 trainees who were sent to Japan between 1982 and 1983, none of them were Chinese. The second reason is because the government is believed to strongly favour Japanese investors (Lim, 1984). For example, Lim (1984) claims that since the LEP, many construction companies which were previously been controlled by Chinese, have been rapidly replaced by the Japanese and this factor alone has encouraged the Chinese community to disfavour the policy.

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<sup>12</sup> As mentioned earlier, many members of the older generation experienced Japanese aggression during World War II, which caused not only physical damage but also "moral trauma" and this experience is still "fresh" in many Malaysians' minds creating a reluctance to have dealings with their former enemies.

Secondly, the LEP seems to have encountered problems over the issue of religion and cultural beliefs (Hamzah, 1990). According to Hamzah, most Malaysians believe that the policy is unrealistic. This is because being Muslim-dominated country, most Malaysians believe that some Japanese management techniques conflict with the Islamic faith. In fact, some conservative Islamic Malays have asked “why must we look to the East and does it mean we always have to behave like Samurai?”<sup>13</sup> Hamzah (1990: 89) further argues that the LEP is not realistic because of the disparities between Japanese and Malay traditions. According to the same author, by emulating Japanese management techniques, work ethic and values, Malays must lose some of their traditional characteristics of tolerance and compromise and be more ruthless and business-minded. Hamzah further points out that as Malays they might be able to do this without risking loss of identity, but could they do it as Muslims as well?

Thirdly, the LEP also seems to have incurred problems with Japanese management systems. Since the policy was launched, a number of Japanese company personnel have come to Malaysia and introduced their brand of managerial practices as well as work ethic. However, a number of authors (for instance, Saravanamuttu, 1983; Jomo, 1983; Hamzah, 1990; Teik, 1995) argue that these practices are far from exemplary. According to these authors, the testimony of several Malaysian workers working for Japanese companies reveals some unpleasant aspects of Japanese management practices and work ethic. Moreover, a report in a local newspaper mentioned that more than 20 Malaysian workers had been unlawfully dismissed by a number of Japanese companies (The Star, 14<sup>th</sup> August 1982). The same paper also reported that an engine driver claimed that the Japanese

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<sup>13</sup> Japan Times International, 4<sup>th</sup> September 1994.

looked down on the locals and it was further reported that some Japanese managers had cut the allowance of Malaysian workers who were working for them without giving any good reason (The Star, 14<sup>th</sup> August 1982). Although these claims have not been verified in detail, and may in themselves may be minor, nevertheless, these reports have created a perception in the Malaysian media that has led to anti-Japanese feeling. In the light of these accusations, Saravanamuttu (1983) suggests that whatever the merits of Japanese work ethic, as practised in their own country, there appears to be little of value to emulate from Japanese company personnel who operate in Malaysia. The same author also claims that the Japanese firms have not provided any impetus for creating the kind of industrial relations sustaining the work ethic and attitudes that the LEP seeks to promote.

Fourthly, problems materialised when in-house unionism was introduced. As mentioned earlier, the government claimed that in-house unions would be in the best interest of the employee but this has met with criticism. For example, Muzaffar (1983) claims that “if the labour situation in Japan is what has inspired the Malaysian government to propose in-house unions, then workers in Malaysia have every reason to be concerned. This is because the majority of Japanese workers are not as well looked after as it is made out to be.” Muzaffar further claims that thousands of Japanese workers are fired every day and this is particularly common among (i) female employees who marry and have children; and (ii) older employees in firms that are no longer making huge profits. The same author points out that to recognise and adopt Japanese in-house unions without looking after the welfare of employees would be meaningless. He says what Malaysia needs to do is to provide incentives and a good welfare system in order to encourage employees to work hard.

As stated previously, Mahathir has stated that the LEP would not adversely impinge upon the activities of industrial unions. However, it is argued that it has become apparent that the objective of the policy is to interfere in the activities of the existing unions as far as possible (Muzaffar, 1983). For example, in October 1983, a claim by the National Union for Petroleum and Chemical Workers (NUPCW) for recognition on the grounds that it had obtained majority support among the four thousand workers at the Petronas plant, was rejected out of hand. The NUPCW subsequently accepted this decision without any further struggle and decided to direct its organisational effort elsewhere (New Straits Times, 12<sup>th</sup> March 1984). In another example, workers at Tanaka Sdn Bhd had previously been organised by the Penang Textile Workers' Union (PTWU), which was then deregistered in 1979 after its members took part in an illegal strike. A subsequent bid by the PTWU to represent the mainly female workforce was turned down, and although the PTWU then took this up through three major organisations, namely, the Malaysian Trade Union Congress (MTUC); the Textile Workers's Asian Regional Organisation; and the International Textile, Garment and Leather Workers' Federation, such action failed to secure a reversal of the RTU's decision. Subsequently, plans to amalgamate the five regional textile unions in Peninsular Malaysia into a single national union were abandoned for a more defensive strategy of maintaining the *status quo*, though a national federation was eventually formed in the late 1980s (AWSL, 1985).

Fifthly, the LEP has also been criticised with regard to the transfer of technology as well as managerial skills. The government claimed that through Japanese investment, advanced technology from Japan would be transferred to Malaysia. However, according to the former Finance Minister, Tunku Razaleigh Hamzah, the supposed transfer of technology as

claimed by the government is illusory. He says: "Foreign companies are still bogies...they have not transferred their technology to our people, they have not brought in capital, they are relying on domestic funds and borrowing from banks here, and they have not trained our people. They are still the same." (FEER, 1983). Fong (1992) shares this view, claiming that Japanese investors are not keen to transfer either their managerial skills or technology to the Malaysian workers. One example, as reported in a local newspaper, was the construction of the RM2 billion Bintulu LNG plants during the second half of 1981. One of the requirements in securing the tender was that more locals had to be employed. But according to a newspaper report, instead of employing more locals, Japanese construction firms hired more than 5,000 or over 45 percent of the total workforce from Korea to help them meet their deadlines (New Straits Times, 29<sup>th</sup> July 1982).

With Japanese firms virtually monopolising construction tenders in 1981 and 1982, the same article inquires "...whether Malaysians have benefited from this huge influx of foreign enterprise, has there been any transfer of technology to the Malaysian workers? There is nothing written into any of the contracts of the Japanese or Korean companies to indicate that there must be a transfer of technology, and as such there is no formal training of Malaysian personnel." Questioned about this, a Japanese director could only offer the weak argument that "in the normal course of working side-by-side with foreigners, Malaysians have picked up sufficient skills." (New Straits Times, 29<sup>th</sup> July 1982).

The case of Perwaja Trengganu Sdn. Bhd. was another example. This project involved a total capital investment of about RM830 million. Although the Japanese capital involvement was only 30 percent of the total investment compared to 70 percent of



Malaysian's investment, they were, in fact, running the show. They provided the technology, machines, technical expertise and even the administrative know-how, the later being rendered only in the company's infant stage (New Straits Times, 28<sup>th</sup> July 1982). Saravanamuttu (1983) may therefore have been right to argue that such monopolistic behaviour on the part of the Japanese could hardly provide opportunities for Malaysian to learn.

In fact, according to Fong (1992), the Japanese and Koreans investors came to Malaysia merely because they were attracted by Malaysia's incentives for export and the various subsidies provided to the free zones, as well as hoping to take advantage of the cheap labour rather than transferring their technology and managerial skills. Because of that, such motives resulted in discontentment between local contractors and the government (Fong, 1992).

Besides the dissatisfaction caused by the Japanese investors, their investment patterns also caused uneven economic growth in Malaysia (Saravanamuttu, 1983). As mentioned earlier, the Japanese companies were concentrated in the developed West coast states and major towns in Malaysia rather than the less developed states. Saravanamuttu claims that this "stubborn" attitude on the part of the Japanese investors not only shuttered the Look East Policy's objective of inculcating loyalty and consensus but also as stated previously, the government's objectives of spreading development to the poorest states.

Finally, the LEP seems to be facing difficulties in terms of its future direction. Because the policy is so closely associated with the current Prime Minister, its post-Mahathir future is

in question. When a transfer of leadership will occur cannot be predicted. However, it can be noted that Mahathir today faces problems on a number of fronts, such as the recession-imposed limits on realising the Fifth Malaysian Plan (1986-1990), the continuing problem of Islamic fundamentalism, the Mahathir-Anwar conflict, and the recent economic crisis that has hit the Malaysian economy. Perhaps, as a consequence of these issues, Mahathir has not only toned down the rhetoric of the early LEP and modified its interpretation but he has also distanced himself from it. This was evident as early as 1985, when at the same time as putting forward the LEP, efforts were made to identify with the distinctiveness of Malaysia, including the Islamic policy. It will be interesting to look later on at the extent to which these two policies could co-exist.

From the foregoing review, it is apparent that the state in Malaysia has been quite successful in encouraging foreign investors, in particular from Japan, to invest in Malaysia, despite the problem of the LEP, because of the strength of the state and its commitment to economic policies and development. Hence, on this basis, our general hypothesis would be “The Look East Policy might have had some success in promoting Japanese management techniques to manufacturing firms in Malaysia, despite the difficulties of transferring management practices between different countries, because of the strength of the state in Malaysia and its commitment to such a policy.”

## **5.9 Conclusion**

Having reviewed the related literature, the following conclusions are drawn. Firstly, it is apparent that the state in Malaysia has played two major roles; one as a driving force in economic development, the other as a driver in changing culture or people's attitudes in

order to encourage the adoption of the Japanese management system. In promoting economic development, the literature has shown that the state has adopted a number of powerful policies especially to woo foreign investment, and particularly from Japan, to that effect, there is evidence that the state has been quite successful. In inspiring a change in culture or people's attitudes, the literature has also demonstrated the commitment of state in Malaysia. That is, it has strongly involved itself and has taken a number of major steps in its effort to promote the Japanese management techniques in Malaysia. Among some of the major steps taken by state are the "famous" campaign called "The Mahathir Restoration", whereby the state called upon both -Japanese firms in Malaysia and Malaysian organisations to get involved in promoting the Japanese management system, setting up training institutions for human resource development, and setting up economic institutions similar to those in Japan. As a result of this strong state commitment, some literature has provided evidence of the state's success in promoting Japanese management systems especially among the public sector enterprises and government agencies.

Secondly, although it is apparent that as a result of state commitment some elements of the Japanese management techniques have been adopted, none of the literature has effectively argued whether or not the state, via its Look East Policy, has been successful in the promoting Japanese management system in the manufacturing industry in Malaysia.

Finally, because of the lack of in-depth and effective arguments pertaining to how successful the Look East Policy has been in terms of encouraging management in manufacturing firms in Malaysia to adopt the Japanese management techniques, it is

obvious that there is a gap in this field of study that needs to be researched. As a result, this study aims to fill this gap.

In Chapter 6 the background information on Malaysia and its manufacturing sector is discussed.

## CHAPTER SIX

### MALAYSIA: THE BACKGROUND INFORMATION AND THE MANUFACTURING SECTOR

#### 6.1 Introduction

The objective of this chapter is to discuss two important issues: (i) the multi-racial and multi-cultural society in Malaysia; and (ii) the importance of the manufacturing sector in the Malaysian economy. This chapter is therefore divided into two parts. Part one discusses the profile of Malaysia, and includes details about the country, the people and language, and the religion. Part two discusses the issues pertaining to the manufacturing sector in Malaysia, among which are the industrialisation process, the manufacturing sector's contribution to the economy, types of industries, the principal markets for manufactured exports, and employment and investment in the manufacturing sector.

#### Part I

#### 6.2 The Profile of Malaysia

##### 6.2.1 The Country

Malaysia is strategically located in the heart of Southeast Asia, with an area of 329,750 sq. km (127,581 sq. mile), consisting of two non-contiguous areas: Peninsular Malaysia on the Asian mainland, and the states of Sarawak and Sabah, together known as East Malaysia on the island of Borneo (see Figure 6.1 at the end of this section). The total boundary length of Malaysia is 7,344 km or 4,563 miles. This dynamic young nation is well-served by all major air and shipping lines. The easy access to the rest of the world has today made Malaysia an attractive centre for trade, investment and tourism. In a steadily expanding

economy before badly affected by the 1998 crisis, Malaysians have enjoyed a high standard of living. Per capita income in 1997 was RM12,142<sup>1</sup>.

Before Malaysia (at that time called Malaya) gained independence in 1957, it was ruled by the British, then briefly by the Japanese before being taken over by the British again. The British influence in Malaya started when they founded the port of Georgetown on the Island of Penang in 1786. In 1819, they founded another colony, Singapore, primarily to safeguard the safe passage of their trade vessels from China. In 1824, a treaty was drawn-up between the Dutch and the British, in which Malacca was handed over to the British while the Dutch gained full control of the British settlements in Indonesia.

Despite controlling Penang, Singapore and Malacca (known as the three Straits Settlements) the British began to influence the rulers of other Malayan states to join in as a federation with Kuala Lumpur as its capital. The proposal for a federation was initially seen as a “protectorate” arrangement whereby the British provided the Malay rulers with protection from foreign threats, particularly from the Siamese. However, shortly after the agreement was signed in 1895, the British began to take control of the four Malay states, namely, Perak, Selangor, Negeri Sembilan and Pahang. Later, when the Siamese Empire was forced to give up its dominance of the northern Malay states, the British colonial boundary was enlarged to include Kedah, Perlis, Kelantan and Terengganu. Later the Johor sultanate decided to join as a British colony. On the eve of the First World War, the British completed their colonisation of all the Malay States to form the Federation of Malaya, which consequently gave Britain control over the Federation’s resources. The

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<sup>1</sup> 1996 figure (1US\$ = RM2.50); 1998 figure (1US\$ = RM3.80).

sultanates of northern Borneo (Brunei, Sabah and Sarawak, the latter ruled by James Brooke and his heirs) later became British protectorates, administered from Singapore, but without any formal ties with the Federation of Malaya.

The colonial administration in Malaya set up a three-band education system; each band designed specifically for the Malays, Indians and Chinese - a colonial strategy of disintegration (Jomo, 1990), and this “divide and rule” policy remain prominent in the economy too; the Malays stayed mainly in rural agriculture, while the Chinese worked in tin mines and the urban service sectors and the Indians worked on the rubber estates. The British administration had openly encouraged Chinese (and to a lesser degree, Indian) immigration to the ports along the straits which resulted in large numbers of Chinese arriving to work the tin mines and service the urban ports. When rubber cultivation was introduced in Malaya in 1877, the British brought in Indian immigrants to work in the rubber plantations through what is called the “kanggani system” whereby the proletarianised immigrants formed a formidable labour force over which the British had direct control.

The political climate of the colony started to change after the brief Japanese Occupation (see Chapter 5 for a detailed discussion on Japanese Occupation) during the Second World War when the British failed to subdue the nationalist movements of the Malays as well as the movements of the communist guerrillas. Seeking a compromise solution, the British then proposed the Malayan Union with equal citizenship for the *Bumiputras* and the immigrants. This proposal however threatened the position of the Malays, and in retaliation the Malay nationalists decided to form a new political party known as the United

Malay National Organisation (UMNO) in 1946. The Chinese followed suit to form their own political party called the Malayan Chinese Association (now called the Malaysian Chinese Association) (MCA). In the 1952 municipal elections, the UMNO and the MCA formed an alliance and defeated the Malayan Independence Party; a pan-ethnic party which was propagated and supported by the British. The alliance was later broadened to include the Malayan Indian Congress (now called the Malaysian Indian Congress) (MIC), and succeeded in winning elections nation-wide, except in Singapore, where Lee Kuan Yew's socialist party was victorious.

Faced with political pressure from the nationalists as well as the insurgence of the communist threat, the British finally decided to negotiate for the colony's own rule, resulting in Malayan independence on 31<sup>st</sup> August 1957. Its first Prime Minister was Tunku Abdul Rahman. In 1963, the other British colonies of Singapore, Sabah and Sarawak obtained their independence and joined Malaya to form a federation of states known as Malaysia. However, because of major disagreements over ethnic policies, in 1965 Singapore broke away from the federation to become an independent republic, while Malaysia was left with thirteen states and the federal territories of Kuala Lumpur and Labuan.

In terms of the ruling parties since independence, the National Front, the ruling coalition between three major political parties, i.e. United Malay National Organisation (UMNO), Malaysian Chinese Association (MCA) and Malaysian Indian Congress (MIC)<sup>2</sup>, representing the multi-racial composition of the country, commands a two-thirds majority

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<sup>2</sup> UMNO mainly represents the Malay community, while MCA and MIC represent the Chinese and Indian communities respectively.



in Parliament. This has ensured in Malaysia a strong, stable government committed to the development of the country. The government's vision for Malaysia to become a fully-developed nation by the year 2020 in every sense of the word, i.e. economically, politically, socially, spiritually, psychologically and culturally, is currently the country's most far-sighted goal.

Figure 6.1

Map of Malaysia



<sup>1</sup> Malaysia your profit center in Asia for People's World Business URL: <http://202.155.160.3/people/people1.htm>

### 6.2.2 The People

Malaysia's cosmopolitan population of 21.2 million is a unique mix of two main categories: those with cultural affinities indigenous to the region and to one another, who are classified as *Bumiputra*; and those whose cultural affinities lie outside, who are classified as non-*Bumiputra*.<sup>3</sup>

The *Bumiputras* (meaning the son of soil) are highly differentiated. There are three broad categories: Aborigines (*Orang Asli*); Malays; and Malay-related. The *Orang Asli* represent the oldest element in the population but survive only in small numbers and in scattered groups, mainly in the Malay Peninsula. The Malays form the predominant ethnic group in the Malay Peninsula, a substantial minority in Sarawak and a smaller group in Sabah.

Other ethnic groups regarded for practical purposes as Malays, and most of whom have settled in the country (mainly in the Malay Peninsula) since 1850, include the Javanese, Banjarese, Boyanese, Bugis and Minangkabau. Into the same category also falls the Bajau of Sabah. The quick assimilation of these groups into the Malay community is a result of common cultural traits and the bond of Islam.

The third or non-Malay *Bumiputra* category consists of ethnic groups found in Sarawak and Sabah. In Sarawak, the largest of these are the Iban, while others include the Bidayuh, Melanau, Kenyah, Kayan, Kelabit and Bisayah. In Sabah, the Kadazan (Dusun) form the largest single ethnic group, with the Murut, Bisaya and Kedayan forming significant

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<sup>3</sup> Malaysia your profit centre in Asia-The People [WWW document]. URL <http://202.185.160.3/profit/people1.html>

minorities. These groups represent peoples of the same basic stock who entered the country during the period of early migration.<sup>4</sup>

The non-*Bumiputra* groups consist primarily of the Chinese and the Indians, with much smaller communities made up of Arabs, Sinhalese, Eurasians and Europeans. The Chinese population of Malaysia is derived largely from South China, with the Cantonese and Hokkien forming the largest dialect groups. Among the Indians, the largest group are the Tamils from South India and Sri Lanka, with significant Sikh and Malayalee minorities.<sup>5</sup>

The indigenous groups form about 54% of the population, with Malays constituting about 48% of Malaysia's population. The Chinese and the Indians form 34% and 9% of the population respectively. The different groups or races in Malaysia differ from each other in terms of religion, culture, languages, customs, etc. As can be seen, Malaysia is indeed a multi-cultural society.

Malaysia has a young population, 42% of the country's population falls within the 15 to 39 age groups, and with most Malaysian youths having at least 11 years of secondary education, the nation has the advantage of a young, educated and productive workforce. The country's total labour force was about 8.6 million in 1997. The services sector was the biggest employer providing 48% of total employment. The second largest sector in terms of providing employment is manufacturing with 28%, and is fast catching up with the

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<sup>4</sup> Information Malaysia 1997 Yearbook, p. 62.

<sup>5</sup> *Ibid.*, p. 62.

services sector. Other sectors are agriculture 15% and construction 9.1%<sup>6</sup> (see Section 6.3.5 for further details).

### **6.2.3 Language and Religion**

The national language of Malaysia is Bahasa Malaysia. Since 1972, Malaysia and Indonesia have adopted a single system of spelling, which is in use today and this new version is called Bahasa Baku. Bahasa Malaysia and Bahasa Baku are very similar except that there are few changes in both the spelling and pronunciation. While Bahasa Malaysia/Baku is the national language, English is taught in schools as a second language. Other languages taught include Mandarin and Tamil.

Business communications are normally either in Bahasa Malaysia (in government statutory bodies) or in English (in the private sector). Most Malaysians are at least bilingual, and a large number of them can both speak and write English. Other major languages spoken include various Chinese dialects and Tamil. Each indigenous group also has its own dialect.

Although it is an Islamic state, the Malaysian Constitution guarantees freedom of worship. As a result, Christianity, Hinduism and Buddhism are the three other main religions in multi-racial and multi-cultural Malaysia and it is therefore not uncommon to see many mosques, temples and churches throughout the country.

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<sup>6</sup> Malaysia your profit centre in Asia-The People [WWW document]. URL <http://202.185.160.3/profit/people1.html>

In terms of national holidays, there are about 12 of these and governed by the Muslim calendar, which varies from year to year in relation to the Western calendar. The main holidays of the other religions are also observed. In some states with predominantly large Muslim populations, the weekend is on Thursday afternoon and Friday for most public and private institutions, except for the larger multi-national business concerns, which have to follow the international work-week.

## **Part II**

### **6.3 The Manufacturing Sector - An Overview**

As mentioned earlier in Chapter 5, since independence, the Malaysian economy has relied mainly on the agricultural sector. Rubber and tin, the two most important export commodities, contributed two-thirds of export earnings in the early 1970s. However, since the mid-1970s the prices of these commodities have been very volatile and the Malaysian government has realised that it cannot depend on the agricultural sector any longer. Hence, in the late 1970s the Malaysian government decided to take firm control of the manufacturing sector.

Since then, a number of policies have been implemented by the government to further encourage the growth of the manufacturing sector (Section 6.3.1 discusses some of the early legislation prior to the action taken by the Malaysian government). One of the policies was the Industrial Master Plan (IMP) completed in 1985. The IMP spelt out the overall strategy for industrialisation, and through it the government has emphasised the growth of high technology, capital and skill-intensive industries, which include electrical and electronics, the textile and apparel and the resource-based sub-sectors where growth

was possible due to diversification and forward and backward linkages. Besides promoting the development of an indigenous industrial base for long-term sustainable industrialisation, the government has also encouraged direct foreign investment with its advantages of capital inflow, technology and marketing know-how.

However, securing the continued presence of first-tier foreign investment has not been easy for Malaysia, particularly in the face of strong competition from the NICs (especially Hong Kong and Singapore) and from other competing countries like Thailand and Indonesia, with their cheaper and more abundant labour forces and sizeable domestic markets. Nevertheless, in the past few years Malaysia has proven that it is able to compete successfully for foreign direct investment (FDI). Before the 1998 economic crisis, Malaysia's success in attracting FDI was due to a number of factors such as a stable political environment, free repatriation of profits, a supply of relatively skilled labour, favourable macroeconomic policies, supporting infrastructural facilities, and fiscal incentives.

The country's competitiveness has also been noted by a number of international surveys. For example, The International Management Development Institute of Switzerland survey included Malaysia as one of the ten most competitive countries from among the NICs and near-NICs in 1992 (as cited in Kheng, 1994: 129). However, since the economic crisis (1998) and the recent monetary control policy imposed by Mahathir, leading economists (for instance, Paul Krugman) believes that monetary-controls will do more damage to

Malaysia, and this will deter foreign investors.<sup>7</sup> Thus, the outcome of Mahathir's monetary controls remains to be seen.

### **6.3.1 The Industrialisation Process**

In the early years of industrialisation, the most important piece of legislation was the Pioneer Industries Ordinance of 1958 (with subsequent revisions in 1965). This Ordinance provided generous tax incentives to new industries, especially the resource-based industries (see Section 6.3.3). As a result, industries such as food and beverages, plastics and rubber products, textiles, bicycles and car assembly emerged. Subsequently, import substitution has contributed to more than half of the total growth in manufacturing between 1959 and 1968, followed by an expansion in domestic demand reflecting income growth (40%) and export (less than 10%) (Kheng, 1994: 53).

The Pioneer Industries Ordinance of 1958 granted exemptions from the prevailing 40% company income tax to companies in resource-based industries. Depending on the size of the investment, companies were granted between two to five years of tax relief. The pioneer industries, which began operations in the early 1960s, were initially engaged in processing agricultural products and the manufacture of consumer and intermediate goods. Later the sector expanded to cover a wide range of import-substituting industries through the 1960s.

Superseding the Pioneer Industries Ordinance of 1958, the more liberal Investment Incentives Act of 1968 was incorporated. This act, besides incorporating tax holidays to

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<sup>7</sup> Paul Krugman's letter to Malaysia's Prime Minister, Mahathir.

companies that were granted pioneer status, gave additional tax holidays depending on the nature of the product, the location of the company and the local raw material content. Also, a pay-roll tax incentive was offered to companies to encourage more labour-intensive technologies. In addition to these incentives, others such as free-trade zones and licensed manufacturing warehouses were also made available. As a result, gross investment in the manufacturing sector rose sharply from 1974 onwards (Kheng, 1994).

After decades of export-oriented industrial growth based on labour-intensive production processes, Malaysia has gradually shifted towards capital-intensive, high-skilled and high technology production structures, especially in the electronics industry (see Chapter 5 Section 5.7.3 for the discussion on the Multimedia Super Corridor). There are a number of reasons for this, among which is the fact that Malaysia has experienced labour shortages, particularly in the electronic industry, accompanied by increases in real wages, strong export growth, a stock of well-educated labour and strong foreign confidence, as demonstrated by sustained FDI since 1987.

As stated earlier, the main task undertaken by the government in its industrial transformation at the time was the setting up of the Industrial Master Plan (IMP). The IMP provided detailed information and plans for 12 manufacturing sectors which had been divided into resource and non-resource-based, and were then studied to identify the factors inhibiting their growth and to make recommendations on policies for their development. The major thrust of the IMP was to propel the country into a higher level of industrialisation through the creation of a broad-based manufacturing sector with emphasis on the development of export-oriented industries, resource-based industries and heavy



industries. The IMP adopted an outward-looking strategy and advocated, *inter alia*, incentives for import substitution and the elimination of discrimination against exports. The IMP also recognised the need to promote higher value-added upstream and downstream products in the non-resource-based sectors, especially in the electronics and textiles industries. With the support from the IMP, this has given much impetus for the manufacturing sector to continue its expansion and to become a leading growth sector in the Malaysian economy.

After the IMP, the push for industrialisation was further accelerated under the present Prime Minister, Mahathir's era. Mahathir initiated a wide range of policies, which vary in style and content. There are essentially two types of policies: those which aim to introduce some form of psychological dynamism as support elements for the drive towards industrialisation; and those which involve a specific programme of action by the government. The former includes the Look East Policy (LEP) (discussed in Chapter 5) and the aforementioned heavy industrialisation.

As a result of the NEP, IMP and LEP, the manufacturing sector expanded by 10% per annum during the 1970s until 1986 (Jomo, 1990), and by an average of 14% per annum from 1987 to 1995 (MITI Annual Report 1995/96). In 1997, its growth was sustained at 12.5%.

The overall performance of the manufacturing sector in the first half of 1997 was supported mainly by the better-than-expected growth in the chemical, paper products and off-estate processing industries. Hence, growth before the onset of the currency crisis in July was

driven chiefly by the improved performance of the export-oriented industries (12.2% and 4.7% in the first half of 1997 and 1996, respectively), supported by a sustained strong growth in the domestic-oriented industries (15.2% in the first half of 1997 and 17.9% in 1996).<sup>8</sup>

The growth of the manufacturing sector in the second half of 1997, however, was partly affected by the financial turbulence in the region as well as structural adjustments in the construction sector. Despite the unfavourable development as a result of economic crisis, the domestic-oriented industries continued to perform well at double-digit growth, riding on the back of the rapid growth in selected industries, especially the chemical, paper products and tobacco sectors. Other industries that had a notable growth in 1997 are electrical machinery, apparatus, appliances and supplies, which accounted for 33% of manufacturing output and 66% of total exports of manufactures, expanding by 13.7%. This strong growth was stimulated mainly by an improved global demand for semi-conductors, particularly from the USA, Europe and the Asia-Pacific countries, but excluding Japan.<sup>9</sup>

According to the 1997 survey of 342 manufacturing companies by Bank Negara, the overall production in the manufacturing sector increased by 10.1% in 1997. Growth emanated mainly from the electronics, textiles, chemicals, transport equipment and basic metal industries. This increase, however, was dampened by lower output in wood and electrical products industries, according to the same survey.

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<sup>8</sup> Bank Negara Malaysia Annual Report, 1997, p. 11.

<sup>9</sup> *Ibid.*

### 6.3.2 Manufacturing Sector's Contribution to the Economy

Malaysia has long been a leading producer and exporter of commodities such as natural rubber, palm oil, cocoa, timber, pepper and tin, and is a net exporter of petroleum and natural gas. Today, Malaysia is recognised as one of the world's leading exporters of electronic semiconductors, air-conditioners, audio-visual equipment, products based on the country's natural resources such as rubber products (gloves, and threads); palm oil products (soaps, and margarine); and timber products (plywood, mouldings, and furniture).<sup>10</sup>

Although viewed by many as a slow starter in industrialisation, Malaysia's manufacturing sector has grown steadily from the late 1950s and became strong from the 1970s. The manufacturing sector's share in GDP rose from less than 10% in 1957 to 14% in 1970, although still much lower compared to the agriculture sector's share in GDP of 29% in 1970. By 1990, however, its share had surpassed that of agriculture (27% compared to 18.7%), and in 1994, the manufacturing sector's contribution to GDP was 31.7% while exports of manufactured goods accounted for about 78.2% of the country's total exports. By 1995, its share in GDP was 33.1%, whereas the agriculture sector's share was 13.6%.<sup>11</sup> In 1997, its share in GDP was 35.7%, while exports of manufactured goods accounted for about 81% of the country's total exports.<sup>12</sup> By the end of the year 2000, the manufacturing sector's share in GDP is expected to reach 37.5%, while exports of manufactured goods are projected to account for 88.6% of total exports<sup>13</sup> (Table 6.1). Hence, looking at the above

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<sup>10</sup> [WWW document]. URL <http://www.mida.gov.my/profit2/country.html>.

<sup>11</sup> Bank Negara Malaysia Annual Report 1997.

<sup>12</sup> Malaysia your profit centre in Asia-The Economy [WWW document]. URL <http://202.185.160.3/profit/economi5.html>

<sup>13</sup> Projection was made before the recent economic crisis and monetary controls imposed by Mahathir in September 1998.

figures (percentages), it can be concluded that the manufacturing sector has been and will remain an important contributor to Malaysia's GDP and export earnings.

Table 6.1  
Sources of Growth by Industry of Origin & Structure of Production  
(at 1978 prices)

Sector	Sources of Growth (%)		Structure of Production Share in GDP (%)			
	Achieved OPP1	Target OPP2	1970	1980	1990	2000*
Agriculture & Forestry	1.0	0.5	29.0	22.9	18.7	13.4
Mining & Quarrying	0.6	0.1	13.7	10.1	9.7	5.4
Manufacturing	2.1	3.3	13.9	19.6	27.0	37.5
Construction	0.2	0.2	3.8	4.6	3.5	3.5
Services	3.0	3.4	36.2	40.1	42.3	45.4
Import duties less Imputed bank charges	-0.2	-0.5	3.4	2.7	-1.2	-5.2
GDP at purchasers' Value	6.7	7.0	100.0	100.0	100.0	100.0
Adjusted for imports Duties less imputed bank Charges						
Primary Sector	1.5	0.6	44.3	33.9	28.1	18.3
Secondary Sector	2.3	3.3	18.3	24.9	30.2	38.7
Tertiary Sector	2.9	3.1	37.4	41.2	41.7	43.0

Source: SOPL (1991-2000), p. 72.

Note: \* Projected figure. OPP1 - First Outline Perspective Plan. OPP2 - Second Outline Perspective Plan.

The major contributor within the manufacturing sector is the electrical and electronics industry, which accounts for more than half of the manufacturing sector's contribution to the nation's gross export earnings (see Section 6.3.4). Besides the manufacturing industry, agriculture, the traditional mainstay of the Malaysian economy, is still a major sector

accounting for 12.1% of GDP and 10.5% of exports in 1997. Agricultural development is now geared towards commercial cultivation, the production of high value food crops, floriculture, livestock and fisheries. Another important sector is construction, which recorded its ninth year of double-digit growth in 1997 at 10.6%. The year saw the continued expansion of the residential and commercial sub-sectors as well as the implementation of major infrastructure projects, such as the Kuala Lumpur International Airport, the Second Link to Singapore, the Light Rail Transit System and a comprehensive network of expressways linking the ports and airports to major towns and industrial areas.<sup>14</sup>

The oil and gas sector has also emerged as the nation's top primary commodity export earner.<sup>15</sup> The country's proven reserves of oil stand at 3.9 billion barrels, while its proven gas reserves total 79.8 trillion standard cubic feet.<sup>16</sup>

Despite the unprecedented growth rate experienced by the manufacturing sector for the last 10 years or so, Malaysia's GDP declined by 6.8% in the second quarter of 1998 from a revised first quarter figure of -2.8%. This, according to a more recent newspaper report, was primarily due to an across-the-board contraction in all the major sectors as a result of the recent economic downturn.<sup>17</sup> For example, output of the manufacturing sector, the largest component of GDP, contracted by 9.2% in the second quarter of 1998 with the performance of most industries affected by the depressed conditions in the domestic economy and the Asia-Pacific region, as well as by intense global competition. Production

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<sup>14</sup> Malaysia your profit centre in Asia-The Economy [WWW document]. URL <http://202.185.160.3/profit/economi5.html>

<sup>15</sup> Bank Negara Malaysia Annual Report 1997, p. 13.

<sup>16</sup> *Ibid*, p. 13.

<sup>17</sup> The Star Online [WWW document]. URL <http://www.jaring.my/star/current/28jabnm5.html>, 28<sup>th</sup> August 1998.

in the construction sector also fell by 22%, affecting the residential, non-residential and civil engineering sub-sectors.<sup>18</sup>

### **6.3.3 Type of Industries**

There are basically two types of established industries: resource-based and non-resource-based. Resource-based industries include the processing of both older (rubber and tin) and newer (palm oil, timber and petroleum) commodities. The palm oil processing industry expanded fourfold during the 1970s and was the most dynamic industry within the resource-based sector. However, the growth of resource-based industries has been constrained by the global tariff structure and an industrial structure, which favours the export of raw materials over processed products.

The major growth industries were non-resource-based, which include textiles and clothing, electrical and electronic machinery and appliances, and transport equipment, most of which had attracted foreign capital and were located in free-trade zones. Transport equipment is a special case; its rapid output growth of 12.1% per year reflects the establishment in the late 1960s of six assembly plants, which were to be the core activity in the country's second stage of import substitution for motor vehicles. Moreover, the motor vehicles industry was established behind a wall of high tariffs, stringent import licensing and quantitative restrictions.

Despite being considered as the major growth industries, the non-resource-based industries have failed to meet the target growth rate of 11% per year as set under the Fourth

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<sup>18</sup> The Star Online [WWW document]. URL <http://www.jaring.my/star/current/28jabnm5.html>, 28<sup>th</sup> August 1998.

Malaysian Plan (1981-85). Instead, they have only achieved a growth rate of 5.3%. The slow pace of the non-resource-based industries' growth can be attributed to a number of factors, such as the 1981-82 recession in the industrialised nations, the deterioration in Malaysia's term of trade, excess capacity, and rising interest rates (Jomo, 1990).

Following the contraction of the Malaysian economy in 1985, however, industrial growth was accelerated and was essentially export-and investment-led. Recovery was particularly notable in the electrical machinery and rubber products sectors. In the second half of the 1980s, the former was firmly established as the largest contributor to manufacturing value-added products. Output growth exceeded 20% in 1987 and 1988 in response to high export orders from the USA, Japan, Europe and Hong Kong, particularly for semiconductors and other electronic components (Table 6.2). While the upsurge in end-user demand was a key factor in lifting output, the redeployment to Malaysia of manufacturing plants by several multinational companies, especially Japanese, was also significant.

Table 6.2

## Production of Selected Electronic Products (Mil. Units)

Year	Integrated Circuits	Semi-conductors	Electronic Transistors
1988	4,709	2,182	5,545
1989	5,071	2,262	5,796
1990	6,084	2,565	5,956
1991	6,413	2,689	6,760
1992	6,730	3,121	7,228
1993	8,109	3,491	7,738
1994	9,336	3,410	8,368
1995	12,277	4,757	9,058
1996	9,774	5,237	10,410
1997	12,571	7,432	13,530
1998#	1,853	1,382	1,999

Note: # - Jan-Feb 1998

Source: Statistics Report, Department of Statistics Malaysia.

### 6.3.4 Principal Markets for Manufacturing Exports

As discussed in Section 6.3, rubber and tin were once Malaysia's primary export commodities. Today, however, manufactured products form 78.5% of Malaysia's total merchandise exports. During the period from 1990 to 1995, for example, the share of manufactured exports to total exports increased from 58.8% to 79.6%, respectively.<sup>19</sup> This increase was the result of the contribution of three major sectors in manufactured exports, namely, electronic components, industrial electronics and consumer electronics, which accounted for more than 50% of Malaysia's total export over these few years (Table 6.3).

<sup>19</sup> Seventh Malaysian Plan (1996-2000), p. 266.



Table 6.3 -

## Electronics Export, Malaysia (RM Mil)

Year	Electronics				Electrical & Electronics	
	Semi-Conductors	Electronic Equipment & parts	Total Electronics	% of total exports	Total E & E	% of total exports
1986	5,796.1	529.1	6,325.2	17.9	8,492.4	24.0
1987	6,909.5	730.5	7,640	16.9	11,000	24.3
1988	8,716.1	1,219.2	9,935.3	18.0	15,161.6	27.4
1989	10,175.5	2,176.2	12,351.7	18.2	20,799.5	30.7
1990	11,685.2	3,670.2	15,355.4	19.3	26,502.4	33.3
1991	13,051.4	6,440.9	19,492.3	20.6	35,588.7	37.7
1992	14,357	8,846.9	23,203.9	-22.4	41,578.7	40.1
1993	18,750.5	12,091.1	30,841.6	25.4	55,128.9	45.5
1994	24,881.4	17,755.4	42,636.8	27.7	76,367.3	49.6
1995	33,197	23,583.2	56,780.2	30.7	96,747.8	52.3
1996	35,241.8	29,387.9	64,629.7	32.8	104,278.9	52.9
1997	40,820.4	39,987	80,807.4	36.5	119,050	53.8
1998#	9,146.4	8,337.8	17,484.2	38.8	24,936.8	55.1

Note: # - Jan-Feb 1998

Source: Statistics Report, Department of Statistics, Malaysia.

In 1995, for example, electrical and electronics products became the major source of export earnings with a share of 65.7% of total manufactured exports. However, in 1996 and 1997, due to world-wide competition, the share of electrical and electronics products in total manufactured exports dropped from 48% to 46.2% respectively.<sup>20</sup> Despite this, by world

<sup>20</sup> Statistics Report (1998), Department of Statistics, Malaysia.

standards Malaysia can still be described as a major exporter of electronics products, exporting about 10% globally.

The principal markets for manufactured exports were the USA, Singapore, the European Union and Japan, accounting for 74% of manufactured exports in 1995. Among the ASEAN countries, Singapore continued to be the main market for manufactured exports, amounting to RM32.8 billion or 80% of the manufactured exports in 1995.<sup>21</sup>

According to the Economic Report 97/98, Singapore, Japan, the USA and the European Union (EU) continued to be the dominant markets for Malaysia, accounting for over 70% of total manufactured exports. During 1997, according to the same report, exports to Singapore improved 5.4% with a share of 22.6%, while exports to the EU grew 9.7% with a 15.6% share. However, exports to the USA dropped 7.6%, accounting for 21.5% of total exports while exports to Japan fell 1.9% (10.9% of total exports). The decrease in exports to the USA and Japan was partly due to world-wide competition, according to the same report.

Malaysia's top ten markets for manufactured exports in 1997 were Singapore, the USA, Japan, Hong Kong, Taiwan, Thailand, the UK, Korea, Germany, the Netherlands, and others, with a total export value of RM196.69 billion.<sup>22</sup> Other newly established markets for Malaysia's manufactured exports include Brazil, Egypt, Mexico, Nigeria and Papua New Guinea. Manufactured exports to these countries increased from RM1.4 billion in

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<sup>21</sup> Seventh Malaysian Plan (1996-2000), p. 266.

<sup>22</sup> Matrade[WWW document]. URL <http://www.matrade.gov.my/star97-1.html#tte97>.

1990 to RM9 billion in 1995, indicating the success of Malaysian exporters in penetrating new markets.<sup>23</sup>

### **6.3.5 Employment in the Manufacturing Sector**

During the colonial economy, i.e. from 1947 to 1957, the manufacturing sector's percentage share of employment remained constant at approximately 6% per year, implying that the manufacturing sector had hardly expanded. However, from the early sixties, it began to expand slowly, and by 1965, it employed about 215,000 people or about 8.4% of the total workforce. Following this, the manufacturing sector steadily increased its share of total employment from 11.4% in 1970 to 19.9% in 1990 or 386,500 and 1.3 million respectively. By 1995, the manufacturing sector employed about 2.0 million workers or 25.9% of the total workforce, and by 1997, it provided employment opportunities to about 2.3 million persons or 27.4% of the total national workforce, reflecting the sustained expansion in manufacturing activities during the year<sup>24</sup> (Table 6.4).

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<sup>23</sup> Seventh Malaysian Plan (1996-2000), p. 266.

<sup>24</sup> Bank Negara Malaysia Annual Report, 1997, p. 63.

Table 6.4

## Malaysia: Employment Provided by the Manufacturing Sector, 1947-1997

Year	Total workforce employed in Manufacturing sector ('000)	Manufacturing sector's share of total employment (%)
1947	126.2	6.7
1957	135.7	6.4
1965	215.0	8.4
1970	386.5	11.4
1980	803.1	15.8
1990	1,333.0	19.9
1995	2,051.6	25.9
1997	2,300.0	27.4

Notes: Figures for 1947, 1957 and 1965 refer to Peninsular Malaysia only.

Source: Figures for 1947 to 1965 extracted from Hoffman and Tan, 1971; 1970-1980 figures extracted from the 4<sup>th</sup> Malaysian Plan; 1990-1995 figures extracted from the 7<sup>th</sup> Malaysian Plan; 1997 figure extracted from Bank Negara Malaysia Annual Report 1997.

In contrast, total employment in the agriculture sector continued to decline by 4.9% to 1.3 million persons during the year 1997.<sup>25</sup> Labour shortages in this sector were further exacerbated by the continuous outflow of labour to other sectors, especially the manufacturing sector, apparently attracted by better terms and working conditions.<sup>26</sup>

In tandem with the trends in investment and output in the manufacturing sector, the sub-sectors with high rates of employment growth were electrical and electronics products,

<sup>25</sup> Bank Negara Malaysia Annual Report, 1997, p. 63.

<sup>26</sup> *Ibid.*, p. 63.

wood and wood products, petroleum refineries, transport equipment, plastic products and fabricated metal products, with growth rates ranging from 10% to 23% per annum.<sup>27</sup>

In terms of labour demand in the manufacturing sector, a report shows that the demand was highest for unskilled workers, i.e. 33.8% of the demand was for unskilled workers compared to only 26% for skilled workers (Table 6.5). The largest proportion of jobs were for production workers, particularly to cater for the expansion of activities in the electrical and electronic products, wood and wood products, as well as fabricated metal sub-sectors.

Table 6.5

Employment in the Manufacturing Sector by Category of Workers, 1990-1995

Category	1990	Share (%)	1995	Share (%)	Av. Annual Growth Rate, 1991-95 (%)
Managerial & Professional	50,281	3.8	88,219	4.3	11.9
Technical & Supervisory	114,592	8.6	184,644	9.0	10.0
Clerical	88,840	6.7	129,250	6.3	7.8
General Workers	53,620	4.0	63,600	3.1	3.5
Skilled	351,765	26.4	533,416	26.0	8.7
Semi-skilled	209,698	15.7	359,030	17.5	11.4
Unskilled	464,034	34.8	693,441	33.8	8.4
<b>Total</b>	<b>1,332,829</b>	<b>100.0</b>	<b>2,051,600</b>	<b>100.0</b>	<b>9.0</b>

Source: Seventh Malaysian Plan (1996-2000), p. 271.

One of the largest employers in the manufacturing sector in Malaysia is the Matsushita group of companies (MGC). The group, which has 19 subsidiaries with a consolidated

<sup>27</sup> Bank Negara Malaysia Annual Report, 1997, p. 269.

annual turnover of RM12.8 billion, employs about 31,000 employees (The Star, 31<sup>st</sup> August 1998).

### 6.3.6 Investment in the Manufacturing Sector

Private investments in Malaysia are derived from both domestic and foreign investors or foreign direct investment (FDI). As a result of a number of incentives given by the government (see Chapter 5), such investment has been impressive. According to the Bank Negara Annual Report 1997, in 1995, private investments amounted to RM66.6 billion, of which 27.2% were in the manufacturing sector. In 1996, this increased by 15.8% to RM77.1 billion, however, the share of manufacturing investment decreased to 26.3%. Then, in 1997, private investments further increased by 11% to RM85.5 billion. Out of RM85.5 billion, 26.5% were investments in the manufacturing sector, a slight increase from 1996 (Table 6.6).

Table 6.6

#### Private Investment by Sector

	1995	1996	1997
	- RM billion		
Private investment	66.6	77.1	85.5
Of which:	% share		
Manufacturing	27.2	26.3	26.5
Construction	9.7	10.4	11.1
Services	30.5	32.5	34.1

Source: Bank Negara Annual Report, 1997, p. 32.

The overall scenario since the Sixth Malaysian Plan (1991-95) shows that private investment in the manufacturing sector has been impressive and has amounted to about RM84 billion, exceeding the Sixth Malaysian Plan target of RM80 billion. In terms of percentage of share, domestic investment accounts for 47% or RM54,565.5 million of the total investment in the manufacturing sector during the above period. Foreign direct investment (FDI), on the other hand, accounts for 53% or RM61,597.2 million of the total investment in the manufacturing sector during the same time. In terms of total capital investment (TCI), during the same period TCI from resource-based industry was RM67,523.5 million compared with RM48,181.7 million from non-resource-based industry.<sup>28</sup>

In terms of approved investment, in 1991 approved investment in the manufacturing sector was at the highest recorded level of RM30.8 billion.<sup>29</sup> However, in 1992 it declined to RM27.8 billion. In 1993 it further declined to RM13.8 billion. The unprecedented high level of investment in 1991 was largely due to several capital-intensive projects in the petroleum and basic metal product sub-sectors. After the decline in 1993, the proposed capital investment rebounded by an increase of 65.9% in 1994, indicating the continued attractiveness of the country as a location for foreign and local investments.<sup>30</sup>

According to one report, the year 1996 set an unprecedented record with approved investments spiralling almost four times those of 1995 with a total project of 782. Out of

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<sup>28</sup> Seventh Malaysian Plan (1996-2000), p. 272.

<sup>29</sup> Approved investment means investment or projects that have been given approval by the Ministry of International Trade and Industry (MITI), Malaysia.

<sup>30</sup> Seventh Malaysian Plan (1996-2000), p. 271.

that 449 were new projects and 333 were expansion and diversification projects. The total value of approved investment was at its record level of RM34.3 billion.<sup>31</sup>

In 1997, however, approved investments declined to 759. Of the total number of projects, 462 were new projects and 297 were expansion and diversification projects.<sup>32</sup> Overall, the total value of approved investment in 1997 declined by 24.8% to RM25.8 billion when compared to the 1996 figure of RM34.3 billion.<sup>33</sup> The decline was due largely to fewer approvals of big projects (10 big projects worth RM13 billion, compared with 15 projects worth RM19.5 billion in 1996).<sup>34</sup>

According to a recent report, Malaysia's Ministry of International Trade and Industry (MITI) approved 471 manufacturing projects with a total capital investment of RM15.15 billion for the first seven months of 1998.<sup>35</sup> Out of the 471 approvals 240 were new projects while 231 were expansion and diversification projects. In addition, of these approvals, 104 were in the electrical and electronics sector, 34 in transport and equipment, 28 in chemical products, 22 in basic metals and 9 in petroleum and petrochemicals. It was also reported that RM9.39 billion of the total investments were domestic while the balance of RM5.76 billion was derived from foreign direct investments.

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<sup>31</sup> Major transition needed for industry to move ahead-The Star Online [WWW document]. URL <http://www.jaring.my/star/current/30elec.html>.

<sup>32</sup> *Ibid.*

<sup>33</sup> Investment in Approved Projects, 1996-1997 [WWW document]. URL <http://miti.gov.my/trdind/app7.html>.

<sup>34</sup> *Ibid.*

<sup>35</sup> MITI approves RM15 billion worth of Investments-The Star Online [WWW document]. URL <http://www.jaring.my/star/current/28skmiti.html>.



In terms of applications for manufacturing projects received by states, according to a MITI report, in 1996 Selangor was the most favoured with 253 applications received, followed by Johor with 209 applications, Penang with 106, Perak with 65, Kedah with 56, Sarawak with 50, and Sabah with 39 applications. The least favoured was the Federal Territory of Labuan with only 1 application received. In 1997 Selangor was still leading, however, the number of applications received had declined to 229, while Johor received 151, Penang had 104, Kedah had 63, Perak had 56, Sarawak had 52, and Sabah had 45. Again, the Federal Territory of Labuan received only 1 application.

As stated previously, FDI has played an important role in Malaysia's manufacturing sector. There have been more than 3,000 international companies from over 40 countries investing in Malaysia, attracted by the conducive investment environment which has placed Malaysia among the world's top locations for offshore manufacturing operations. Among some of these countries are Australia, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, Korea, the Netherlands, Singapore, Sweden, Switzerland, Taiwan, the United Kingdom, and the USA.<sup>36</sup>

In 1995, among the top foreign investors in Malaysia were Japan (22.9%), USA (19.7%), Taiwan (15.8%), Singapore (11%), Korea (6.6%), and others (23%). However, in 1996 Singapore became the top investor with a share of 27.9%, Japan (27%), USA (17%), Switzerland (11.1%), Taiwan (4.5%), and others (12.5%).<sup>37</sup> In 1997, Singapore still remained the top investor while Japan ranked second.

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<sup>36</sup> Malaysia your profit centre in Asia-The Testimonies [WWW document]. URL <http://202.185.160.3/profit/testimonies.html>.

<sup>37</sup> Facts on ASEAN-Japan Economic Relations [WWW document]. URL <http://www.jetro.go.jp/FACTS/AS-HANDBOOK/malaysia/06.html>.

However, in the first seven months of 1998, the United States headed the list of major foreign investors in Malaysia in terms of capital investment with 24 projects bringing in foreign investments totalling RM2.515 billion. Next was Japan with 70 projects totalling an investment of RM1.37 billion, followed by Taiwan with 33 projects totalling RM583 million; Singapore came next with 81 projects amounting to RM385.6 million; and finally Switzerland, with six projects totalling RM132 million.<sup>38</sup>

Based on the above discussion, there is no doubt that FDI is very important to the Malaysian economy. In fact, it has been partly responsible for transforming Malaysia from a poor agricultural country to a highly industrialised nation, producing quality-high-tech goods for markets world-wide. However, the capital controls imposed by the government at the end of 1998, as some economists believe, will not help to bring back any significant amount of capital into the country but may deter new foreign investment in the future. Nevertheless, it is premature at this time to disqualify Malaysia as an attractive location for foreign investment. In fact, a recent newspaper report has quoted Hisamitsu Arai, the Japanese Vice-Minister for International Affairs, as saying “more Japanese companies will be coming to invest in Malaysia despite the economic crisis.”<sup>39</sup> Despite this, the consequences of the so-called Malaysia’s “ringgit-wall” on the economy remain to be seen.

#### **6.4 Conclusion**

Having reviewed the related literature, the following conclusions can be drawn. First, it is clear that Malaysia is indeed a multi-ethnic and multi-religious country. Because of this,

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<sup>38</sup> MITI approves RM15 billion worth of Investments-The Star Online [WWW document]. URL <http://www.jaring.my/star/current/28skmiti.html>.

<sup>39</sup> The Star: Japan to continue investing in Malaysia [WWW document]. URL <http://www.jaring.my/star/current/20kyjapan.html>.

racial tension can be a major problem if the government's policy tends to favour a particular group/race or if the government is not fair in terms of distributing wealth among the different races in Malaysia. In fact, this happened in the early years of independence and it is perhaps as a result of this incidence that racial issues are still a very important aspect of politics, and the mitigation of the inequality between races is believed to be a major goal of the present government.

Second, based on our discussion on the strategic importance of the Malay Peninsular to international traders, particularly the British, we have learnt that British influence is of extreme importance because it has moulded the future of Malaya's social, political as well as economic endeavours. Whereas colonial administration was blamed for identifying race with economic functions, the New Economic Policy (NEP) and the Look East Policy (LEP) were aimed at erasing the demarcation and improving the management system. The lack of *Bumiputra* participation in the commercial and industrial activities was partially attributed to the segregation of functions, with the Malays being encouraged to engage in agricultural activities, the Chinese in tin mines and other commercial enterprises, and the Indians in the rubber plantations.

Finally, we have learnt that despite a strong focus on agricultural activities during the colonial era, since its independence Malaysia has adopted a pragmatic approach in managing its economy and has thus been able to transform it into a manufacturing base. Until the recent economic crisis, Malaysia was one of the rapidly growing economies in the Third World partly because of the enormous support given by foreign investors in terms of direct investment in the country.

It has also emerged that the unprecedented growth in manufacturing sector has benefited the country not only in terms of export earnings but also in terms of creating new jobs for the country's young labour force. However, the manufacturing sector was not without its problems. In fact, Mahathir was concerned by the fact that the quality of manufactured goods produced was not up to par with the Japanese standards, while productivity and employees' morale were low.<sup>40</sup> Recognising these problems, as already mentioned in Chapter 5, Mahathir officially launched the Look East Policy in February 1982, in which he called upon all management and workers in Malaysia to adopt the Japanese management techniques and work ethic. In his speech of the same year, Mahathir said: "Our Look East Policy is directed not so much at investment from Japan but at acquiring the kind of policies, management systems, and work ethic that the Japanese have. We see the Japanese have made headway while the West appears to be regressing. So in order for Malaysia to progress, we have to learn from the better example - the Japanese example. That is why we now want to look East where before we were looking West."<sup>41</sup>

Because of the importance of the Look East Policy and given the strength of the state in Malaysia, the impact of the policy in promoting the Japanese management techniques to manufacturing firms in Malaysia requires a thorough investigation.

In the next chapter (Chapter 7) the research methodology and the rationale for employing it in our study is presented.

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<sup>40</sup> Mahathir as quoted in his book *The Malay Dilemma*.

<sup>41</sup> Far Eastern Economic Review, 11<sup>th</sup> June 1982.

## **CHAPTER SEVEN**

### **RESEARCH METHODOLOGY**

#### **7.1 Introduction**

The objective of this chapter is to present the research methodology and the rationale for employing it in this study. With this objective in mind, the first section of this chapter begins by defining research and ends with the reasons why we have chosen the survey method as the research tool to collect primary data for this study. The second section, which is considered very important as it relates directly to this thesis, starts by discussing the data collection methods in the survey. The deliberation continues with the sampling process, the development of questionnaires, administration of a mail questionnaire and an interview checklist, and ends with a description of the methods of data analysis used in this study. Finally, the limitations of the research survey are presented.

#### **7.2 Research's Definition and Types of Research**

Research is defined as "Seeking through methodical processes to add to one's own body of knowledge and, hopefully, to that of others, by the discovery of non-trivial facts and insights" (Howard and Sharp, 1983: 6).

The two most common types of research are quantitative and qualitative. Quantitative research is typically taken to be exemplified by mail survey and by experimental investigations (Bryman, 1988). Bryman (1989) further argues that quantitative methods are usually adopted to collect data based on predetermined structured questions. They do not, however, necessarily allow the respondents to convey or the researchers to learn about

underlying events (Bryman, 1989). Similarly, Reaves (1992) argues that quantitative research is an approach that involves measuring the quantity of things, usually in numerical quantities. According to Parasuraman (1986), quantitative research is characterised by a larger, more structured, and more representative respondent sample. From the above arguments, most authors seem to agree that quantitative research involves the collection of data based on predetermined structured questions from a large sample of respondents.

In contrast to quantitative research, qualitative research involves collecting, analysing and interpreting data that cannot be meaningfully quantified, i.e. summarised in the form of numbers. Qualitative research also typically involves a relatively small number of respondents. It tends to be associated with participant observation and unstructured interviewing (Bryman, 1988). According to Miles and Huberman (1994), qualitative data are typically collected over a sustained period, making them more “powerful” for studying processes including history, and more importantly, researchers can go far beyond “snapshots” of questions like “What?” or “How many?” in order to ask how and why things happen. Unlike quantitative research, qualitative research is less structured and the specific procedures followed are often identified during the research rather than prescribed in advance. Parasuraman (1986) argues that the less structured and small features of qualitative research techniques are intended to provide initial insights, ideas or understanding about a situation or a problem. Similarly, Gummesson (1991) points out that the strengths of qualitative research design are usually associated with the “depth” and “richness” of the information that it provides. Also Birns *et al.* (1990) argue that the strength of qualitative research is that not only does it provide the researcher with a deep understanding of why and how something is happening, but it also provides “rich” data by

probing into people's unconscious attitudes and needs. However, data collected through qualitative methods come under heavy criticism for being anecdotal and difficult to analyse and generalise to other situations (Bryman, 1989). It is perhaps because of such shortcomings that Snow and Thomas (1994) argue that "On the one hand, qualitative research methods can be used to uncover complex and dynamic interactions among organisational and strategic factors. On the other hand, these methods are more susceptible to researcher bias and reliability problems. Quantitative methods provide greater objectivity and reliability but often ignore many important, more complex organisational realities" (p. 471).

In order to overcome the shortcomings and to make use of the benefits of both research methods, Webb *et al.* (1966, as cited in Bryman, 1988) have suggested that researchers are likely to exhibit greater confidence in their findings when data are collected using both quantitative and qualitative methods. Webb *et al.* (1966) view the two research methods as complementary rather than as competitive. Bryman (1988) also argues that by combining both research methods, the researcher's claim for validity of his or her conclusions are enhanced, moreover qualitative research sometimes facilitates the interpretation of quantitative findings suggested by an investigation.

Having reviewed the related literature, we decided to use both quantitative and qualitative research methods in this study. This is because by using the former methods a larger and more representative sample can be obtained, and by adopting the latter methods it is possible to gain a deep understanding of why the respondents have implemented Japanese management techniques.

### 7.3 Research Design

Research design is defined as “a collection of guides or rules for data collection” (Adams and Schvaneveldt, 1985: 103). The two basic purposes of research designs are: (i) to control for variations; and (ii) to provide answers (data) to questions being researched (Kerlinger, 1964 as cited in Adams and Schvaneveldt, 1985).

Two common research designs in social science are the exploratory/explanatory and descriptive research designs. As the name implies, exploratory/explanatory research seeks to explain and discover new relationships or looks for hypothesis and as such, it is more flexible in its design (Boyd *et al.*, 1989). According to Adams and Schvaneveldt (1985), this type of research is suitable when the researcher wants to (i) satisfy curiosity and/or seek out new insights, (ii) build a methodology that might be used in later, more tightly-designed research, and (iii) make recommendations regarding the likelihood of continuing with additional research on the topic.

Descriptive research, on the other hand, is designed to describe something, for example, the number of viewers who saw a specific television commercial. As such, it is more formal in its structure as it attempts to obtain a complete and accurate picture of a situation (Boyd *et al.*, 1989). According to a number of authors (Quee, 1993; Crimp, 1985; Baker, 1991), descriptive research is suitable when a study intends to produce an accurate description of variables relevant to the decision being faced, without demonstrating that some relationship exists between variables.



In this study, the research design being used is close to the exploratory or explanatory model, though still quite structured in its approach. This type of research design is suitable for this study because apart from the fact that we want to know how successful the Look East Policy has been in encouraging management in manufacturing firms in Malaysia to adopt the Japanese management techniques and work ethic, this type of research design also gives us the opportunity to demonstrate whether there is a relationship exists between the variables that we are looking at.

In employing this research design, we are presented with two options – the cross-sectional method or the longitudinal method (Davis, 1973; Chisnall, 1997). The cross-sectional method describes an event at one particular point in time, while the latter gives measurements of an event at successive points in time. Naturally, data collected by the longitudinal method are able to provide a greater understanding of a particular problem since they are being measured repeatedly. However, since this method takes a long time to complete, it may not be practical for this study due to constraints on time and financial resources. In addition, the sample using this method is smaller compared to the cross-sectional studies and as such, the possibility of misrepresentation is higher. Another problem relates to obtaining the participation of past respondents, as they may be reluctant to co-operate. These drawbacks may account for the fact that previous studies related to this area have seldom employed this method.

Instead, past researchers (Yasin, 1990; Imaoka, 1985; Ek, 1987; Yoshihara, 1985; Putti and Chong, 1985; Ito, 1985) employed cross-sectional studies, a method which allows a researcher access to a larger number of respondents, thus enabling him or her to produce

more representative data. Through this method, data are typically cross-tabulated against each other to answer specific questions or issues. For example, in the case of this study, we could cross-tabulate variables such as a visit to Japan with respondents' implementing Japanese management techniques to find out whether there is any relationship between them. This kind of data is meaningful, especially to the Malaysian government, if programmes such as sending more trainees as well as managers to Japan are to be continued. Building on these arguments and the resource constraints that we are facing, cross-sectional methods would be the most efficient in achieving the research objectives as spelled out earlier. As such, it will be the method used in this study.

#### **7.4 Approaches in Data Collection**

The most common approaches to collecting primary data are through experimentation, case study, observation and survey (Yin, 1993; Fowler, 1991; Churchill, 1987; Chisnall, 1997). In this study, the survey method is chosen because it is considered the most appropriate approach for collecting primary data at a shortest possible time and at a reasonable cost (see, for example, Aaker and Day, 1986; Fowler, 1991).

On the other hand, experimentation is preferred or used when the researcher is keen to establish the causes and effects of a particular event, especially in scientific fields (Boyd *et al.*, 1989). For this reason, this method is not suitable for this study. Likewise, case study is also deemed unsuitable for this research because it cannot be used to generalise to a large population (Adams and Schvaneveldt, 1985). In fact, generalising to a large population is a chief concern in this study because our sample is only limited to manufacturing companies in four States in Malaysia. Observation is also unsuitable for this research

because it is unable to determine the reasons underlying a certain action or behaviour. At best, it could allow us only to describe the tangible aspects of action, such as which Japanese management techniques have been implemented. To sum up, primary data for this research will be collected through cross-sectional studies using the survey method.

### **7.5 Data Collection Methods in the Survey**

After deciding to use the cross-sectional survey method, our immediate task is to select which data collection methods are to be adopted in this study. However, before any decision is made with this regard, it is useful to review the literature in this area.

The most common data collection methods used in carrying out a survey are mail questionnaire and interview. Mail questionnaire is a method whereby questionnaires are mailed to a sample of the population to be surveyed and the completed questionnaire is returned by mail to the researcher (Tull and Hawkins, 1990). The main advantages of this method are: first, it is relatively cheap, it can be accomplished with minimal staff and facilities and it can provide access to widely dispersed samples and samples that are difficult to reach by telephone or in person for other reasons (Fowler, 1991); second, this method is appropriate for study where the research design involves structured questions with simple instructions which can be answered easily by the respondents (Kinnear and Taylor, 1979); and finally, there is no immediate time pressure for answering questions as in telephone interview (Peterson, 1988).

The main disadvantages, however, are: first, the researcher has little control over who actually completes the questionnaire as the researcher or interviewer is not directly

involved in data collections (Fowler, 1991) (see Table 7.1 at the end of this chapter for other disadvantages as mentioned by Fowler); second, it has a low response rate (Chisnall, 1997); third, it can create opportunities for inaccurate results because of confusion (Aaker and Day, 1986); and finally, the response rate is difficult to forecast and there is a substantial risk that an accurate rate cannot be achieved (Kinnear and Taylor, 1979).

Interview, on the other hand, is a method by which an interviewer asks questions to one or more respondents either face-to-face or by telephone. Denzin and Lincoln (1994: 353) define interview as “a conversation, the art of asking questions and listening. It is not a neutral tool, for the interviewer creates the reality of the interview situation. In this situation answers are given. Thus the interview produces situated understandings grounded in specific interactional episodes. This method is influenced by the personal characteristics of the interviewer, including race, class, ethnicity and gender.”

Punch (1998: 175) points out that “interview is considered a very good way of accessing people’s perceptions, meanings, definitions of situation and constructions of reality. It is also one of the most powerful ways we have of understanding others.” According to Fontana and Frey (1994: 361), “interviewing can be a one-time, brief exchange, say five minutes over the telephone, or it can take place over multiple, lengthy sessions, sometimes spanning days, as in life-history interviewing. Interviewing also has a wide variety of forms and a multiplicity of uses. The most common types are personal or face-to-face interviewing and telephone interviewing.”

Personal or face-to-face interview is a form of interview in which an interviewer asks questions to one or more respondents in a face-to-face situation. Kinneer and Taylor (1979) state that an interviewer's task is to contact the respondents, ask questions and record answers given by these respondents. Similarly, Churchill (1987) argues that this form of interview implies a direct face-to-face conversation between the interviewer and the respondent or interviewee, and the recording of answers takes place immediately after the respondent answers the question or while the interview is in progress. Peterson (1988) sums it up by saying that in a personal interview, data are collected through face-to-face communication between an interviewer and the study participants. Like mail questionnaire, personal interview has both advantages and disadvantages.

The main advantage of the personal interview is that it is the most flexible of the three methods (mail questionnaire, personal and telephone interviews) since it can be used to administer any type of questionnaire (Tull and Hawkins, 1990). The other advantages are: it is very flexible, i.e. this method of data collection can probe for more specific answers while questions can be repeated when response indicates that respondents misunderstood certain questions, and it is probably the most effective method of enlisting cooperation for the majority of the population where it is possible to build rapport and confidence with the respondents (Fowler, 1991). Finally, the interviewer can probe for clarification, maximise respondent understanding and yield complete answers especially to open questions (Aaker and Day, 1986)

However, the disadvantages include the fact that it is time consuming, difficult to administer, and can be very costly due to the need to travel between interviews (Aaker and

Day, 1986). Moreover, it may cause the respondents to produce biased responses due to the desire to please or impress the interviewer (Kinnear and Taylor, 1979). Finally, interviewer bias may also occur, especially when a poorly-trained interviewer consciously or unconsciously distorts or otherwise influences responses to questions (McGown, 1979).

Telephone interview is a form of interview whereby an interviewer asks the respondent questions by telephone instead of through direct personal contact (Kinnear and Taylor, 1979). Similarly, Peterson (1988) states that in this form of interview, data are collected through telephone communication between an interviewer and the study participants. Like in personal interview, telephone interview has benefits and drawbacks.

The main strengths of telephone interview are that it is the fastest mode of collecting data (Kinnear and Taylor, 1979); it has a lower cost compared to personal interview and also it can potentially be used for short data collection (Fowler, 1991); and it has a potential to dominate personal interview with respect to speed and the absence of administrative problems (Aaker and Day, 1986).

The disadvantages are that the interviewer cannot observe the respondent to ensure that the instructions are understood (Tull and Hawkins, 1990); it has the inability to employ visual aids or to complete complex tasks (Aaker and Day, 1986); and it also has sampling limitations, especially with regard to the omission of those without telephones (Fowler, 1991).

From the above discussion, it is apparent that interview is a data collection tool of great flexibility, which can be adapted to suit a wide variety of research situations (see also Punch, 1998). However, different types of interview have different strengths and weaknesses, and different purposes in research. Because of that, the type of interview or other data collection method selected should be aligned with the strategy, purposes and research questions (Punch, 1998). Similarly, a number of other authors (Fowler, 1991; Bryman, 1989; Fontana and Frey, 1994) have pointed out that the choice of which methods to use in collecting the primary data depends on a number of factors, such as the sample frames, research topic, characteristics of the sample, the availability of staff and facilities, and probably the most important: time and the cost of the survey.

#### **7.5.1 Data Collection Methods Used in this Study**

Having reviewed the related literature, it was decided to use both mail questionnaire as well as personal or face-to-face interview to collect the primary data. The reasons for choosing these two methods over telephone interview are: (i) besides its relatively low cost, mail questionnaire was considered appropriate not only because the aim of this study was to acquire data from a large number of respondents in the shortest possible time but also because the survey population was highly literate and capable of completing and answering complex questions; and (ii) because our aim was to generate ideas and also to seek specific answers or explanations to some questions. Therefore personal interview was considered one of the appropriate tools due to its ability to probe or clarify answers that had been given in the mail questionnaire. On the other hand, although we cannot deny that telephone interview can also be used to probe or clarify answers, for the purpose of this study it was ruled out as we preferred to talk face-to-face with our respondents. In fact, in

Malaysia, this method is preferable compared to talking on the telephone. Besides that, telephone interviews can incur excessive costs.

## **7.6 The Sampling Process**

Having decided on using both mail questionnaire and personal interview, our next task was to select on which sampling frame was to be used, how big the sample size should be and which sampling technique should be employed. Before any results of these decisions are given, a review of the literature in this area is necessary.

Our discussion begins with the definition of a sample. A sample is defined as a “finite part of a statistical population whose properties are studied to gain information about the whole” (Webster English Dictionary, 1985). When dealing with people, a sample can be defined as a group of people selected from a larger population to be in the study. Similarly, Schofield (1996: 25) defines a sample as a set of elements selected in some way from a population.

What is sampling? Sampling is the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population.<sup>1</sup> What is the purpose of sampling? Its purpose is to cut costs, reduce manpower requirements, gather information more quickly, and to obtain more comprehensive data by using fewer resources compared to conducting a census (Smith, 1975: 106). Besides that, its purpose is to obtain consistent and unbiased

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<sup>1</sup> Fridah, Mugo W (20<sup>th</sup> July 1998) Sampling In Research [WWW document]. URL <http://trochim.human.cornell.edu/tutorial/mugo/tutorial.html>



estimates of the population status in terms of whatever is being researched (Schofield, 1996: 25).

### **7.6.1 Sampling Frames**

A sampling frame refers to a list of the sampling units from which the investigator or researcher draws the sample. In other words, the listing of the accessible population from which the investigator draws the sample is called the sampling frame. For example, if the investigators were carrying out a telephone survey and selecting names from the telephone book, the book would be called the sampling frame. However, that would not be an effective way to sample in general because significant sub-portions of the population either do not have a telephone number or have moved in or out of the area since the last book was printed. Besides a telephone book, membership lists, organisation directories and privately published directories on manufacturing firms, such as the Malaysian Manufacturers and Exporters Directory (MMED) can also be used as a sampling frame.

### **7.6.2 Sample Size**

The most frequently asked question concerning sampling is “What sample size do I need for my research?” As with most decisions relating to research design, there is seldom a definite answer as to how big a sample should be for any given study (Fowler, 1991: 43). Fowler notes that there are three misconceptions regarding this issue. The first misconception is that the adequacy of a sample depends heavily on the fraction of the population that is to be included in that sample. The second misconception is to follow a “typical” or “appropriate” sample size that is used in some so-called “standard” survey studies, while the third misconception is that a researcher should decide how much margin

of error that can be tolerated and the degree of precision required of estimates. Once the researcher knows the need for precision or appropriate variations, he or she can simply calculate the sample size needed to achieve the desired level of precision (Fowler, 1991: 41). Fowler further added that such sample size decisions, like most other research design decisions, must be made on a case-by-case basis. Although some mathematical calculation of the sample size may be possible, the selection of it is a matter of judgement (Fowler, 1991: 41). According to Manu (1988: 222), that matter of judgement is based on (i) what is “customary in similar research”, and (ii) the resources available for the purpose of research. Hoinville *et al.* (1983: 61) also agree that deciding what sample size to use is almost a matter of judgement rather than calculation.

Kent (1993: 54) stresses that to determine the size of sample that is needed for a particular study is a complex issue that needs to take into account a large number of factors. He further emphasises that how big or how small a sample is depends on the variability of population characteristics and on the purpose of the research. He also points out that if the population characteristics being measured vary very little, or if the purpose of the research is to generate specific ideas, then a small sample of say 30 or so will suffice. Otherwise, for any kind of quantitative analysis a minimum sample of 100 is needed in order to be able to calculate straightforward percentages on each variable (Kent, 1993: 54).

Similarly, Fink (1995) argues that a larger sample is not necessarily better. In fact, she warns that when a researcher increases the sample size, not only does the cost increase but also the researcher may divert attention from other sampling activities, like following up on

eligible people who fail to respond, and this diversion may actually increase the total sampling error (Fink, 1995: 34-35).

Schwenk and Shrader (1993) found that the sample size of firms covered in some important studies between 1982 and 1990 were not necessarily big, and in fact, ranged between 50 to 188, except for one study (Robinson, 1982) which used a sample of 202 firms.

### **7.6.3 Sampling Techniques**

There are two main categories of sampling techniques: (i) probability sampling techniques; and (ii) non-probability sampling techniques. They are discussed below.

#### **7.6.3.1 Probability sampling techniques**

Probability sampling techniques are techniques or methods of sampling that utilise some form of random selection. In order to have a random selection method, a researcher must set up some process or procedure that assures that the different units in his or her population have equal probabilities of being chosen (Adams and Schvaneveldt, 1985: 180).

Chisnall (1997: 84) explains what probability sampling is all about as follows:

“Probability sampling or also known as random sampling, results in every sampling unit in a finite population having a calculable and non-zero probability of being selected in the sample. This means that the chance of a unit being included in a sample can be calculated. For example, if a sample of 500 people is to be chosen at random from a population of 50,000, each

member of the population will have 1 chance in 100 of being selected in the sampling process.”

According to Chisnall (1997: 84), probability sampling has been widely used by leading research bodies because of its sound theoretical basis, which allows the legitimate use of the mathematics of probability. There are a number of different types of probability samples. These include (i) simple random sampling; (ii) systematic sampling; (iii) stratified sampling; and (iv) cluster sampling. Before these are discussed in detail, it is important to define some basic terms that are normally used in random or probability sampling and they are:

$N$  = the number of cases in the sampling frame

$n$  = the number of cases in the sample

$N_n^C$  = the number of combinations (subsets) of  $n$  from  $N$

$f = n/N$  = the sampling fraction

- (1) Simple Random Sampling - This is the most basic and common type of probability sample. Simple random sampling can be defined as a sample in which all elements or groups of elements have the same chance of being selected. In other words, to select  $n$  units out of  $N$  so that each  $N_n^C$  has an equal chance of being selected. The selection can be made by using a table of random numbers, a computer random number generator, or by the “lottery method”. The main purpose of random selection is to avoid subjective bias arising from a personal choice of sampling units. Because

simple random sampling is a fair way to select a sample, it is reasonable to generalise the results from the sample back to the population.

- (2) **Systematic Sampling** - This is the second most common type of probability sampling method whereby each element in a sample is picked systematically. For example, in a survey of a population of 10,000 people, the researcher may decide to take a sample of 250. The sampling interval will be  $10,000/250 = 40$ , and the population list will be used as a sampling frame. From there, the researcher will select a number between 1 and 40, say for example, no. 4 then the series becomes 4, 44, 84, etc., until the sample of 250 is achieved. By doing so, the researcher is carrying out what is called a systematic sampling. Why would a researcher want to use systematic random sampling? First, it is fairly easy to do, and second, there are situations where there is simply no easier way to do random sampling.
- (3) **Stratified Sampling** - This sampling method is also sometimes called proportional random sampling. This method involves dividing the population into homogenous subgroups and then taking a simple random sample in each subgroup. A population can be divided into different groups and this may be based on some common characteristic or variable, like income, education or race. For example, let us say that the population of clients in one American company's survey can be divided into three groups: Caucasian, African-American and Hispanic-American.<sup>2</sup> Let us further assume that both the African-Americans and Hispanic-Americans are relatively small minorities of the clientele (10% and 5% respectively). If the researchers just did a

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<sup>2</sup> Refers to an example as illustrated by Israel, Glenn D. (22<sup>nd</sup> September 1998) Probability Sampling [WWW document]. URL <http://trochim.human.cornell.edu/kb/sampprob.html>

simple random sample of  $n = 100$  with a sampling fraction of 10%, they would expect by chance alone that they would only get 10 and 5 persons from each of the smaller groups, or perhaps even fewer. However, if the researchers stratify, they can do much better. To do this, first, the researchers have to determine how many people they want to have in each group. Let us say they still want to take a sample of 100 from the population of 1000 clients over the past year. In order to find out anything about subgroups, the researchers will need at least 25 cases in each group. So they will sample 50 Caucasians, 25 African-Americans, and 25 Hispanic-Americans. They know that 10% of the population, or 100 clients, are African-American. If they randomly sample 25 of these, they have a within-stratum sampling fraction of  $25/100 = 25\%$ . Similarly, they know that 5% or 50 clients are Hispanic-American. So their within-stratum sampling fraction will be  $25/50 = 50\%$ . Finally, by subtraction they know that there are 850 Caucasian clients. Their within-stratum sampling fraction for them is  $50/850 = 5.88\%$ . Because the groups are more homogeneous within the group than across the population as a whole, they can expect greater statistical precision (less variance), and because they stratified, they know they will have enough cases from each group to make meaningful subgroup inferences. One of the advantages of this sampling technique is that when compared to simple random sampling, stratified sampling has less sampling error because the sample that is being used has already been divided into strata having almost the same attributes. Hence, sampling errors only come from within strata.

- (4) Cluster Sampling - A method of sampling whereby the population is broken down, usually geographically, into a small number of groups or clusters which have been

randomly selected. Within these randomly selected areas of clusters, every unit is sampled. Chisnall (1997: 91) notes that cluster sampling is very useful where the population under study are widely dispersed making it impracticable to take a simple random sample.

### **7.6.3.2 Non-probability sampling techniques**

Non-probability sampling techniques mean that individual units in the population do not have an equal chance of being selected. Unlike probability sampling, non-probability sampling does not involve random selection and occurs when the sample is selected based on human judgement, and not on the rigorous application of probability theory. Because of the dependence on human judgement, the representative nature of such a sample is doubtful. In other words, with non-probability samples, we may or may not represent the population accurately, and it will often be hard for us to know how well we have done so. Because of the way the sample has been selected, it would be unacceptable to regard any results from the study as valid bases for making inferences about the general population. It must be noted that these are important limitations. Smith (1975) notes that chemistry or physics may not need to be concerned about the question of representativeness, but the social sciences in general must always consider this carefully. In general, researchers prefer probability sampling over non-probability sampling and consider it to be a more accurate and rigorous method. However, in applied social research there may be circumstances where it is not feasible or practical to do random sampling. Therefore, the other alternative available for use is non-probability. The three common types of non-probability sampling are:

- (1) Convenience Sampling - As the name implies, the researcher gathers data from anyone who is available. One example is the evaluation of public opinion issues based on television news programmes' soliciting opinions from people conveniently in camera range. Another example of convenience sampling is the typical use of college students in psychological research. However, the major problem in using this sampling method is that one is unable to draw objective inferences about a rigorously defined universe (Boyd *et al.*, 1989: 407). This is particularly true with interviews conducted frequently by television news programmes in which the opinion being reflected is not representative of the whole population.
  
- (2) Judgement Sampling - A judgement sample is obtained according to the discretion of a specialist or someone who is familiar with the relevant characteristics of the population. In other words, by using this method a specialist in the subject area of the survey chooses what he or she believes to be the best sample for that particular study. He or she also assumes the representativeness of his or her sample by virtue of the fact that he or she handpicks elements presumed to be typical of the population from which they are drawn. The main advantage of this method is that it is less costly and it is more convenient to pick the samples as they are more readily accessible to the researcher. However, the major disadvantage is that this method cannot ensure the true randomness or representativeness of the sample.
  
- (3) Quota Sampling - may be defined as "a special edition of stratified sampling in which one attempts to include the various elements in a population in a final sample" (Adams and Schvaneveldt, 1985: 183). There are two types of quota sampling:



proportional and non proportional. In proportional quota sampling the researcher attempts to represent the major characteristics of the population by sampling a proportional amount of each.<sup>3</sup> For example, if the researcher knows the population has 40% women and 60% men, and that he or she wants a total sample size of 100, he or she will continue sampling until he or she obtains those percentages. This type of sampling method is sometimes referred to as “the poor man’s proportionate stratified sample” because such samples are geared to ensure that specific elements will be included and represented in their subsequent collection (Black and Champion, 1976: 302). The major strength of this sampling is that it is less costly. However, the major drawbacks are: (i) the findings are not able to be generalised to any significant extent because the nature of the population from which the sample was obtained remains unknown; and (ii) the researcher has to decide the specific characteristics on which he or she will base his or her quota.

Unlike proportional quota sampling, non-proportional quota sampling is less restrictive. In this method, the researcher specifies the minimum number of sampled units he or she wants in each category. Here, the researcher is not concerned with having numbers that match the proportions in the population, instead, he or she simply wants to have enough to ensure that he or she will be able to talk about smaller groups in the population. Thus, this method is the non-probabilistic analogue

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<sup>3</sup> Israel, Glenn D. (22<sup>nd</sup> September 1998) Probability Sampling [WWW document]. URL <http://trochim.human.cornell.edu/kb/samprnon.html>

of stratified random sampling in that it is typically used to ensure that such groups are adequately represented in the sample.<sup>4</sup>

#### **7.6.4 The Sampling Process Undertaken in this Study**

Having reviewed the literature on sampling frames, sample size and sampling techniques, this subsection deals with the aspect of sample selection in this study. First, the target population is identified. Second, the target respondents are identified. Third, the sampling frame is established. Fourth, sample size and sampling techniques used in the mail survey are laid down and explained. Finally, the sample size for personal interview is determined.

##### **7.6.4.1 The population identified in this study**

Instead of concentrating on a particular size of company, we aimed at obtaining companies of different sizes and structured the population accordingly (i.e. based on the number of employees). The reason for doing so was that we wanted to avoid drawing a conclusion based on the information received from one particular size of company. This is important because in one of the research hypotheses, we intended to find an association/relationship between the size of firms and firms implementing the Japanese model of management.

The companies chosen for this study were from the manufacturing sector and came from two major industrial growth areas (states) in West Malaysia and two from industrial growth areas (states) in East Malaysia.<sup>5</sup> They were Penang and Kuala Lumpur/Selangor in the

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<sup>4</sup> *Ibid.*

<sup>5</sup> Companies refer to both Malaysian and Foreign-owned (include joint ventures) and the activities of these companies also vary (see Chapter 8 for more details).

former; Sabah and Sarawak in the latter. There were two main reasons why these areas were chosen. One was because as multinational companies (MNCs) dominate these areas, it could be argued that in order to be competitive, firms in these industrial growth areas were more likely to adopt Japanese management techniques and work ethic. The other was because we were particularly keen to examine the situation which might be most conducive to their adoption.

With regard to the reasons why the manufacturing sector was chosen, they were: firstly, the shift in economic activities from agriculture to manufacturing has been prominent since the late 1970s, and has increased in prominence since the launch of the Look East Policy (LEP) in February 1982, in which the manufacturing sector was the most important contributor to Malaysia's GDP and export earnings. As mentioned in Chapter 6, in 1994, the manufacturing sector's contribution to GDP and gross export earnings amounted to 31.7 percent and 78.2 percent respectively, and despite being affected by the financial turbulence of 1997-98, the manufacturing sector's contribution to GDP has increased to 35.5 percent.<sup>6</sup> It is obvious that the Malaysian government, through its LEP, has been instrumental in promoting industrialisation to achieve economic development. In fact, Kholo (1991: 158) argues that industrialisation remains a fundamental objective of economic development for a large majority of developing countries, including Malaysia. In such economies, according to Kholo (1991: 158), industrial development is considered necessary to achieve high rates of economic growth, and the expansion of the manufacturing industry offers a much wider scope for the growth of output.

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<sup>6</sup> All figures were taken from Bank Negara Malaysia Annual Report (1994 & 1997)

Secondly, the manufacturing sector is also the country's major employer, having employed 1.9 million people in 1994, i.e. about 25 percent of the total national workforce. Although the employment situation remained tight in 1997, the manufacturing sector employed 2.3 million people, reflecting the sustained expansion in manufacturing activities during the year.<sup>7</sup>

Thirdly, because of the fact that firms in the manufacturing sector in Malaysia are dominated by multinational corporations (MNCs) and operate in a very competitive environment where different technology and management style can be applied, by focusing on a single sector (the manufacturing sector), the findings will be expected to be more focused and reliable for the sector studied. Nevertheless, the same study can also be replicated to other sectors if needed in the future.

Finally, this study challenges the concluding remarks made by the government that the Japanese model of management is the "perfect" model for management and workers, and particularly in the manufacturing sector, to emulate (Mahathir's speech as cited in Soong, 1983: 279). Thus, in light of these arguments the manufacturing sector represents the most appropriate sector for this study to examine the impact of the Look East Policy or the effectiveness of the Look East Policy in encouraging management in Malaysia to adopt Japanese management techniques and work ethic.

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<sup>7</sup> *Ibid.*

#### **7.6.4.2 The respondents identified in this study**

The respondents that were identified or requested to complete the questionnaires for this study were managing directors, and there were a number of reasons for this choice. As managing directors, their opinions are considered important to this study not only because they are decision-makers, but also because they are responsible for major functions, such as planning and perform other crucial roles (see Glover and Hughes, 1996). Because of their important position, in our opinion, they are also the ones who decided whether to adopt and apply Japanese management techniques. Moreover, it could be argued that it was they who could give “good” views or opinions on whether the government, via its Look East Policy, has been successful in terms of encouraging management in Malaysia to adopt Japanese management techniques.

#### **7.6.4.3 The sampling frame used in this study**

The sampling frame for this study was derived from a manufacturing directory called Malaysian Manufacturers and Exporters Directory (MMED) which was published in 1997.<sup>8</sup> The reason for using the MMED was that in terms of representativeness, the MMED provides an excellent cross-sectional coverage of firms pertaining to their location, products and industry classification and year of establishment/incorporation.

#### **7.6.4.4 Determination of sample size and sampling technique for mail survey**

In this study, 240 companies from the manufacturing sector were identified based on the year of establishment/incorporation, i.e. companies had to be incorporated before 1982 (before the official launch of the Look East Policy in February of that year). Because these

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<sup>8</sup> Note: At the time of the field survey the 1998 MMED directory had not been published yet.

firms had been in operation for a number of years and were financially established, it could be argued that such firms were more likely to adopt Japanese management techniques and work ethic in response to the Look East Policy.

As leading authorities such as Fowler (1991); Manu (1988); Hoinville *et al.* (1983) and Kent (1993) all agree there is seldom a definite answer about how big a sample should be for any given research, to ensure a good response rate for this study, we decided to take 50% or 120 out of the total population of 240 identified as our target for the mail survey. It should be noted that we did not carry out the classification of firms selected as the listing of firms in the MMED was already classified and stratified according to states, based on the International Standard of Industrial Code (ISIC).

The original distribution of samples in the sampling frame is given in Column 1 of Table 7.2. The number of samples from each stratum (states) is determined according to the proportion it represents in the population in the sampling frame. After the number of required samples from the selected states is determined, simple random sampling technique is used to select the firms. For example, for the state of Penang, the original number of firms in the sampling frame is 56 (Column 1) representing 23.3% (Column 2) of the population in the sampling frame. Since the required sample is only 120, the number of firms to be selected from the state of Penang is 23.3% of 120, or 28 firms. These 28 firms are then selected at random from the strata of 56 firms, giving a 50% chance for each firm to be selected. The same procedure is applied for the other three states (strata). The final number of firms selected from each stratum is shown in column 3 of Table 7.2.

The reason for using simple random sampling technique to select the firms from the strata is that it is considered appropriate for this study. This is because by introducing the randomness into the selection of elements for the sample, we minimise the biases and other systematic factors that may make the sample different from the population from which it is drawn (see Sproull, 1995). This is also in agreement with Fink (1995: 10), who points out that because of the equality of opportunity as applied by simple random sampling, random samples are considered relatively unbiased. However, it is important to note that although random sampling tends to be representative, there is no guarantee of this (see Berger and Patchner, 1988).

Table 7.2  
Sampling Frame and Sample Size

<b>States selected</b>	<b>No. of firms in Sampling frame (Column 1)</b>	<b>Proportion of total (Column 2)</b>	<b>No. of selected samples (Column 3)</b>	<b>No. of usable Questionnaire Returned &amp; Percentage (Column 4)</b>
Penang	56	0.233	28	18 (64.0%)
KL/Selangor	132	0.550	66	36 (54.5%)
Sarawak	32	0.133	16	11 (68.7%)
Sabah	20	0.084	10	4 (40.0%)
Total	240	1.0	120	69 (57.5%)

Table 7.2 illustrates that a greater proportion of firms selected came from the states of Penang and KL/Selangor, indicating that many of the manufacturing industries were located in these two industrial areas. However, looking at column 4 of the same table, the completed questionnaires that were returned were quite evenly distributed except from the

state of Sabah where about 40% response rate is indicated. The reason for the low response rate from Sabah was partly because potential respondents could not be contacted and partly because a number of our respondents told us that they were too busy and therefore failed to return the mail survey questionnaire.

#### **7.6.4.5 Determination of sample size for personal interview**

With regard to the interviewees and the sample size for personal interview, Peterson's (1988) rule of thumb is always to have a minimum sample size of 30. For this study, the sample size for personal interview consisted of 32 respondents. How these respondents were selected is explained below.

Our aim in interviewing is to probe for more information only among those respondents who stated that they have implemented some elements of Japanese management techniques. Having looked at all the 69 completed and usable questionnaires, only 32 respondents met the above criteria, and thus all of them were immediately contacted for the interview. The other 37 respondents were excluded since they did not meet our criteria.

### **7.7 Development of the Questionnaire**

Having decided on the sampling frame, sample size and sampling technique, our next task was to decide on the questionnaire design, types and sources of questions and scales of measurement to be used or applied in this study. To facilitate this, the literature related to these issues are reviewed.



### 7.7.1 Questionnaire Design

As survey, especially mail survey, is generally well known for its low response rate, every effort has to be made to ensure that the questionnaire is well-designed and attractive, and the questions can be easily understood by the respondents. The question is how to do that? Fowler (1991) points out that one of the prerequisites in designing a good questionnaire is deciding what is to be measured. Also Hoinville *et al.* (1983) mention that a good questionnaire should be designed to suit the aims of the study and the nature of its respondents. Similarly, other leading authorities (for instance, Peterson, 1988; Aaker and Day, 1986; Churchill, 1987; Howard and Sharp, 1983) suggest that a good questionnaire should consider the flow of the questions, the length of the questionnaire, the size of the page, layout, format and the colour of the paper used; respondents anonymity; the use of premiums or rewards; return envelopes and stamps; and a deadline for returning the completed questionnaires.

In terms of the flow of the questions, Fowler (1991) points out that it is advisable to lay out the questions starting with relatively easy and straightforward questions, as they help “get the respondents into” the survey. After that, more in-depth questions which requiring a good deal of thought, or those thought to be sensitive should follow (Fowler, 1991). In terms of quality of paper, Aaker and Day (1986) suggest that good quality colour paper should be used. Also Churchill (1987) suggests that the paper to be used must be of a bright colour and of good quality while using mimeographed or photocopied paper should be avoided. In terms of the number of pages of the questionnaire, Peterson (1988) advises that if a self-administered questionnaire is more than 4 pages long, it should be made into booklet form as this looks more professional. Similarly, Churchill (1987) points out that

by making the questionnaire into a booklet it not only facilitates handling but also reinforces an image of quality. Thus, overall the design of the questionnaire must incorporate all the above criteria in order to, as in the words of Peterson (1988), “facilitate its completion.”

### **7.7.2 Types of Questions Used in the Survey**

The types of questions used in the survey (both mail survey and personal interview) can be either (i) unstructured or opened-ended; or (ii) structured or closed-ended (Chisnall, 1997; Fowler, 1991; Fontana and Frey, 1994). What these refer to, particularly in the interview survey, is the degree of structure, i.e. how deep the interview tries to go, and the degree to which the interview is standardised across different respondents and situations. For example, in structured interviewing, questions are planned and standardised in advanced, pre-coded categories are used for responses, and the interview itself does not attempt to go into any great depth (Fontana and Frey, 1994). In contrast, in unstructured interviewing, the questions are not standardised, but instead there are general questions to get the interview going and to keep it moving. Specific questions will then emerge as the interview unfolds, and the wording of these will depend upon direction the interview takes. There are also no pre-established categories for responding (Fontana and Frey, 1994). Both types of questions have their strengths and weaknesses.

With regard to unstructured or opened-ended questions, the advantages are: (i) respondents are not influenced by a predetermined set of response alternatives, and as such, they can freely express their views, which may differ from the researcher’s expectations; (ii) this type of question can provide insightful data and valuable comments (Kinnear and Taylor,

1979); and (iii) this type of question can also describe or reflect more closely the real views of the respondents and can elicit creative and original information (Fowler, 1991; Sproull, 1995). However, the disadvantages are: (i) the respondents have to spend more time answering the questions; they may tend to write more briefly, and there may be a problem of illegible handwriting (Kinnear and Taylor, 1979); (ii) it is time consuming especially for analysis (coding and tabulation of data) (Sproull, 1995); (iii) by adopting this approach, categorisation is quite difficult and might be arbitrary depending on the researcher's own preposition; and (iv) this type of question has a high potential for interviewer bias since the interviewer rarely records the respondents' answers in exactly the same words, especially when time is a constraint (Peterson, 1988).

With respect to structured or closed-ended questions the advantages are: (i) they are convenient for respondents in terms of time and ease of responding (Parasuraman, 1986); (ii) answers are directly comparable from each respondent, assuming that each one interprets the words in the same way (Aaker and Day, 1986); and (iii) it is normally cheaper since interviewer time and skill levels required to record and interpret data are usually lower than in unstructured or opened-ended questions. On the other hand, the disadvantages of structured or closed-ended questions are: (i) more time is needed to design structured questions unless the researcher has a clear idea of the questions to ask and the specific responses to anticipate (Parasuraman, 1986); and (ii) structured questions are difficult to develop and good exploratory work is necessary to ensure that all potentially important response alternatives are included (Aaker and Day, 1986).

### 7.7.3 Scale of Measurements

The scales or types of measurement that are commonly used in questionnaires are nominal, ordinal, interval and ratio (Churchill, 1987; Peterson, 1988; Tull and Hawkins, 1990; Fowler, 1991; Sproull, 1995).

A nominal scale is defined as numbers assigned to events which can be placed into mutually exclusive and exhaustive categories (Sproull, 1995). Nominal scales can be divided into two types. One is categorical – where objects sharing certain characteristics are assigned the same identifying symbol and placed in the same category (Peterson, 1988). The other is binary – where respondents can tick as many answers as are applicable to them. In terms of data/statistical analysis, while modes, frequency, percentages and chi-square can be calculated from nominal data, a mean or median cannot (Peterson, 1988).

An ordinal scale is defined as numbers assigned to events which can be placed into mutually exclusive categories and can be ordered into a greater than or less than scale (Sproull, 1995). According to Peterson (1988), only statements of greater than or less than are permitted in an ordinal scale of measurements. With regard to data/statistical analysis, modes or medians can be used or calculated but not a mean. Besides that, the percentage of the total appearing in each rank can also be calculated (Tull and Hawkins, 1990).

An interval scale is defined as numbers assigned to events which can be categorised, ordered and assumed to have an equal distance between scale values (Sproull, 1995). With respect to data/statistical analysis, almost the entire range of statistical analysis or

techniques such as mean, median, mode, range, standard deviation, t-test etc., can be applied to interval scale data (Peterson, 1988; Tull and Hawkins, 1990).

A ratio scale is defined as numbers that ranks items such that numerically equal distances on the scale represent equal distances in the property being measured and that the number zero has an absolute empirical meaning (Tull and Hawkins, 1990). According to Peterson (1988), a ratio scale of measurement provides information about the equality of objects, their rank order, and the absolute extent of differences between them. With regard to statistical techniques to be used for ratio scale data, all descriptive measures and inferential techniques are applicable (Tull and Hawkins, 1990).

#### **7.7.4 Questionnaire Design, Types and Sources of Questions, and Scale of Measurements for Mail Survey**

In this study, the design of a mail survey questionnaire was made following the recommendation of a number of leading authorities in the field, including Fowler (1991); Hoinville *et al.* (1983); Aaker and Day (1986); Peterson (1988); Churchill (1987) and Dillman (1978). As suggested by Peterson (1988), the mail survey questionnaire in this study was made into a booklet form with a step-by-step instruction. Also, following Churchill's (1987) recommendation, light green, high-quality paper was used to print the questionnaire. In addition, as advised by Fowler (1991), the questions were laid out in order of difficulty, i.e. starting with the straightforward questions, followed by the questions which are more "difficult" and which required a good deal of thought. As suggested by McGown (1979), the length of each individual question was kept as short as possible in order to avoid confusion.

The final questionnaire was divided into four sections and consisted of sixty-one questions, and a blank space at the end of the last section for the respondents to write down some suggestions or comments. Section A had twenty-two questions and the aim of this section was to find out about the respondent's profile and his or her knowledge of the Japanese language. Section B had three questions asking about the respondent's organisation. Section C had six questions and this was where the questions pertaining to the Look East Policy were asked, while Section D had thirty questions asking about the Japanese model of management or Japanese management techniques. All but four questions were closed-ended and required the respondent to either tick or circle the appropriate boxes (see Appendix 7.2 for a sample copy of the mail survey questionnaire).

With regard to the types of question used for mail survey in this study, they were very structured and mostly closed-ended. The reasons for using this type of question were because, as mentioned earlier, they were convenient to respondents in terms of time and ease of responding. Besides that, they were convenient for our analysis because the answers were directly comparable from each respondent assuming that each one interpreted the words in the same way.

With regard to the sources of questions for this study, they were adopted and developed (i) from earlier studies that had been conducted by other researchers (Yasin, 1990; Gill and Wong, 1998); (ii) as a result of pretesting; and (iii) after rigorous discussion with the supervisor to identify any further potential problems. Following the earlier studies the wording of some questions had to be slightly changed to accommodate the research objectives and also the different context (i.e. to accommodate the Malaysian context).

Some of the questions that were not relevant to this study were dropped, while as a result of the discussion with the supervisor 12 new questions; numbers 26, 28, 29, 30, 31, 43, 44, 45, 52, 55, 58 and 61, were added.

One of the advantages of using questions from previous studies was that the validity and reliability of the questions had been measured. Validity refers to how well a survey item measures what it sets out to measure (Litwin, 1995: 33). On the other hand, reliability is a statistical measure of how reproducible the survey instrument's data are (Litwin, 1995: 6). Gill and Wong (1998) tested the reliability of their questions using test-retest reliability and it was reported at 0.66, which according to Muchinsky (1983, as cited in Gill and Wong, 1998), may be accepted, while the content validity was 0.74. To increase the reliability of the questions in this study, they were carefully developed through two pre-tests and checked rigorously by the supervisor.

In terms of the scale of measurement, the questionnaire is designed with two scales in mind; nominal and ordinal. However, several demographic questions are also made up of a continuous scale.

In this study both types of nominal scales are used. The categorical type is used mostly in Section A of our mail survey questionnaire to extract answers regarding race, religion and category of jobs. The binary type is used mostly in Section D, although it is also used in some parts of Section C. This type of scale allows the respondents to tick a number of answers, and is thus deemed the most suitable because it does not restrict the respondents to only one answer. As such, the results will give a better picture with regard to which

elements of Japanese management techniques have been implemented in the respondents' firms.

In contrast, ordinal scales are used mostly in Section D. Finally, some continuous scales are used throughout all the sections. For example, in Section A continuous scales are used to extract answers regarding age, how long the respondent has been in the present and last position (job), etc.

#### **7.7.5 Questionnaire Design, Types and Sources of Questions, and Scale of Measurements for Personal Interview**

Our aim in using personal interview in this study is basically to obtain an explanation from the respondents as to why they have or have not done things as they indicated in the mail survey questionnaires.<sup>9</sup> This explanation, we believe, will be better got through personal interview rather than mail survey, as the respondents are encouraged to express their views freely.

With regard to the design of the personal interview questionnaire, types and sources of questions and scale of measurements, we do not adopt any formal design or any scales of measurement. This is because our objective is to gain a more in-depth insight, and therefore a checklist approach is more appropriate, and within it there is a list of issues to be investigated. It is important to note that this checklist is fairly loosely-based because besides allowing flexibility in terms of responses, its other function, as mentioned earlier is to get the interview going and to keep it moving as this will allow us to cover key issues

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<sup>9</sup> For example, we want to know why the respondents have said that they have adopted suggestion system but not lifetime employment, etc.



that we want to investigate (see Fontana and Frey, 1994). A sample of an interview checklist is shown in Appendix 7.3.

## **7.8 Administration of Mail Questionnaire and Interview Checklist**

Having the questions and the appropriate scales attached to them, our next task is to do a pretest or a pilot study. Before we present the manner in which the pilot study is conducted and its advantages for this study, it is useful to review some of the literature in this area.

### **7.8.1 A Pilot Study**

A pilot study is a small-scale trial before the main investigation or study. According to Fowler (1991), every questionnaire (mail survey as well as personal interview) should be pretested in order to assess the adequacy of the research designs and the instruments to be used for data collection. Wilson (1996: 103) points out that a pilot study is both important and highly recommended, even if it is only a small one because of time and money constraints. However, it is important to point out that the pilot study does not attempt to represent, in the statistical sense, the correct proportions of different types of individuals in the population. This is because the purpose is not to estimate the true proportions of such types, but to cover the entire range of replies which might be given to any of the possible questions in the first draft of a questionnaire (Wilson, 1996: 103). Wilson further suggests that by covering the full range of replies, the researcher is then in a position to work out a set of codes or response categories which embrace the entire range of responses that might be given. This is a counsel of perfection and no matter how good the pilot, responses may turn up in the main study that have not been anticipated in the pilot results (Wilson, 1996: 103). Thus, in addition to the above reasons we intend to use the pilot study to ascertain

the likelihood of certain unanticipated constraints or events which, if not eliminated early on, could pose greater problems when the actual research survey is carried out.

### **7.8.2 Advantages of Conducting the Pilot Study**

There are a number of valid reasons why piloting is important. According to Wilson (1996: 103-014), they are:

- (i) To find out roughly how long the questionnaire takes to answer and if there are any features of it that are likely to put people off and so reduce the likely response rates. It is important to note that the law of diminishing returns appears to operate with questionnaires after a certain amount of time and effort has been expended. Thus, by conducting the pilot study, the length of the questionnaires can be checked before the final version is sent out in order to avoid fatigue among respondents;
- (ii) To “de-bug” the questions, i.e. is the wording clear? Do people see the questions as important and interpret them as expected;
- (iii) To ensure that it is easy for the respondents to express their answers to their satisfaction, and for the researcher to interpret them correctly.

Wilson (1996: 103) also stresses that the other important purpose of a pilot study is to devise a set of codes or response categories for each question that will cover, as comprehensively as possible, the full range of responses which may be given in reply to the questions in the main investigation.

### **7.8.3 How the Pilot Study was Conducted and its Advantages for this Study**

Before the pilot study was conducted in Malaysia, the drafts of both mail and personal interview questionnaires were pretested with the help of some senior Malaysian Ph.D. students at Stirling University. These students were asked to complete the questionnaires and to return them with some comments, especially with regard to the questions and the structure of the mail survey questionnaire. Based on the comments received, some changes were made<sup>10</sup> before the amended copy was extended to the supervisor for further discussion. Later, when everything had been finalised, i.e. the questions and the structure, the researcher was ready to conduct the pilot study in Malaysia using mail survey questionnaires and actual respondents from the private sector. Pretesting of the interview checklist was not carried out with actual respondents because it was considered unnecessary since we had full control of obtaining the responses during the interviewing process.

For the purpose of the pilot study, 20 mail survey questionnaires were sent out to managing directors of 20 private companies in Malaysia in February 1998. Of these 10 mail survey questionnaires were sent to managing directors of banks and finance companies and the other 10 were sent out to managing directors of manufacturing companies. The names of companies were taken randomly from the list of companies listed in the Kuala Lumpur Stock Exchange First Board (KLSE). This was because it is a rule in the conduct of a pilot study that the respondents who fill in the questionnaire forms for the pilot study must not

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<sup>10</sup> For example, the researcher had to redraft the structure in the mail survey questionnaire by putting a “box” for each answer. Ambiguous and difficult terms and words were clarified and reworded and questions that were inadvertently omitted were added.

be included in the final survey (Black and Champion, 1976). By the end of February 1998, eight managing directors replied, giving a response rates of 40%. Three completed mail survey questionnaires were received from bank and finance companies and five from manufacturing companies. A further investigation revealed that the main reason why there was a poor response from the banking and finance companies was because during the time of the pilot study, such companies were under enormous pressure from the government and central bank (Bank Negara Malaysia) to either merge or cease operations due to high non-performing loans and other financial issues arising from the economic downturn.<sup>11</sup>

Again, in early March 1998 and with the help of the researcher's brother who is the Senior Assistant Secretary for the Kuching Council, the same questionnaires were distributed to 15 managing directors who are very "close" to the researcher's brother and whose companies are mainly based in Sarawak. By the middle of March, 5 questionnaires were received after numerous reminders<sup>12</sup> - a response rate of 33.3%.

Whatever the reasons were, as mentioned by Wilson (1996), the main objective of the pilot study being undertaken for this research was to ensure that the actual survey to be carried out later would be as smooth as it could be. Indeed the advantages referred to in the books and cited above were reflected in the pilot study conducted for this research. First, the pilot study proved that the response rates were very low when the respondents had no direct interest in the research itself (see Gardner, 1987: 98). Second, sensitive questions should be avoided, i.e. questions that have political connotations or are too personal to some people.

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<sup>11</sup> "Slippery Slope: Malaysian banks", *The Economist*, 7<sup>th</sup> March 1998, Vol. 346, pp. 81.

<sup>12</sup> Average of four reminders before respondents returned the questionnaires.

The feedback from the pilot study also provided some constructive insight regarding the usage of words, the structure of the questions and their sensitivity, leading to small changes to some questions. To make the mail survey questionnaire look more official and professional, we designed the cover by putting the University of Stirling Department of Management and Organisation's logo and, as mentioned earlier, presented the final questionnaire in booklet form.

From the responses received, it was indeed very difficult to encourage the managing directors to co-operate in the mail survey, especially when most of the companies were facing serious financial problems in the aftermath of East Asia's financial crisis. It seems that inducements like a stamped, addressed envelope, a Stirling University pen or even close personal contact, in this case the researcher's brother who was very "close" to some managing directors, could not guarantee that the respondents would return the completed questionnaires. The pilot study proved that obtaining the co-operation of managing directors in Malaysia was not only exceedingly difficult but also expensive<sup>13</sup> as an enormous amount of effort had to be made in order to get the respondents to reply.

#### **7.8.4 The Actual Survey**

This subsection deals with how the actual mail survey as well as personal interview survey were conducted. With regard to the mail survey, first, we explained the process involved in carrying it out; and second, we discussed the problem of non-response and highlighted how we had dealt with it. With respect to personal interview, first, we highlighted the steps required to overcome its drawbacks. Second, we reviewed the literature on managing

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<sup>13</sup> Cost has been relatively high because of telephone calls and fax charges to remind the respondents.

the interviews and shortly after that we mentioned the steps taken in conducting the interviews for this study. Finally, we highlighted how the interview data were recorded.

#### **7.8.4.1 The Mail Survey**

##### **7.8.4.1.1 The process involved in conducting mail survey**

The actual fieldwork was undertaken in Malaysia for a period of three months starting on 1<sup>st</sup> April 1998 and ending 30<sup>th</sup> June 1998. All 120 mail survey questionnaires and interview checklists were sent on the 1<sup>st</sup> April 1998 and the closing date was the 15<sup>th</sup> April 1998. The first reminder to the respondents who had not returned the completed mail survey questionnaires was sent by fax immediately after the closing date and the respondents were asked to return the completed mail survey questionnaires before the 30<sup>th</sup> April 1998 (see Appendix 7.4 for the sample of the first reminder letter). Soon after this closing date, a second reminder was faxed to the respondents. By the 30<sup>th</sup> May 1998 there were 69 fully completed and usable mail survey questionnaires received (this excluded questionnaires that were returned uncompleted due to unreachable address). We had made further efforts to contact some respondents by telephone as well as fax, but there was no sign of any more questionnaires coming. Hence, the total of completed and usable mail survey questionnaires received was 69, giving a response rate of 57.5% (Table 7.3).

Table 7.3

## Fieldwork Response

Items	Frequency	Percent
Total number of questionnaire sent out	120	100.0
Total number of questionnaire returned	86	71.7
Total number of questionnaires not returned (non-response)	34	28.3
Total number of questionnaires returned uncompleted*	17	14.2
Total number of completed/usable questionnaires received	69	57.5

Note: \* Due to unreachable address or have recently moved location. Returned envelopes were stamped with instructions such as "sudah pindah" or moved; or "tidak dapat dihubungi" or could not be reached.

Looking at Table 7.3, it is quite clear that one of the major problems encountered during the fieldwork was the unreliability of the addresses in the directory being used. As shown in the table, there were 17 uncompleted questionnaires returned which had been stamped "Sudah Pindah" (moved) by the postal authority, clearly indicating that the directory had not been updated before its publication.

#### 7.8.4.1.2 The problem of non-response and how it was dealt with

Based on the experience gained from the fieldwork and the reviewed literature, one major problem with mail questionnaires is the issue of non-response. Moser and Kalton (1979; 166) point out that non-response is a universal problem that no human investigator can avoid. Black and Champion (1976: 389) also state that although estimates of non-response to a mailed questionnaire vary, it appears to be a normal expectation that nearly 70% of the questionnaires mailed will not be returned. Generally, there are two types of non-response. The first type relates to the incompleteness of the returned mail questionnaires, which this study did not have any problem with. The second type of non-response relates to the

inability of the researcher to get any response at all from the sampled population (even though questionnaires and follow-up letters have been sent out) due to a number of reasons, such as respondents have declined to answer the questions in the mail questionnaires or simply did not bother to return the mail questionnaires. This type of non-response concerns the researcher as it usually creates biased estimates in any study because the characteristics of non-response stratum could be different from those who have responded to the survey. Black and Champion (1976) suggest that the best way to reduce the non-response bias is to increase the response rate by sending a follow-up letter to non-respondents. However, it could be argued that this could never guarantee any reply and moreover certain constraints, such as time and financial resources, might prevent the researcher from doing so.

Because the problem of non-response cannot be avoided, we have to deal with it and to find out whether the non-response did create a significant bias to render the sample estimate inadequate. One commonly used method of dealing with non-response, as recommended by leading authorities (Fowler, 1991; Hoinville *et al.*, 1978; Moser and Kalton, 1979), is to try to get some information pertaining to the characteristics of the non-response stratum. By applying this method and to ensure a good response, we randomly selected twenty-five out of thirty-four non-respondents to participate in the telephone interview. Rather than using the original version of the mail survey questionnaire, which is very lengthy and detailed, we came up with a simplified version designed for telephone interview purposes and specifically geared to find out about the profile of the non-respondents and their opinions pertaining to the Look East Policy as well as the Japanese



model of management or Japanese management techniques (Appendix 7.5 shows a sample of the simplified version of the interview schedule).

The ten key questions in the simplified version of the interview schedule are as follows: Q1 - asks about the background of respondents (race, age, religion and level of education); Q2 - asks about the characteristics/ownership of firms and number of employees; Q3 - asks about the respondents' knowledge of the Japanese language; Q4 - asks about the respondents' opinions pertaining to the Look East Policy; Q5 - asks about the respondents' familiarity with the Japanese model of management; Q6 - asks whether respondents implement the Japanese model of management or not; Q7 - asks about the problems respondents faced (if any) pertaining to the elements of the Japanese model of management they had implemented; Q8 - asks about the respondents' opinions pertaining to the Japanese' willingness to transfer their technological know-how and expertise to the Malaysians; Q9 - asks whether respondents recognise trade unions and the types of union they choose to recognise; and Q10 - asks the respondents' opinions as to whether the government via its Look East Policy has been successful or effective in encouraging management in Malaysia to adopt the Japanese model of management.

Out of the twenty-five non-respondents, we managed to interview fifteen, a response rate of 60% (the high response rate could be due to simple and brief questions being asked as well as continuous and direct contact by telephone). The responses were then analysed and compared with the original replies from the 69 respondents. From the findings, it was found that the characteristics of the non-respondents (e.g. race, religion, education, knowledge of the Look East Policy, been to Japan, and familiarity with Japanese

management practices) and the characteristics of their company (e.g. size of firms/the number of employees they employed, and ownership structure) do not differ significantly from those of the original respondents. All fifteen respondents were familiar with the Japanese model of management, and of these, only six firms had adopted Japanese management techniques and all of them said that they had faced a number of problems when implementing them.<sup>14</sup>

Although by making such a comparison, we could never guarantee the absence of bias, the findings from non-respondents certainly boosted our confidence and reassured us that the final sample was valid for further analysis.

#### **7.8.4.2 Personal Interview**

##### **7.8.4.2.1 Steps to overcome the drawbacks of personal interview**

As mentioned earlier, personal interview also has its strengths as well as weaknesses. One of the major drawbacks that we were concerned with in this study was the cancellation of interview appointments, as we did not have ample time left to carry out the fieldwork. Therefore to overcome this drawback the following steps were taken.

- (i) In order to facilitate the setting up of appointments and to avoid interrupted interviews or the cancellation of interview appointments, letters requesting access and co-operation were sent in advance, i.e. sent together with the mail survey questionnaire.

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<sup>14</sup> Elements that were said to have been implemented by 6 respondents were identical with the elements that were said to have been implemented by the 32 respondents.

- (ii) Telephone calls were then made to all 32 respondents to set up a tentative appointment date for the interview to be held in the respondent's office. After that, a copy of the interview checklist was sent by fax to all 32 respondents (although this was sent earlier together with the questionnaires) not only to make sure that they had a copy of the interview checklist but also to remind them of the interview appointment as well as to give them ample time to prepare some answers before the actual interview was held.
  
- (iii) Finally, telephone calls were made to reconfirm the interview date.

It is important to note that all 32 respondents were successfully interviewed. The main reason could be because these were the respondents that had already indicated their willingness to take part in the research when they originally filled in the questionnaires.

#### **7.8.4.2.2 Managing the interview**

After arrangements had been made, i.e. the appointment date and the interviewees (in this case - 32 managing directors) the next task was managing the interview. A number of authors (for instance, Punch, 1998: 180-181) mention that managing an interview involves a number of steps which include establishing rapport (beginning the interview); asking questions – the sequence and types of questions; and closing the interview. These steps are discussed below.

In the first step, i.e. establishing rapport, Punch (1998) argues that to interview successfully, it is important to establish rapport at the beginning of the interview.

Similarly, Chisnall (1997: 168) warns that people's co-operation should not be taken for granted and it is very important to formally introduce ourselves. He then adds that interviewers should endeavour to build up empathy, i.e. the ability of one individual to respond sensitively and imaginatively to another's feelings.

The second step involves asking questions. Punch (1998) argues that question-asking is at the centre of interviewing and is important in deciding how successful the interview will be. Therefore, he warns, as far as possible, a researcher should try to avoid asking sensitive questions or questions that have political connotations.

The final step involves closing the interview. Minichiello *et al.* (1990) state that ways of closing the interview may also require attention. Similarly, Punch (1998: 181) maintains that closing the interview may involve certain strategies such as giving an acknowledgement letter at the end of the interview process, giving a souvenir, etc. However, Punch also points out that the applicability of the strategies used depends very much on the perspective, on the approach taken to interviewing in a particular subject, and on the type of interview selected.

In managing the interviews for this study, the following steps were taken:

- (i) In establishing rapport for the interviews in this study, the researcher formally and briefly introduced himself by showing a letter from the supervisor asking for the respondents' co-operation. Then the researcher outlined the nature of the survey, the reasons why it was being conducted, and the reason why the respondents had

been selected. This is particularly important because very often people are curious to know why they, in particular, have been selected for interview (see Chisnall, 1997). The researcher also assured the respondents that their personal details would remain confidential in the final analysis.

- (ii) As far as step two was concerned, i.e. question-asking we tried to avoid asking sensitive questions or questions that had political connotations. In doing so, we used a checklist, which was a fairly loosely-based discussion approach, whereby not only were we giving the respondents a chance to amplify or qualify his or her responses, but most importantly, we were also encouraging the respondents to explain in some detail certain issues that were raised as very often such explanations were unobtainable from the mail survey questionnaire. Also, by using this approach, we encouraged the respondents to give their valued opinions on issues that were important to this study.
- (iii) Finally, in closing the interview, we expressed our gratitude to the participants or respondents for their involvement, time, the use of their office facilities, and the information that they had given us. Besides that, we also gave them a souvenir which, we believed, they could treasure and remember.

#### **7.8.4.2.3 Recording**

How the interview data are recorded needs to be considered in planning the research. For structured interviews, which normally use pre-coded response categories, recording of responses is probably a simple matter of checkmarks on a response sheet (Richardson *et*

*al.*, 1965). For more opened-ended interviews, however, the possibilities include tape-recording, video-recording, and/or note-taking (Punch, 1998). However, there is a problem with tape-recording resulting from the reluctance of some people to be recorded. Moreover, because some company's information is very confidential, the respondents might be less candid and unforthcoming.

Since the interviews for this study were conducted using an opened-ended discussion approach, the best means of recording interview data is by tape-recording whereby accurate information can be recorded as opposed to recording the responses by note-taking. All the 32 respondents had agreed to be tape-recorded after we assured them that their names and the names of their company were not going to be mentioned in the data analysis. With regard to languages used in the interview, both Bahasa Malaysia and English were spoken. Where the responses were in Bahasa Malaysia, we made the best effort to translate it into English without losing its intended meaning.

## **7.9 Data Analysis**

Our final task is the analysis of data. The main purpose of data analysis is to produce meaning from the primary data that were collected. According to Robson (1995), there are two types of data analysis. One is qualitative analysis – which is normally used for words or data which come in a non-numerical form. The other is quantitative analysis – which is normally used for numbers or data that can be transformed into numbers.

### 7.9.1 Methods of Data Analysis in this Study

Both methods, i.e. qualitative and quantitative analyses were employed in this study to analyse the data collected from the personal interviews and that collected from the mail survey. In qualitative analysis, data were extracted and interpreted from tape-recordings made during the interviews. Most of these data are presented in the form of quotations. On the other hand, for the mail survey, the immediate task was to organise and process the raw data. The purpose of organising this was to reduce its mass to a form suitable for statistical analysis. When this was done, the raw data were coded and were ready to be fed into the computer. After consultation with some colleagues as well as computer personnel regarding which statistical package is advisable for use to compute and analyse the data, the researcher settled on the Statistical Package for Social Science (SPSS<sup>®</sup>) which is available through the University network. The SPSS<sup>®</sup> used for this analysis is version 8.0 for windows<sup>™</sup> (SPSS<sup>®</sup>WIN8<sup>™</sup>). However, there was one major problem to be overcome: the researcher had no previous knowledge of SPSS<sup>®</sup>. Moreover, SPSS<sup>®</sup> is difficult to master and needs a considerable amount of time to learn the whole procedure of running the software. To solve this problem, the researcher was determined to learn SPSS<sup>®</sup> and at the same time had approached the University of Stirling's statistical consultant<sup>15</sup> to seek advice.

Following the recommendations made by both the University of Stirling's statistical consultant and the supervisor, data were tested using non-parametric test, as most of the

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<sup>15</sup> Kate Howie, Department of Computing Science and Mathematics University of Stirling.

data were nominal data.<sup>16</sup> This is also in agreement with the recommendation given by Wimmer and Dominick's (1987: 261), who assert that non-parametric tests are more appropriate for nominal or ordinal data, whereas parametric tests are appropriate for interval and ratio data. Other authors such as Roscoe (1975, as cited in Wimmer and Dominick, 1987: 261), however, no longer consider the two categories to be distinctly different and both methods can be used successfully with any type of data.

In the data analysis, cross-tabulation, chi-square and frequency analyses were used because (i) they are the techniques most frequently used in previous studies, for example, Imoaka (1985), Ito (1985), Thong and Jain (1988), Tamam *et al.* (1990), and Yasin (1990) (see Table 7.4 at the end of this chapter); (ii) they were recommended by both the supervisor and the University of Stirling's statistical consultant; and (iii) they were the most appropriate methods given the type of data in this study.

#### **7.10 Limitations to the Research Survey**

Despite the best possible efforts made by the researcher, this study is constrained by a number of shortcomings which include the sample size, a limited amount of time and resources available, economic problems and respondent bias. Besides that, the attitude of Malaysian managers also posed a barrier, as some of them were reluctant to respond to academic questionnaires. Mansor and Ali (1998) warn that it has become a major obstacle for researchers to carry out studies in Malaysia because of the unwillingness of some senior managers to participate. The limitations faced by this study are discussed below.

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<sup>16</sup> Nominal data are also called categorical data because the questions used in nominal data categorised the responses, for example, male or female (Fink, 1995: 5).



**7.10.1 Sample Size** - In terms of sample size, it was relatively small and only four states were covered, which clearly indicated that this was not a representative sample of all of the private firms in Malaysia. As such, the findings and conclusion of this study must be interpreted with caution. Although at the early stage of the fieldwork we intended to increase the sample size and cover more states, after taking into consideration the financial limitations we had to be satisfied with the sample of 120 companies from four states, i.e. two states from West Malaysia or Peninsula Malaysia and the other two states from East Malaysia. Even then, the cost of conducting and administering the personal interviews and mail survey questionnaires was exceeding the allocated budget and some financial borrowings were made to solve the problem.

**7.10.2 Time** - This was another limitation. Even though three years seemed to be a considerable length of time doing a piece of research, for a researcher working alone there is a limit to what he or she can actually do or achieve. Indeed, practical considerations certainly made it difficult to do anymore than has been done. But as far as this research is concerned and given the fact that it was indeed very difficult to get the managing directors to complete the mail survey questionnaires, the number of responses was reasonably high. This could be because of our persistence in contacting the respondents. In fact, Lin (1976: 241) points out that for a survey of the general public, a response rate of 50% or higher is reasonably good, while a response rate of more than 70% is very good.

**7.10.3 Research Expenses** - is one of the major limitations to this study, and has greatly affected the selection of sample size. As the field research adopted by the researcher required extensive travelling or the heavy use of the telephone in order to reach the

respondents, lack of funding, personal transport facilities, and telephone facilities posed a major problem. The only source of funding was from a scholarship. However, the limited allowance was used to cover monthly expenses, books and clothing and nothing was spared for research expenses. As far as the scholarship was concerned, there were no funds available for travelling, postage, etc., and the only source was a loan. To solve the problem the researcher had to rely on the goodwill of a close friend who lent his car, and the researcher's brother who allowed access to his office telephone to make telephone contact. This, however, made it problematic to carry out research when the target samples were from both East and West Malaysia.

**7.10.4 Economic Problems** - Another limitation to this study is the problem of the economic crisis. It was quite unfortunate that the researcher had to conduct the fieldwork in a time of economic crisis. The business environment during this time was different compared to when Malaysia was proclaiming itself as the next "Asian Tiger". The economic crisis caused a number of problems, such as political instability, massive unemployment, low purchasing power, bankruptcy of companies and banks as well as escalating inflation (Sunday Tribune 7<sup>th</sup> June 1998). These problems had a direct impact on this study because most of managing directors were too busy dealing with their internal problems and had very little time to spare for matters of academic interest like the one carried out by the researcher.

**7.10.5 Respondent Bias** - This is another limitation as the names of respondents cannot be mentioned in order to maintain confidentiality, as agreed upon earlier. In light of this,

the researcher made no attempt to mention the respondent's company name and neither did the researcher mention specifically whose comments were included in the analysis.

Despite the above limitations, the findings from this study will certainly contribute to the body of knowledge, particularly in the role of the state and also in the field of management in Malaysia, and will shed some new insights as to the direction of future research in this particular area.

### **7.11 Conclusion**

In this chapter we have described the research methods adopted for this study, which were mail survey questionnaire and personal interview. We have also discussed a number of related issues, such as the sampling process (sampling frame, size and techniques), questionnaire design, types of questions, scale of measurements, the advantages of doing the pilot study and how the actual survey was conducted. In addition, we have presented the reasons and arguments for choosing companies from the manufacturing sector as a sample. Looking at what we have discussed in this chapter, it can be said that the choice of the research methods and other procedures selected for this study were made for their appropriateness and the ease that they provided the researcher in order to meet the objectives of this study, as spelled out earlier.

There are, however, a few things to be noted from our discussion. One is that it is important to remember that we took the sample from only 4 geographical areas in Malaysia and we covered only the manufacturing industry. Since the sample size was rather small

and confined to a single industry, the findings of this study must be interpreted with caution and not be generalised to all the private sectors in Malaysia.

The other thing to note is that we had some problems with non-response, though, in fact, less than one might expect in this area. Nevertheless, they still have to be taken into account when evaluating the data.

In Chapter 8, descriptive statistics (frequency analysis) as well as the test on research hypothesis are presented.

Table 7.1

Summary of the Advantages and Disadvantages of Different Data Collection Methods in the Survey Approach

Data collection method	Potential advantages	Potential disadvantages
Personal interview	<ul style="list-style-type: none"> <li>(1) There are some sample designs that can be implemented best by personal interview (e.g., area probability samples)</li> <li>(2) Probably the most effective way of enlisting cooperation for most populations</li> <li>(3) Advantages of interviewer administration – answering respondent questions, probing for adequate answers, accurately following complex instructions or sequences – are realised</li> <li>(4) Multimethod data collection – including observations, visual cues, and self-administered sections - are feasible</li> <li>(5) Rapport and confidence building are possible</li> </ul>	<ul style="list-style-type: none"> <li>(1) It is likely to be more costly than the alternatives</li> <li>(2) A trained staff of interviewers that is geographically near the sample is needed</li> <li>(3) Total data collection period is likely to be longer than telephone procedures</li> <li>(4) Some samples (those in high-rise buildings or high-crime areas, elites, employees, students) may be more accessible by some other mode</li> </ul>
Telephone interview	<ul style="list-style-type: none"> <li>(1) Lower cost (compare to personal interviews)</li> <li>(2) Random-digit dialling sampling of general populations</li> <li>(3) Access to certain populations (compare especially personal interviews)</li> <li>(4) Potential for short data collection period</li> <li>(5) Likelihood of better response rate from a list sample (compare mail only)</li> </ul>	<ul style="list-style-type: none"> <li>(1) Sampling limitations, especially problem of omitting those without telephones</li> <li>(2) Non-response associated with random-digit dialling sampling (compare personal)</li> <li>(3) Questionnaire or measurement constraints, including limits on response alternatives, impossibility of visual aids, and interviewer observations</li> <li>(4) Possibly less appropriate for personal or sensitive questions if no prior contact</li> </ul>
Mail questionnaire	<ul style="list-style-type: none"> <li>(1) Relatively low cost</li> <li>(2) Can be accomplished with minimal staff and facilities</li> <li>(3) Provides access to widely dispersed samples and samples that are difficult to reach by telephone or in person for other reasons</li> <li>(4) Respondents have time to give thoughtful answers, to look up records, or consult with others</li> </ul>	<ul style="list-style-type: none"> <li>(1) Ineffectiveness of mail as way of enlisting cooperation (depending on group to be studied)</li> <li>(2) Various disadvantages of not having interviewer involved in data collections</li> <li>(3) Need for good mailing addresses for sample</li> </ul>

Source: Fowler, F. J. (1991) *Survey Research Methods*, Sage Publications, Inc. Newbury Park, California, pp. 70-72.

Table 7.4

## Some Previous Studies that Used Frequency Analysis to Analyse Data

Researcher (s)	Research Topic	Respondents & No. Of Questionnaire	Response Rate (%)	Data Analysis Technique
Imaoka, H. (1985)	Japanese Management in Malaysia	Japanese top managers and Malaysian middle managers (no. of questionnaires – not stated)	Not stated	Frequency analysis
Ito, S. (1985)	Japanese Management in Taiwan	Japanese top managers and local middle managers (300 questionnaires)	28.3% and 24.0% respectively	Frequency analysis
Thong and Jain (1988)	Human Resource Practices of Japanese and Malaysian Companies	Senior managers from fifteen companies <sup>17</sup>	Not stated	Frequency analysis
Taman et al. (1990)	Management Vogue, Job Satisfaction and Correlates of Organisational Loyalty in Bumiputra, Western and Japanese Manufacturing Companies in Malaysia	Managers/supervisors and workers of 23 companies (231 questionnaires for managers/supervisors and 464 questionnaires for workers)	67.0% and 40.0% respectively	Descriptive And inferential statistics
Yasin, M. T. (1990)	The Transferability of Japanese-Style Management Practices: A Case Study of the Malaysian Public Enterprise Sector	Senior managers and employees (150 for senior managers and 112 for employees)	69.0% and 74.7% respectively	Frequency analysis

Source: Compiled from various sources, i.e. Imaoka, H. (1985); Ito, S. (1985); Thong, T. S. G. and Jain, H. C. (1988); Tamam, E., Yassin, S. M. and Kamsah. M. F. (1990); and Yasin, M.T. (1990).

<sup>17</sup> Five sets of company (comprising in each set the Japanese parent company, the Japanese subsidiary company in Malaysia and the local company).

## CHAPTER EIGHT

### THE SURVEY FINDINGS

#### 8.1 Introduction

The objective of this chapter is to present the survey findings. As outlined earlier in Chapter 5, the general hypothesis of this study would be: “The Look East Policy might have had some success in promoting Japanese management techniques to manufacturing firms in Malaysia, despite the difficulties of transferring management practices between different countries, because of the strength of the state in Malaysia and its commitment to such a policy.” To be able to test this hypothesis, we need to address two key issues: (i) the extent to which Japanese management techniques have been transferred to manufacturing firms in Malaysia; and (ii) the reasons why manufacturing firms in Malaysia implemented these techniques.

It is important to remember that this chapter only presents the findings from the mail survey questionnaire, while the findings from personal interview are discussed/presented in more detail in Chapter 9. This chapter is divided into two parts. In the first, which is relatively descriptive, the aim is to identify the extent to which Japanese management techniques have been adopted by manufacturing firms in Malaysia, and to discuss the proportion of the respondents who say that they have adopted the techniques because they have been influenced by the Look East Policy. In the second part, we will deal with the testing of the research hypotheses. The reason why the hypotheses came about is because it is believed that they will produce findings that will support the objectives of the study, as outlined in Chapter 1. In order to do this, we will cross-tabulate five independent

variables, three of which are associated with the characteristics of managing directors/respondents and they are knowledge of the Look East Policy, familiarity with the Japanese model of management and visit to Japan. The other two are associated with the characteristics of firms and they are size of firms (in terms of the number of employees) and ownership of firms. We will then investigate the possibility of a relationship between these variables and firms' implementing the Japanese management techniques. Following this, we will draw inferences from the test results.

As mentioned in Chapter 7, data for this study were collected using both mail survey questionnaires and personal interviews. The mail survey questionnaires were posted to 120 manufacturing companies operating in Malaysia, the names and addresses of which were obtained from the Malaysian Manufacturers and Exports Directory (MMED), published in 1997. The cover letter accompanying the questionnaire was addressed to the managing director of each company. The objectives were to obtain his/her opinions pertaining to the research questions. A total of sixty-nine companies took part in the survey, giving a response rate of 57.5%. All questionnaires received were correctly and fully completed. This could be attributed firstly, to the comprehensibility of the questionnaires, and secondly to the fact that the respondents were managing directors and therefore thoroughly familiar with the questionnaire topics which concern problems faced by their companies. Although every effort was made to ensure that the maximum number of companies could participate in this research, experience revealed that this was not possible, especially in Malaysia, where the fieldwork was conducted. Hence, the total percentage of questionnaires returned uncompleted due to unreachable address was 14.2%, while the non-response rate was 28.3%. With regard to personal interviews, all 32 respondents who



said that they had implemented some elements of the Japanese model of management were contacted and successfully interviewed.

## **Part I**

The discussion in this part starts from the profile of respondents (Section 8.2) and ends with the management style preferred by them (Section 8.10).

### **8.2 Profile of Respondents**

This section presents the characteristics of the respondents. The respondents in this study are managing directors of manufacturing companies operating in four Malaysian states: Penang and KL/Selangor in the West Malaysia and Sabah and Sarawak in East Malaysia. As stated in Chapter 7 (see Table 7.2), the number of completed and usable questionnaires that were returned are (18) 64.0% from Penang; (36) 54.5% from KL/Selangor; (11) 68.7% from Sarawak; and (4) 40.0% from Sabah. In terms of percentage, the questionnaires that were received from the first three states are quite evenly distributed; except for Sabah where the response rate is comparatively quite low.<sup>1</sup> The managing directors were chosen because being the key informants in their organisations, we believed that they would be able to provide the information on firms that was required by this study.

We acknowledge that in the case of mail questionnaires there is a possibility that the respondents might have passed the questionnaires on to others to fill-in, but as far as we are aware, the responses relate to the characteristics of managing directors.

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<sup>1</sup> The respondents have been contacted but they declined to participate in our survey.

### 8.2.1 The Respondents' Race

The respondents were asked to state their race. Table 8.1 shows the breakdown of respondents by race. The results indicate that a relatively large percentage of respondents in this survey are Chinese (31) 45%, while the respondents who are *Bumiputra* are (25) 36%; Indian (4) 6%; and "others" (9) 13%. This latter category comprise Japanese, American and British nationalities. When the two largest race groups in our survey, i.e. Chinese and *Bumiputra*, are compared the results show that the Chinese are predominant. It could therefore be argued that the majority of the Chinese still dominate the private sector. In fact, according to Kheng (1994), a large number of Chinese have been involved in the private sector since the late 1960s, while the *Bumiputra* only became actively involved in the private sector, particularly the manufacturing sector, in the late 1970s when the New Economic Policy (NEP) was introduced. Before the introduction of the NEP, the *Bumiputra* were highly concentrated in the public sector, traditional agriculture sector and in low-income job categories, while the non-*Bumiputra*, particularly the Chinese, were more favourably represented in the manufacturing sector, as well as in the professional and technical fields where productivity and incomes were higher (SOPL, 1991-2000: 32).

With the NEP, the government has made numerous efforts to help the *Bumiputra* engage in the manufacturing sector. The first of such efforts was the creation of the *Bumiputra* Commercial and Industrial Community (BCIC). Through BCIC the government has allocated more contracts, quotas and licenses to *Bumiputra* businesses and joint ventures. In addition, government agencies, such as Majlis Amanah Rakyat (MARA), Perbadanan Nasional Berhad (PERNAS) and the State Economic Development Corporations (SEDCs) were actively involved in setting up commercial enterprises to assist the *Bumiputra*. Other

efforts included the provision of education and training scholarships, credit facilities and advisory assistance. These measures have led to an increase in the number of establishments owned and operated by *Bumiputra* and the creation of a new pool of *Bumiputra* entrepreneurs, especially the Malays. However, relative to the Chinese communities, the *Bumiputra* share is still small, particularly in the manufacturing sector.

Table 8.1

Breakdown of Respondents by Race

Race	No.	%
Bumiputra	25	36.0
Chinese	31	45.0
Indian	4	6.0
Others	9	13.0
Total	69	100.0

**8.2.2 The Respondents’ Religion**

The respondents were asked to state their religion. Our survey reveals that (25) 36% are Muslim, (18) 26% Buddhist, (17) 25% Christian, (5) 7% Hindu and (4) 6% “Other” (Table 8.2). This study also revealed that all *Bumiputra* are of the Muslim faith, which probably means that they are all Malays. Being Malay, their religion, by birth, is Islam. Buddhism, on the other hand, is largely identified with the Chinese, and in this study about 26% of respondents are Buddhist while 19% are Christian. All the Indians in this study are Hindu.

Table 8.2

## Breakdown of Respondents by Religion

<b>Religion</b>	<b>No.</b>	<b>%</b>
Islam	25	36.0
Christian	17	25.0
Buddhism	18	26.0
Hinduism	5	7.0
Others	4	6.0
Total	69	100.0

**8.2.3 The Respondents' Age**

The respondents were asked to state their age. As seen in Table 8.3, the majority of the respondents (42) 60.8% in this research are relatively young, i.e. between the age of 30-45. Out of 42 respondents within the 30-45 year old age bracket, (35) 50.7% are aged between 36-45 years old. The respondents in the 46-55 year old age bracket are (26) 37.7%. On the contrary, only about (1) 1.4% of the respondents are older than 55.

Table 8.3

## Breakdown of Respondents by Age Group

<b>Age Group</b>	<b>No.</b>	<b>%</b>
30-35 years	7	10.1
36-45 years	35	50.7
46-55 years	26	37.7
Above 55 years	1	1.4
Total	69	100.0

#### 8.2.4 The Respondents' Level of Education

The respondents were asked to indicate their level of education. Our findings show that (59) 85.5% of the respondents have completed either a college or university education, while (10) 14.5% indicated that they have completed their secondary education. Those with a university degree are substantially higher, i.e. (48) 69.6% (Table 8.4). This suggests that the majority of the respondents are well-educated compared to the rest of the population. This is not surprising, firstly, because they are the key personnel in their respective organisations, and secondly, because in Malaysia, it is quite common for key personnel to be well-educated, as this has been the trend for many years.

Table 8.4

Breakdown of Respondents by Educational Background

<b>Educational Background</b>	<b>No.</b>	<b>%</b>
Completed secondary education	10	14.5
Completed technical/commercial College education	11	15.9
Completed university education	48	69.6
Total	69	100.0

The respondents were also asked to indicate whether they have undertaken any postgraduate training/education. Table 8.5 shows that out of the 48 respondents who have completed a university degree, (24) 50% indicated that they have completed a postgraduate degree. In terms of their postgraduate qualifications, our findings reveal that of the 24 respondents who said that they have completed postgraduate degree, (14) 58.3% stated that they have undertaken postgraduate training in the field of management, i.e. a Masters in Business Administration (MBA); (2) 8.3% stated that they have both an MBA and a Ph.D.; (1) 4.2% indicated that they have a postgraduate degree in science (MSc); and (7) 29.2%

said that they have a different postgraduate degree with specialisation in finance, accounting or law.

Table 8.5

Breakdown of Respondents' Type of Postgraduate Degree

Type of Degree	No.	%
MBA	14	58.3
M.Sc.	1	4.2
MBA & Ph.D.	2	8.3
Others	7	29.2
Total	24	100.0

In terms of place of study, of the 48 respondents who completed a university education, 48% received their tertiary education in Western institutions. This conforms to a tradition in Malaysia, whereby many people study outside the country, and particularly at Western institutions. In fact, with the exception of Mahathir, all the former Prime Ministers studied at Western institutions, and especially in the UK. The remaining respondents stated that they have studied either in local institutions (39.6%), or in Japan and Korea (8.3%), or in Singapore and India (4.1%). Based on these findings, one of the issues that we want to examine in the latter part of the discussion is whether or not the respondents' place of study and the educational system that they have received influenced their preference regarding management style.

### 8.2.5 The Respondents' Knowledge of Japanese Language and Visits to Japan

The respondents were asked to indicate whether they could speak, read or write in Japanese. Our findings reveal that of the 69 respondents who participated in our study,

only 6% can speak Japanese, while only 4% can read and write in it. With regard to whether or not they have visited Japan, our findings show that of the 69 respondents, (29) 42% said that they have visited the country. As to the purpose of visit, of the 29 respondents, more than 50% stated that they went there for business purposes, while only 3% mentioned that they went for the purpose of obtaining qualifications (Table 8.6). Regarding their stay in Japan, of the 29 respondents who stated that they have visited Japan, more than one-third (42%) said they stayed there between 1 and 4 weeks. This is not entirely surprising given the fact that, as indicated earlier, the majority of them went to Japan for business purposes and normally each trip seldom lasts for more than a month. On the contrary, only about 7% of our respondents indicated that they stayed in Japan for more than 25 weeks and this would account for the relatively small number of our respondents who said they went there for the purpose of obtaining qualifications. The fact that our findings show that about 7% of the respondents stated that they stayed in Japan for more than 25 weeks could also suggest that they are Japanese nationals who have participated in this study.

Table 8.6

Visits to Japan

<b>Purpose of Visit</b>	<b>No.</b>	<b>%</b>
Business trip	15	52.0
Undergoing training/work attachment	5	17.0
Attending conference/ seminar	4	14.0
Holiday	4	14.0
Obtaining qualifications	1	3.0
Total	29	100.0

### **8.3 The Characteristics of the Respondents' Firms**

This section presents the characteristics of the firms of the respondents who participated in this study. The two main characteristics discussed here are (i) the ownership of the firms; and (ii) the size of the firms (number of employees).

#### **8.3.1 The Ownership of the Firms**

The respondents were asked to give details of both the ownership and the activities of their firms. Table 8.7 shows that the majority of the respondents' firms that participated in our study are locally-owned. In contrast, of the 17.4% of the firms that are classified as joint ventures, only (2) 2.9% are British joint ventures. This suggests that locally-owned firms dominate this study. This reflects the fact that a large number of foreign-owned firms and joint ventures did not want to participate in our study. Upon investigation, one of the reasons why they failed to return our survey questionnaire was that their managing directors were not available at the time this study was conducted. In terms of business activity, locally-owned firms' activities vary from timber production, to electrical and electronics, to steel manufacturing, while both the Japanese and American joint ventures are in electrical and electronics products, which could indicate that the Malaysian government has paid greater attention to the development of the electrical and electronics industries. On the other hand, the business activities of the British joint ventures revolve around consumer products, while the respondents' firms that fall under "others" category are concerned with food-processing and various types of consumer products.



Table 8.7

## Ownership of Firms

Ownership	No.	%
Locally-owned	44	63.8
JV with Japanese	6	8.7
JV with British	2	2.9
JV with American	4	5.8
Others	13	18.8
Total	69	100.0

### 8.3.2 The Size of Respondents' Firms by the Number of Employees

The respondents were also asked to indicate the number of employees with the firm. Our survey reveals two interesting findings. The first is that almost the same number of the respondents' firms employed 100 or fewer as employed 500 or more workers. The other interesting finding is that only 2.9% of our respondents' firms employed more than 400 but fewer than 500 employees (Table 8.8).

In terms of the number of workers employed by locally-owned firms, of the 44 firms that are classified as such, 50% employed fewer than 100 employees; 9.1% employed more than 100 but fewer than 200 employees; 4.5% employed more than 200 but fewer than 300 employees; 9.1% employed more than 300 but fewer than 400 employees; 2.3% employed more than 400 but fewer than 500 employees; and 25% employed more than 500 employees. The findings show that the majority of locally-owned firms employed not more than 100 employees. An explanation for this might be that the Malaysian government has encouraged the development of small and medium-sized industries (SMIs). For example, under the Sixth Malaysian Plan (1990-95), the government allocated

RM54.9 million for this purpose and the money was channelled to the Malaysian Industrial Estates Sdn Bhd (MIEL) to implement the SMI infrastructure development programme and to help boost the development of the SMIs (MITI, 1998).

Pertaining to the joint ventures, the majority of the Japanese joint ventures (67%) employed more than 500 employees; half (50%) of the American joint ventures employed more than 300 but fewer than 400 employees; and half (50%) of the British joint ventures employed more than 400 but fewer than 500 employees, while another half (50%) employed more than 500 employees. One interesting finding from this study is that joint ventures employed a larger number of employees compared to locally-owned firms.

Table 8.8

Number of Employees Employed by Firms

Number of Employees	No.	%
100 employees or less	25	36.2
More than 100 but less than 200	7	10.1
More than 200 but less than 300	4	5.8
More than 300 but less than 400	7	10.1
More than 400 but less than 500	2	2.9
More than 500	24	34.8
Total	69	100.0

#### 8.4 The Look East Policy (LEP)

This section presents the findings from the research into the Look East Policy (LEP). In this section the respondents were asked whether they have heard of the LEP, and if so, what do they know about it. The respondents were also asked whether they believed that the LEP has resulted in changes in attitudes and behaviour among their employees.

Finally, the respondents were asked whether they believe the policy has had any effect on their firms, particularly in encouraging them to adopt the Japanese management techniques and work ethic.

#### 8.4.1 Respondents' Awareness and Knowledge of the Look East Policy

The survey findings show that of the 69 respondents who participated in this study, (67) 97% said that they had heard of the LEP, while only (2) 3% said that they had not. Of the 67 respondents, (50) 74% indicated that they knew what the policy was all about, while (17) 26% said that they knew nothing about the policy. A larger number of respondents who said that they knew about the LEP suggest that they are aware of what the Malaysian government has been trying to promote through its LEP. Looking at Table 8.9, it seems that the majority of the respondents who said they knew about the LEP, and those who indicated that they did not know anything about such policy, are local managing directors. This, however, is not entirely surprising because of the fact that a high proportion of the respondents are Malaysian.

Table 8.9

Respondents' Awareness of the Look East Policy

<b>Nationality</b>	<b>Knew about the LEP</b>	<b>Did not know about the LEP</b>
Malaysians	45	15
Japanese	4	1
American	-	1
British	1	-
Total	50	17

The respondents were also asked to state their opinions pertaining to the LEP. Of the 69 respondents, 56.6% stated that the LEP is just a “window-dressing” policy; 26.1% said that it is the kind of policy that they need; 7.2 % stated that it is not the kind of policy they need; and 4.3% indicated that the policy favours only the Japanese and Koreans. The remaining 5.8% of the respondents have expressed different opinions pertaining to the LEP, for example, that it is politically motivated and that it is nothing more than a political strategy to strengthen the Mahathir administration. From these responses, one may presume that there are more people who think that the policy is not really intended to promote the Japanese management techniques but is rather a form of political rhetoric.

#### **8.4.2 Respondents’ Opinions as to whether the Look East Policy has Resulted in Changes in Attitudes and Behaviour**

The respondents were asked to state their opinions as to whether the LEP has resulted in changes in attitudes and behaviour in terms of loyalty and hard work among their employees. Our findings show that of the 69 respondents, (29) 42.0% stated that they do not agree that the LEP has resulted in changes in attitudes and behaviour in terms of loyalty and hard work among their employees. The others (26) 37.7% indicated that they neither agree nor disagree, while the remaining (14) 20.3% stated that they agree that the LEP has made their employees more hard-working and loyal (Table 8.10). There could be two main reasons why there is a higher percentage of respondents who stated that they “do not agree”. The first reason could be because the government has popularised the policy among the public sector rather than the private sector (see Yasin, 1990), while the other reason could be because the majority of the respondents believe that the LEP is just a “window-dressing” policy.

Table 8.10

Breakdown of Respondents' Opinions Pertaining to Whether the LEP has Resulted in Changes in Attitudes and Behaviour in Terms of Loyalty and Hard Work among their Employees

Response category	No.	%
Yes, I agree	14	20.3
No, I don't agree	29	42.0
Neither agree nor disagree	26	37.7
Total	69	100.0

#### 8.4.3 Opinion Pertaining to the Look East Policy's Effect on Manufacturing Firms

The respondents were asked to state their opinions pertaining to the LEP's effect on their organisations. Table 8.11 shows that more than half (42) 60.9% of the respondents (mainly Malaysian, American and British) stated that the policy has had no effect on their firms in terms of encouraging the transfer of the Japanese management techniques. On the other hand, (8) 11.6% of the respondents (mainly Japanese) indicated that the policy has made it easier to implement the Japanese model of management in their firms (see Appendix 8.1). This suggests that the respondents who are of Japanese nationality are more likely to claim that the LEP has had some effect on them, while the respondents of other nationalities seem to say the LEP did not affect them at all.

As illustrated in Table 8.11, although we cannot deny that the LEP has had some effect on some firms, looking at the higher percentage of the respondents (60.9%) who said that the policy has had no effect on their organisations in terms of encouraging the transfer of Japanese management techniques, it could be argued that the government has not been very successful in this area. Perhaps there could be a number of actions that the government

could have taken to ensure that its policy worked. This will be discussed in more detail in Chapter 9.

Table 8.11

Breakdown of the Effect the LEP has had on Manufacturing Companies in Malaysia

Effect of the LEP	No. <sup>1</sup>	%
Facilitated business deals between the Japanese and the Koreans	14	20.3
Helped to promote our firm and its product in Malaysia and in the international market	2	2.9
Facilitated the implementation of the Japanese model of management in our firm	8	11.6
Helped our firm to acquire technological know-how from Japan	10	14.5
The policy has had no effect on our firm in terms of encouraging the transfer of the Japanese model of management	42	60.9

Note: <sup>1</sup> Since the multiple answer system is used in the questionnaire, total answers are more than the number of respondents.

## 8.5 The Japanese Model of Management or Japanese Management Techniques

This section reports the findings on the respondents' familiarity with the Japanese model of management or Japanese management techniques; the source of acquiring their knowledge; their comments; and the possibility of implementing the techniques.

### 8.5.1 Familiarity with the Elements of the Japanese Model of Management

The respondents were asked to indicate their degree of familiarity with the elements of the Japanese model of management. Our findings reveal that the majority of the respondents are familiar with practices such as quality control circles, total quality control, on-the-job training and suggestion systems, while a relatively small number of them are familiar with the *ringgi* system and in-house unionism (Table 8.12). These results suggest that most of

our respondents seem to be familiar with the Japanese management techniques that are considered easy to implement and/or low-cost practices, and that have been widely-adopted by firms in other countries, particularly Western firms. This also suggests that the respondents' familiarity with these techniques could be due to the fact that they have been influenced by the multinational companies in Malaysia that have adopted these techniques.

Table 8.12

Breakdown of Respondents' Familiarity with Elements of JMM

Elements of JMM	No. <sup>1</sup>	%
Lifetime employment	31	44.9
Seniority-wage system	24	34.8
Seniority-promotion system	25	36.2
Quality control circles	43	62.3
Total quality control	41	59.4
Job-rotation	31	44.9
On-the-job training (OJT)	40	58.0
Just-in-time (JIT)	32	46.4
Suggestion systems	41	59.4
Open office system	32	46.4
Group responsibility	34	49.3
Loyalty to company	39	56.5
Paternal leadership style	30	43.5
<i>Ringgi</i> system	9	13.0
Hiring of fresh graduates	19	27.5
In-house unionism	17	24.6

Note: <sup>1</sup> Since the multiple answer system is used in the questionnaire, total answers are more than the number of respondents.

### **8.5.2 Source of Knowledge of the Japanese Model of Management**

The respondents were also asked to indicate the sources of their knowledge of the elements of the Japanese model of management with which they were familiar. Among the most popular sources of knowledge are books and journals, while the least popular is from the Look East Policy (Table 8.13). These responses suggest two interesting points. The first is that the majority of our respondents have not had the opportunity to attend industrial training with Japanese firms in Japan. The other point is that, clearly, the LEP is not a major source of knowledge of the Japanese management techniques. However, it is important to note that although this might be the case, the LEP might have some indirect effect. For example, the policy has influenced the organisation of workshops and seminars on Japanese management techniques through which, as some respondents claimed, knowledge of the JMM has been disseminated. It could also be argued that partly because of the LEP, some respondents have been to Japan for industrial training. Clearly, this can be considered as one of the indirect effects of the policy.



Table 8.13

## Breakdown of the Sources of Knowledge of JMM

Source of Knowledge	% <sup>1</sup>
From workshop/seminar/course	34.7
From supervisor/mentor/colleagues	9.5
From previous employer	29.9
From attachment/industrial training in Japanese firms in Japan	11.4
From books/journals	88.0
From workshop/attachment/books	7.1
From the Look East Policy	5.9
From other sources	13.7

Note: <sup>1</sup> The multiple answer method is used in the questionnaire.

### 8.5.3 Respondents' Comments Pertaining to the Japanese Model of Management

The respondents were asked to state their comments pertaining to the elements of the Japanese model of management with which they claimed to be familiar. Table 8.14 shows three categories of responses. First, it shows that the majority of the respondents said that they would recommend certain techniques such as on-the-job training, total quality control, quality control circles, suggestion systems, group responsibility and job rotation. Second, it reveals that a large percentage of the respondents would not recommend other practices such as seniority-wage and promotion systems and lifetime employment. Finally, it highlights that the majority of our respondents have no comment regarding practices such as the *ringgi* system, the hiring of fresh graduates and in-house unionism. Based on these responses, one may say that the respondents in this study are more likely to recommend techniques that are considered low-cost or easy to implement, while the ones which are expensive or difficult to implement are less likely to be recommended.

Table 8.14

Breakdown of Respondents' Comments Regarding the JMM  
(N = 68), Missing Cases = 1

<b>Elements of JMM</b>	<b>Would Recommend (%)</b>	<b>Would not Recommend (%)</b>	<b>No Comment (%)</b>
Lifetime employment	22.1	50.0	27.9
Seniority-wage system	7.4	66.2	26.4
Seniority-promotion	7.4	61.8	30.8
Quality control circle	80.9	2.9	16.2
Total quality control	82.4	1.5	16.1
Job-rotation	66.2	1.5	32.3
On-the-job training (OJT)	82.4	-	17.6
Just-in-time (JIT)	47.1	7.4	45.5
Suggestion systems	70.6	2.9	26.5
Open office system	38.2	5.9	55.9
Group responsibility	67.6	1.5	30.9
Loyalty to company	61.8	4.4	33.8
Paternal leadership style	20.6	11.8	67.6
Ringgi system	5.9	11.9	82.2
Hiring of fresh graduates	23.5	2.9	73.6
In-house unionism	14.7	10.3	75.0

#### **8.5.4 The Possibility of Implementing the JMM and the Reasons for its Implementation**

Having enquired into their familiarity with and comments pertaining to the JMM, the respondents were then asked whether the JMM has been implemented in their respective organisations, and if so, what were the reasons for implementing it. The survey findings show that of the 69 respondents who participated in the survey, (32) 46.4% stated that

some elements of the JMM have been implemented in their firms, while (37) 53.6% stated that no element of the JMM has been implemented in their firms.

The important question here is which category of firm is more likely to implement Japanese management techniques? Looking at Table 8.15, it is obvious that the Japanese joint ventures are more likely, i.e. 5 or 83% out of 6, to implement Japanese management techniques when compared to firms owned by other nationalities, including Malaysian ones. But this is not entirely surprising given the fact that a Japanese national heads almost all of the Japanese joint ventures that have participated in our study. In fact, our findings are consistent with an earlier study by Imaoka (1985) which states that Japanese top executives seem to consciously apply the Japanese style of management to their Malaysian subsidiaries or joint ventures within the sphere of their authority.

Table 8.15

Implementation of JMM by Respondents' Firms

Types of Ownership	Implementing		Not Implementing		Total No.
	No.	%	No.	%	
Locally-owned Firms	25	56.0	19	44.0	44
Joint venture with Japanese	5	83.0	1	17.0	6
Joint venture with British	-	-	2	100.0	2
Joint venture with American	1	25.0	3	75.0	4
Others	3	23.0	10	77.0	13
Total	32		37		69

The breakdown of reasons for implementing the JMM is shown in Table 8.16, which illustrates that out of 32 respondents who said that they have implemented some elements of the JMM, (14) 43.7% stated that they were implemented in their firms because they are considered less expensive and could be implemented piecemeal; (6) 18.8% stated that they were implemented in their firms because of economic consideration; (7) 21.9% said that it was because of management's response to specific problems; and (2) 6.3% indicated that there were other reasons, including: (i) the fact that some elements of the JMM are practical to use; and (ii) such elements do not conflict with the local cultural, traditional and religious beliefs. On the contrary, only (3) 9.3% of the respondents stated that some elements of the JMM were implemented in their firms because of the LEP. These responses suggest that the direct effect of the LEP is minimal. However, despite this, one may argue that the LEP has had some indirect effect. For example, some respondents said that they have implemented certain elements of the JMM because of economic considerations (in fact, the economic impact of the LEP as discussed earlier has been strongly emphasised by the Malaysian government).

Table 8.16

Breakdown of Reasons for Implementing the  
Japanese Model of Management (JMM)

<b>Reasons</b>	<b>No.</b>	<b>%</b>
Because of the Look East Policy	3	9.3
Because they are less expensive and can be implemented piecemeal	14	43.7
Because of economic considerations	6	18.8
Because of management's response to specific problems	7	21.9
Other	2	6.3
Total	32	100.0

## **8.6 Respondents who said they have Implemented the JMM**

This section reports the findings from research into which elements of the JMM are said to have been implemented by 32 respondents. It also reports the problems and the nature of the problems that these respondents faced while trying to implement the JMM.

### **8.6.1 Elements of the JMM that are Said to have been Implemented by Respondents**

The respondents were asked to indicate which elements of the JMM have been implemented in their firms. Of the 32 respondents, the majority stated that they have implemented certain techniques such as quality control circles, on-the-job training, suggestion systems and total quality control. On the other hand, a substantially large percentage of the same respondents indicated that they have not implemented certain practices such as in-house unionism, the *ringgi* system, lifetime employment and seniority-wage and promotion systems (Table 8.17).

On the whole, the survey results show that the elements that the respondents have rated highly and have said that they would recommend have been implemented in their respective organisations. On the other hand, the elements that they believe are not practical or are less transferable have been rated lower and, consequently, have not been implemented by the majority of our respondents. This finding is consistent with that of Abdullah (1995), who found that most of the Malaysian firms in his study have favoured certain practices, such as QCCs, TQC, suggestion systems and job-rotation more highly and as a result, have implemented them.

Table 8.17

Breakdown of the Elements of JMM that have  
been Implemented by Respondents  
(N = 32)<sup>1</sup>

Elements of JMM	Yes (%)	No (%)
Lifetime employment	9.4	90.6
Seniority-wage system	9.4	90.6
Seniority-promotion system	9.4	90.6
Quality control circles	87.5	12.5
Total quality control	75.0	25.0
Job-rotation	59.4	40.6
On-the-job training (OJT)	87.5	12.5
Just-in-time (JIT)	34.4	65.6
Suggestion systems	84.4	15.6
Open office system	56.3	43.7
Group responsibility	68.8	31.2
Loyalty to company	59.4	40.6
Paternal leadership style	21.9	78.1
Ringgi system	9.4	90.6
Hiring of fresh graduates	18.8	81.2
In-house unionism	3.1	96.9

Note: <sup>1</sup> Since the multiple answer system is used in the questionnaire, total answers (%) are more than the number of respondents.

### 8.6.2 The Problem and the Nature of Problem Faced by Respondents

The survey findings reveal that out of 32 respondents, 78.3% said that they have faced some problems in the implementation of the JMM. The nature of the problems vary among respondents (Table 8.18). There are two interesting points emerging from this table. One is that a large number of our respondents state that their workers prefer the existing management practices. The other interesting point is that more than 70% of our

respondents indicate that certain elements of the JMM are not compatible with their workers' cultural and religious beliefs. These responses suggest that not only are the majority of workers in Malaysia comfortable with the existing management practices, but, at the same time, they seem to avoid new practices that they believe conflict with their cultural and religious beliefs. The higher percentage of respondents who state that some elements of the JMM are not compatible with their workers' cultural and religious beliefs may further suggest that these elements are deeply embedded in the Japanese culture and, as a result, are difficult to transfer to the manufacturing firms in Malaysia.

Table 8.18

Breakdown of the Nature of Problems

Nature of problems	No.	% <sup>1</sup>
Workers' preference for existing management practices	12	48.0
Resistance or impact of Western-educated managers	5	20.0
Lack of commitment from top management	4	16.0
Some elements of the JMM are not compatible with workers' cultural and religious beliefs	18	72.0
Other problems	2	8.0

Note: <sup>1</sup> Since the multiple answer system is used in the questionnaire, total answers (%) are more than the number of respondents.

### **8.7 Respondents who have Indicated that they have not Implemented any Elements of the JMM**

This section presents the findings from our 37 respondents who have indicated that they have not implemented any elements of the JMM at all. Unlike the 32 respondents mentioned earlier, these are the respondents that did not tick any elements of the JMM when they are asked to do so in the survey questionnaire. However, when they were asked

whether they believed some elements of the JMM could be implemented in their firms, the majority of them said that in their opinion, it could be possible to do so. The discussions in this section are presented in the following sequence:-

- (i) The respondents who believed that some elements of the JMM could be implemented in their firms;
- (ii) The elements the respondents believed could be implemented in their firms;
- (iii) The reasons why the respondents believed these elements could be implemented in their firms; and
- (iv) The elements of the JMM the respondents believed could not be implemented in their firms

#### **8.7.1 The Respondents who Believed that some Elements of the JMM could be Implemented in their Firms**

The respondents were asked whether the JMM could be implemented in their firms (as mentioned earlier, these are the 37 respondents that did not tick any elements of Japanese management techniques at all). The research findings, as shown in Table 8.19, reveal that of the 37 respondents, (26) 70.3% indicated that they believed that some elements of the JMM could be implemented in their firms, while (11) 29.7% said that they did not believe so. One interesting point revealed here is that of the 26 respondents, 65.4% indicated earlier that they are quite familiar, and indeed, have some knowledge of the JMM, and this may underpin their belief that some elements of the JMM could be implemented in their firms. More detailed discussions are presented in sub-section 8.7.3.



Table 8.19

Breakdown of Respondents' Opinion on Whether JMM could be Implemented

<b>Implementing JMM</b>	<b>No.</b>	<b>%</b>
No elements can be Implemented	11	29.7
Yes, but only some elements can be implemented	26	70.3
Total	37	100.0

**8.7.2 The Elements of the JMM that the Respondents Believed could be Implemented in their Firms**

The respondents were asked to indicate which elements of the JMM they believed could be implemented in their firms. Our findings reveal that the majority of the respondents indicated that they believed they could implement practices such as quality control circles, total quality control, on-the-job training, suggestion systems, loyalty to company and group responsibility. On the other hand, the majority of the same respondents did not believe that they could implement techniques such as lifetime employment, seniority promotion system, paternal leadership style, seniority-wage system and the hiring of fresh graduates. Moreover, none of them believed that they could implement the *ringgi* system (Table 8.20).

Table 8.20

Breakdown of the Elements of JMM that the Respondents Believed could be Implemented  
(N = 26)

Elements of JMM	Yes (%)	No (%)
Lifetime employment	3.8	96.2
Seniority-wage system	7.7	92.3
Seniority-promotion system	3.8	96.2
Quality control circles	76.9	23.1
Total quality control	76.9	23.1
Job-rotation	42.3	57.7
On-the-job training (OJT)	61.5	38.5
Just-in-time (JIT)	30.8	69.2
Suggestion systems	61.5	38.5
Open office system	42.3	57.7
Group responsibility	57.7	42.3
Loyalty to company	61.5	38.5
Paternal leadership style	3.8	96.2
Ringgi system	-	100.0
Hiring of fresh graduates	7.7	92.3
Others	-	100.0

Over all, the above findings show that the elements adopted by the 32 respondents (respondents who said that they have implemented some elements of the JMM) are also highly-favoured by the 26 respondents who believe that some elements of the JMM could be implemented in their firms, although they did not indicate that they have actually done

so. This suggests that there are no significant differences between these 2 groups of respondents<sup>2</sup> with regard to which elements they favoured.

### **8.7.3 The Reasons why the Respondents Believe that some Elements of the JMM could be Implemented in their Firms**

The respondents were asked to state the reasons why they believe some elements of the JMM (as already shown in Table 8.20) could be implemented in their firms, although they have not done so. Table 8.21 shows the breakdown of their reasons, and illustrates that 23 out of the 26 respondents believe that some elements of the JMM could be implemented because they do not conflict with their workers' cultural, traditional and religious beliefs. This table also shows that the majority of the same respondents stated that they could implement some elements of the JMM because they are practical to use, and moreover, they believe that both their management and workers also accept these elements. Based on these responses, it is obvious that the Japanese management techniques that the respondents believe could be implemented in their firms are the easy to implement and useful ones and those that are more likely to be accepted by most of their workers.

Although in the beginning we expected that some respondents would mention the Look East Policy as one of the main reasons why they believe that some elements of the JMM could be implemented in their firms, clearly that is not the case here. In fact, looking at the responses given in "other reasons", none of the 26 respondents have mentioned the LEP as

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<sup>2</sup> One group consists of 32 respondents who have actually implemented the JMM, while the other group is made up of 26 respondents who have not implemented the JMM but believe it could be implemented in their firms.

one of the reasons. We believe that this is another interesting point to discuss in the analysis of the survey findings (Chapter 9).

Table 8.21

Breakdown of Reasons why the Respondents Believe that some Elements of the JMM could be Implemented

Reasons	No.	%
They can be easily adapted into the existing system	12	46.2
They are practical to use and easy to implement	22	84.6
They do not conflict with the cultural, traditional and religious beliefs of the majority of the workers	23	88.5
They are readily accepted by both management and workers	22	84.6
Other reasons	2	7.7

#### 8.7.4 The Elements of the JMM that the Respondents Believe could not be Implemented in their Firms

The respondents were asked to state which elements of the JMM they believe could not be implemented in their firms and the reasons why they believe this. Our findings reveal that all 26 respondents believe that they could not implement the *ringgi* system, while more than 90% believe that they could not implement lifetime employment, seniority-based wage and promotion systems, paternal leadership style and the hiring of fresh graduates (see Table 8.20 on previous page). These responses show that there are, indeed, no significant differences between the two groups of respondents in terms of which elements of the JMM they believe they could not implement.

With regard to the reasons, of the 26 respondents<sup>3</sup>, 85% stated that their existing management system is not compatible with certain practices such as the *ringgi* system and just-in-time; 58% indicated that they are keen to promote employees based on merit and performance rather than on a seniority-based system; 88% mentioned that their employees value job-mobility more than lifetime employment; and 55% indicated that they have insufficient financial resources to train new recruits if they are to hire fresh graduates.

## **8.8 Trade Union**

This section presents the findings pertaining to the 23 respondents who said that they recognised trade union, the type of trade union they said they chose to recognise and the reason for recognising a particular trade union.

### **8.8.1 Respondents' Recognition of Trade Union**

The respondents were asked whether or not they recognised trade union and, if so, the type of trade union they chose to recognise. Of the 69 respondents that participated in the survey, a little over 33% (23) said that they recognised trade unions, and about 66% (46) mentioned that they do not recognise trade unions. Out of 23 respondents, (13) 56% indicated that they recognised industry-wide union, while (10) 44% stated that they recognised in-house union. Our findings show that none of the 23 respondents indicated that they recognise craft union, perhaps because craft union is not recognised in Malaysia.

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<sup>3</sup> Since the multiple answer system is used, total answers (%) are more than the number of respondents.

### 8.8.2 Respondents' Reasons for Recognising a Particular Union

The respondents were asked to state the reasons why they chose to recognise industry-wide union. The two main reasons that the majority of the respondents have given are: (i) most firms in Malaysia recognise this type of union, and so they follow it; and (ii) it is the trade union policy that they should recognise this type of union (Table 8.22). The reasons indicated by the respondents suggest that they are more likely to follow what their counterparts do and are more likely to abide by the trade union policy.

Table 8.22

Breakdown of Respondents' Reasons for Choosing to Recognise Industry-wide Union

Reasons	No.	%
Most firms in Malaysia recognise this type of union, so we followed	6	46.2
Management and employees favour this type of union	1	7.7
It is the trade union policy that we should recognise this type of union	5	38.5
We recognise this type of union because we follow what the government has instructed us to do	1	7.7
Total	13	100.0

The respondents' reasons for choosing to recognise in-house union differ from those given by respondents who chose to recognise industry-wide union. Of the 10 respondents who said that they have chosen to recognise in-house union, (5) 50.0% have stated the fact that management and employees favour in-house union as the main reason why they have chosen to recognise it; (3) 30.0% stated that the reason is because of trade union policy; and (2) 20.0% mentioned other reasons. Based on the survey findings, none of the

respondents specifically mentioned that their recognition of in-house union is a result of being directly influenced by the Look East Policy.

## **8.9 Transferability of the Japanese Model of Management (JMM)**

This section presents the findings on the following issues: (i) respondents' opinions pertaining to the transferability of the JMM to Malaysia; (ii) the reasons why the respondents believe that only some elements of the JMM could be transferred to Malaysia; (iii) respondents' opinions regarding the willingness of the Japanese to transfer their technological know-how and expertise to the Malaysians; and (iv) respondents' opinions as to whether the LEP has been effective or successful in encouraging management in Malaysia, particularly in the manufacturing firms in this study, to adopt Japanese management techniques and work ethic.

### **8.9.1 Respondents' Opinions Pertaining to the Transferability of the JMM**

The respondents were asked to state their opinions pertaining to the transferability of the JMM to Malaysia. In Table 8.23, the responses are broken down into three categories: (i) all elements; (ii) only some elements; and (iii) no elements. Looking at the responses, it is clear that the majority of our respondents are of the opinion that only certain elements of the JMM can be transferred to Malaysia. However, before such elements can be used or implemented in their respective organisations, they have to be modified to suit the Malaysian environment. This suggests that the Japanese management techniques that have been adopted by firms in Malaysia are of a hybrid type.

Table 8.23

**Breakdown of the Respondents' Opinions on the Transferability of the JMM**

<b>Transferability of the JMM</b>	<b>No.</b>	<b>%</b>
All elements can be transferred in their pure form	2	2.9
Only some or certain elements can be transferred but have to be modified to suit the local environment	64	92.8
No elements can be transferred either in a pure or a modified form	3	4.3
Total	69	100.0

**8.9.2 The Reasons why the Respondents Believe that only some or certain Elements of the JMM could be Transferred to Malaysia**

The respondents were then asked to state the reasons why they believe that only some or certain elements of the JMM could be transferred to Malaysia. The major point emerging from this question is that more than two-thirds or 79.7% of the respondents believe that only certain elements of the JMM could be transferred to Malaysia because of the fact that some Japanese practices are culture-bound, and therefore are not compatible with local cultural, traditional and religious beliefs. The other important point is that most of our respondents seem to agree that only certain elements of the JMM are easy to adopt and practical in use. Besides these two major reasons, most of the respondents seem to agree that only some Japanese practices could be transferred because of the fact that not only are Malaysia and Japan at different stages of technological development, but also many firms in Malaysia have been structured according to the Western style of management (Table 8.24).

Based on our findings, it is believed that it would not be possible to transfer all the elements of the JMM, and in particular the culture-bound policies or ideas, to a



heterogeneous society like Malaysia, not only because Malaysia has different cultural and religious beliefs compared to Japan, but also, clearly, the majority of the firms and workers in Malaysia have operated alongside the Western style of management, and therefore it might be difficult to change their hearts and minds to accept Japanese practices and ideology.

Table 8.24

The Reasons why the Respondents Believe that only some or certain Elements of the JMM can be Transferred to Malaysia

Reasons	No.	% <sup>1</sup>
Malaysia and Japan are at different stages of technological development	42	60.9
Many firms have been structured according to the Western style of management	42	60.9
The top management in many firms are Western-trained and therefore are not in favour of all the elements of the JMM	37	53.6
Not all workers are in favour of all the elements of the JMM	45	65.2
Trade unions in many firms do not favour some elements of the JMM	12	17.4
Some elements of the JMM are culture-bound and are not compatible with local cultural, traditional and religious beliefs	55	79.7
Some elements of the JMM bring more problems than benefits	18	26.1
Only some elements of the JMM are practical to use and easy to implement	45	65.2

Note: <sup>1</sup> Since the multiple answer system is used in the questionnaire, total answers (%) are more than the number of respondents.

### 8.9.3 Respondents' Opinions Pertaining to the Japanese Willingness to Transfer their Technological Know-how and Expertise to the Malaysians

The respondents were asked to state their opinions pertaining to the Japanese willingness to transfer their technological know-how and expertise to the Malaysians. Our findings reveal that of the 69 respondents, (31) 44.9% thought that only some Japanese are willing to

transfer their technological know-how and expertise to the Malaysians, while others teach only what the Malaysians already know. The other (29) 42% are of the opinion that the Japanese are not willing to transfer their technological know-how and expertise to the Malaysians at all. On the contrary, only (9) 13% of our respondents thought that the Japanese are willing to transfer their expertise to the Malaysians.

There are a number of interesting points that have emerged from our findings. One, is that of the 29 respondents who said that the Japanese are not willing to transfer their technological know-how and expertise to the Malaysians, the majority are local managing directors. The next interesting point is that 5 out of the 9 respondents who thought the Japanese are willing to transfer their technology and expertise to the Malaysians are of Japanese nationality (Table 8.25). These responses show that the respondents who are of Malaysian nationality tend to believe that the Japanese are not willing to transfer their technology and skills to the Malaysians, while the respondents who are of Japanese nationality tend to think that the Japanese are willing to do so. Our finding is consistent with an earlier study by Yasin (1990) whose research suggests that most of the Japanese are not willing to transfer their technological know-how and expertise to the Malaysians. A possible explanation for this could be because the Japanese are looking for markets, prefer to take advantage of the investment benefits given to them under the auspices of the Look East Policy rather than transferring their technology and expertise to the Malaysians. After all, as explained in Chapter 5, there is nothing written into any of the contracts of the Japanese companies to indicate that there must be a transfer of technology and that Malaysian personnel must be formally trained.

Table 8.25 -

## The Breakdown of the Respondents' Opinion based on Nationalities

<b>Nationality</b>	<b>No, they are not willing to transfer</b>	<b>Only some are willing to transfer</b>	<b>Yes, they are willing to transfer</b>
Malaysians	28	29	3
British	1	1	-
American	-	1	1
Japanese	-	-	5
Total	29	31	9

#### **8.9.4 Respondents' Opinions Regarding the Success of the LEP in Encouraging the Adoption of the Japanese Management Techniques and Work Ethic.**

With regard to this question, our findings reveal that of the 69 respondents, (45) 65.2% thought that the LEP has not been very effective or successful in encouraging management in Malaysia, particularly in this study, to adopt the Japanese management techniques and work ethic, while only (2) 2.9% think that the policy has been very successful (Table 8.26). An explanation for this may be because of the fact that the majority of our respondents thought that the LEP is just a "window-dressing" policy.

Table 8.26

Breakdown of Respondents' Opinion on Whether the LEP has been Successful in Terms of Encouraging Management in Malaysia to Adopt Japanese Management Techniques and Work Ethic

Response category	No.	%
Yes, the LEP has been very successful	2	2.9
No, the LEP has not been very successful	45	65.2
Not sure	22	31.9
Total	69	100.0

### 8.10 Management Style

This section presents the findings relating to the respondents' preference for management styles. The respondents were asked to state their preference pertaining to the management style they chose in running their organisations. Our findings show that of the 69 respondents, over 72% indicated that they would prefer a mixture of various management styles which is pro-West, while only about 3% stated that they would prefer the Japanese style of management (Table 8.27).

A number of interesting points can be seen in Table 8.27. For example, although, as revealed earlier, 46.4% of the respondents have actually implemented some elements of the JMM, only 2.9% of the 69 respondents actually stated that they would prefer the Japanese style of management in running their organisations. In addition, even though the government rigorously promotes Islamic principles, again of the 69 respondents, only 2.9% indicated that they would prefer the Islamic style of management.

Thus, referring to the question raised earlier in Section 8.2.4, i.e. whether or not the respondents' place of study and the educational system that they have been through have influenced the management style that they claimed to prefer, based on the survey findings, they do, indeed, have some influence. But it could also be argued that there are other influences, such as the firms' internal policies. However, it is beyond the scope of this study to discuss this in further detail.

Table 8.27 -

Breakdown of Management Style

<b>Management style</b>	<b>No.</b>	<b>%</b>
Japanese-style management	2	2.9
American-style management	4	5.8
A mixture of various styles which is pro-West	50	72.5
Islamic-style management	2	2.9
No preference	11	15.9
Total	69	100.0

## **Part II**

### **8.11 Testing of Research Hypotheses**

This section deals with hypotheses testing. Hypothesis testing, alternatively called *significance testing* (Lucey, 1979: 65), is the process by which a hypothesis is tested by statistical means. In order to avoid a mountain of computer print-out, much of which would yield little useful information, McCormack and Hill (1997: 131) suggest that the researcher should only test and cross-tabulate variables that he or she believes could (i) produce findings that support the objective(s) of his or her study; and (ii) if the frequency tables for some variables show interesting or unexpected profiles.

For the purpose of this study, a chi-square test is performed to determine the relationship between 5 independent variables (3 of which are associated with the characteristics of managing directors/respondents while the other 2 are associated with the characteristics of firms) and firms' implementing the Japanese model of management. In summary, these variables are as follows:

A. Variables associated with the characteristics of managing directors (respondents) are:

- (i) knowledge of the Look East Policy
- (ii) familiarity with the Japanese model of management
- (iii) visits to Japan

B. Variables associated with the characteristics of firms are:

- (i) size of firms
- (ii) ownership of firms

Although there are a number of variables that can be tested, one might ask why these particular variables have been chosen. The reason is because they are directly related to the objectives of this study as outlined earlier. By testing them, we believe that they could produce useful information that could support those objectives.

The reason why a chi-square test is used is because our variables are of a nominal type. Following the recommendations of leading authorities (for example, Reynolds, 1984) a chi-square test is one of the most recommended statistical measures for this type of variable. If a relationship is found to exist and to be significant, further tests using *phi coefficient* (for variables with two categories) and *Cramer's V* (for variables with more than two categories) are among the non-parametric tests used in this study. Again, the reason for choosing these tests is because they are the most recommended statistical measures of strength of association for nominal data (Kinneer and Gray, 1995; Reynolds, 1984). The chosen level of significance is 0.05, following a recommendation by Everitt (1977). For a chi-square test to be effective, leading authorities have proscribed its use when: (i) in 2 X 2 tables, any of the expected frequencies is less than 5; and (ii) in larger tables, any of the expected frequencies is less than 1, or more than 20% are less than 5 (McCormack and Hill, 1997). Although, it has been recommended that all expected frequencies are at least 5 (Bailey, 1978), some earlier studies indicate that this requirement is probably too stringent and can be relaxed (Everitt, 1977).

Each of the research hypotheses is tested independently and structured according to the following sections:

- A. Statement of the hypothesis: where the description of the null hypothesis ( $H_0$ ) and alternative hypothesis ( $H_1$ ) are stated.
  
- B. Test results: where the test results are reported and whether or not the null hypotheses are rejected.
  
- C. Discussion of the test results: where the test results are elaborated. It is important to note that our explanation often extends beyond the context of the original hypothesis, but this is necessary in order to provide clarity.

### **8.11.1 Hypothesis 1.1**

Hypothesis 1.1 looks into the possibility of a relationship between the respondents' knowledge of the Look East Policy (LEP) and their firms' implementation of the Japanese model of management (JMM). It is hypothesised that those respondents who have said that they have knowledge of the LEP will be more likely to implement the JMM. We will now see whether there is a relationship (positive) between these variables. But if there is none, we will explain why that is the case.

#### **A) Statement of Hypothesis 1.1**

$H_0$  - There is no relationship between respondents' knowledge of the Look East Policy and their firms' implementation of the Japanese model of management



H<sub>1</sub> - There is a relationship between respondents' knowledge of the Look East Policy and their firms' implementation of the Japanese model of management

## **B) Test Results**

To determine whether there is sufficient information to reject H<sub>0</sub> and conclude that there is a relationship between the respondents' knowledge of the LEP and their firms' implementation of the JMM, a chi-square test is carried out. The result of the chi-square test (Table 8.28) shows that there is no relationship between the respondents' knowledge of the LEP and their firms' implementation of the JMM, as the calculated value of chi-square (2.611) is less than the critical value ( $\chi^2, 1^{\circ}, 0.05 = 3.84$ ). Based on this test at the 5% level of significance, we cannot reject the null hypothesis (H<sub>0</sub>).

## **C) Discussion of the Test Results**

As the chi-square is not statistically significant, we cannot conclude that there is a relationship between the respondents' knowledge of the LEP and their firms' implementation of the JMM. Why that is the case? One possible reason could be because the LEP and the JMM are two different things altogether. We described earlier how the LEP was launched by the Malaysian government to promote the JMM in Malaysia, but clearly, this has nothing to do with the origin and/or the success of the JMM. Because of this, the LEP *per se* might be able to introduce the JMM to the Malaysians, but for the successful implementation of the JMM, clearly it is not sufficient just to have knowledge of the LEP. It could be argued that something more is needed, such as classroom and on-the-job-training in the JMM. Indeed, we have learnt from the earlier literature that among

some Western firms that have successfully implemented Japanese management techniques are those whose top management have been trained in these areas, or have worked side-by-side with Japanese managers (see Chapter 3).

Another possible reason could be because the majority of our respondents perceived the Look East Policy as nothing more than a “window-dressing” policy. It can be argued that because of this perception, it could be very difficult for the government to persuade the respondents to implement Japanese management techniques and work ethic.

### **8.11.2 Hypothesis 1.2**

Hypothesis 1.2 looks into the possibility of a relationship between the respondents’ familiarity with the JMM and their firms’ implementation of the JMM. We hypothesise here that those respondents who have said that they are familiar with the JMM will strongly favour implementing it in their firms.

#### **A) Statement of Hypothesis 1.2**

$H_0$  - There is no relationship between the respondents’ familiarity with the Japanese model of management and their firms’ implementation of the Japanese model of management

$H_1$  - There is a relationship between the respondents’ familiarity with the Japanese model of management and their firms’ implementation of the Japanese model of management

## **B) Test Results**

To determine whether there is sufficient information to reject  $H_0$  and to conclude that there is a relationship between the respondents' familiarity with the JMM and their firms' implementing it, a chi-square test is performed. The result of the chi-square test (Table 8.28) reveals that there is no relationship between the respondents' familiarity with the JMM and their firms' implementation of the Japanese management techniques as the calculated value of chi-square (1.051) is less than the critical value ( $\chi^2, 1^\circ, 0.05 = 3.84$ ). Thus, based on this test at the 5% level of significance, we cannot reject the null hypothesis ( $H_0$ ).

## **C) Discussion of the Test Results**

As the chi-square is not statistically significant, we cannot conclude that there is a relationship between the respondents' familiarity with the JMM and their firms' implementation of the Japanese management techniques. One possible explanation for this is that even though the majority of our respondents have stated that they are familiar with the JMM, we might argue that it does not necessarily mean that they know all about the Japanese management practices because the term "familiar" is a broad category and it could mean different things to different respondents. - We might further argue that, as a result, their familiarity does not necessarily lead to the implementation of the JMM.

Another possible explanation for this is that although the majority of our respondents have indicated that they are familiar with the JMM, it could be argued that they do not necessarily have in-depth knowledge of it as most of them have not been trained in this area. In fact, our findings show that the majority of our respondents have become familiar

with the JMM not through industrial training in Japan but by reading books and journals that are related to this area (Table 8.13).

While, on the one hand, there are obvious benefits to be gained from extracting information in this way, it could also be asserted that it is not as effective when compared to acquiring knowledge from the experts or “gurus”. In fact, some earlier studies have revealed that to successfully implement the JMM outside the Japanese cultural setting experienced managers who have been rigorously trained by experts in the Japanese practices are required. A number of earlier studies (see Chapter 3) also claim that some Western firms have, in fact, hired Japanese experts to train their managers while helping them to implement the Japanese techniques. Even then, there is no guarantee that these firms are 100 percent successful. Thus, we can say that because of a lack of exposure or training in this area, management in manufacturing firms in Malaysia are less inclined to adopt Japanese management techniques. However, we may argue that in order to effectively transfer Japanese management techniques to the manufacturing firms in Malaysia, it is not sufficient just to be familiar with these techniques. Perhaps what these managers need is an in-depth knowledge of Japanese management techniques and we believe that this could be gained through industrial training in large Japanese firms in Japan.

### **8.11.3 Hypothesis 1.3**

Hypothesis 1.3 looks into the possibility of a relationship between the respondents’ visits to Japan and their firms’ implementation of the JMM. It is hypothesised that those respondents who said that they have visited Japan are more likely to have implemented the JMM in their firms.

### A) Statement of Hypothesis 1.3

H<sub>0</sub>- There is no relationship between the respondents' visits to Japan and their firms' implementation of the Japanese model of management

H<sub>1</sub>- There is a relationship between the respondents' visits to Japan and their firms' implementation of the Japanese model of management

### B) Test Results

In order to determine whether there is sufficient information to reject H<sub>0</sub> and conclude that there is a relationship between the respondents' visits to Japan and their firms' implementation of the JMM, chi-square test is done. The result of the chi-square test, as shown in Table 8.28, reveals that there is a relationship between the respondents' visits to Japan and their firms' implementation of the JMM as the calculated value of chi-square (4.953) is greater than the critical value ( $\chi^2, 1^{\circ}, 0.05 = 3.84$ ). Based on this test at the 5% level of significance, we can reject the null hypothesis-(H<sub>0</sub>). To determine the strength of the relationship, a further test using *phi coefficient* is done. The test result shows that there is a weak correlation as the *phi coefficient* value is only 0.268. According to Kinnear and Gray (1995), a value of 1 would be a perfect association.

### C) Discussion of the Test Results

Although there is a relationship between the respondents' visits to Japan and their firms' implementation of the JMM, one may argue that it is not sufficient to support a conclusion that the JMM has been implemented in some firms as a result of their managing directors or top management having visited Japan. In fact, the *phi coefficient* test shows that the

relationship is fairly weak. However, given the opposite, i.e. the relationship is very strong, one may also argue that it will never be possible to adopt certain elements of the JMM, particularly those elements which are culture-bond, solely on the basis of having visited Japan.

Not only is it difficult to transfer some elements of the JMM to a heterogeneous society like Malaysia, but it can also be argued that the respondents' visits to Japan have not significantly helped firms in this study to adopt all the elements of the Japanese management techniques because: (i) the majority of the respondents (52%) who stated that they have visited Japan said that it was not for the purpose of undergoing training in Japanese management techniques, but for business purposes; (ii) their stay in Japan was also rather short, i.e. between 1 and 4 weeks; (iii) they have little or no knowledge of the Japanese language, i.e. out of the 69 respondents that participated in our survey, only 6% can speak and 4% can write in Japanese. Hence, it might be argued that because their stay was relatively short and as a result of their lack of knowledge of the Japanese language, it is understandable that they did not pick up sufficient information or knowledge pertaining to the JMM, or they might have difficulties in understanding the idea of the Japanese practices being communicated to them. One may argue that it could be because of these "handicaps" that these respondents have not had the confidence to implement most of the elements of the Japanese management techniques, even after they have completed their training in Japan.

Table 8.28

Chi-Square Test Results  
(N = 69)

Hypo. No.	Independent Variables	Chi-square Value	DF	P-Value	Results
1.1	Knowledge of the Look East Policy	2.611	1	0.106	NR
1.2	Familiarity with the Japanese model of management	1.051	1	0.305	NR
1.3	Visits to Japan	4.953	1	0.026	R*

Note: \* Significant at 5% level

R - There is relationship (Reject Null Hypothesis)

NR - There is no relationship (Cannot Reject Null Hypothesis)

#### 8.11.4 Hypothesis 2.1

Hypothesis 2.1 looks at the possibility of a relationship between the size of a firm and its implementation of the JMM. It is hypothesised here that firms of a larger size are more likely to implement the Japanese model of management.

##### A) Statement of Hypothesis 2.1

$H_0$  - There is no relationship between the size of a firm and its implementation of the Japanese model of management

$H_1$  - There is a relationship between the size of a firm and its implementation of the Japanese model of management

##### B) Test Results

To determine whether there is sufficient information to reject  $H_0$  and conclude that there is a relationship between the size of a firm and its implementation of the JMM, a chi-square

test is performed. The result of the test, as shown in Table 8.29, shows that there is no relationship between the size of a firm and its implementation of the JMM as the calculated value of chi-square (3.563) is less than the critical value ( $\chi^2, 2^{\circ}, 0.05 = 5.99$ ). As a result, we cannot reject the null hypothesis ( $H_0$ ) because chi-square is not statistically significant at 5% level of significance. Therefore, we cannot conclude a relationship between the size of a firm and its implementation of the JMM. -

### **C) Discussion of the Test Results**

In hypothesis 2.1, there were a number of reasons to believe that firms of larger size are more likely to implement the Japanese model of management. However, it has not shown to be the case. The explanation for this may be because larger firms do not necessarily have their top management trained in the Japanese management techniques. As a result, they might not have the confidence to implement the JMM because to successfully do so requires someone who has been trained in this area. Another possibility may be due to the fact that top management favour a Western style of management as the majority have had their earlier training in Western institutions. The other possible reason may be because most of their employees oppose the adoption of the JMM. We believe that when this happens, there is little that top management can do. As a result of all these factors it appears that the hypothesis does not seem to be supported.

#### **8.11.5 Hypothesis 2.2**

Hypothesis 2.2 looks at the possibility of a relationship between the ownership of the firms and their implementation of the JMM. What we expect here is that the Japanese joint



ventures are more likely to implement the JMM, while firms that are owned by other nationalities, including Malaysians, are unlikely to implement it.

### **A) Statement of Hypothesis 2.2**

$H_0$  - There is no relationship between the ownership of the firms and their implementation of the Japanese model of management

$H_1$  - There is a relationship between the ownership of firms and their implementation the Japanese model of management

### **B) Test Results**

To determine whether there is sufficient information to reject  $H_0$  and conclude that there is a relationship between the ownership of the firms and their implementation of the JMM, a chi-square test is carried out. The result of the chi-square test (Table 8.29) reveals that there is no relationship between the ownership of firms and their implementation of the JMM as the calculated value of chi-square (1.722) is less than the critical value ( $\chi^2, 1^\circ, 0.05 = 3.84$ ). As a result, we cannot reject the null hypothesis ( $H_0$ ) because chi-square is not statistically significant at 5% level of significance. We therefore cannot conclude a relationship between the ownership of the firms and their implementation of the JMM.

### **C) Discussion of the Test Results**

Although the statistical tests did not show that there is a relationship between the ownership of the firms and their implementation of the JMM, looking at the individual firms, particularly the Japanese-owned firms or joint ventures, out of 6 Japanese joint

ventures, (5) 83% indicated that they have implemented some elements of the JMM, although in a modified form. This suggests that there is a relationship between the ownership of the firms and their implementation of the JMM.

The question here is why did the chi-square test not show that there is a relationship between the ownership of the firms and their implementation of the JMM? The reason may be because of the small number involved, i.e. only 6 Japanese joint ventures compared to 44 locally-owned firms. Because of that, it does not significantly influence the statistical test.

Table 8.29

Chi-Square Test Results  
(N = 69)

Hypo. No.	Independent Variables	Chi-square Value	DF	P-Value	Results
2.1	Size of firms	3.563	2	0.168	NR
2.2	Ownership of Firms	1.722	1	0.189	NR

Note: R - There is relationship (Reject Null Hypothesis)

NR - There is no relationship (Cannot Reject Null Hypothesis)

To sum up, did the 5 independent variables have any influence on the firms to implement the Japanese model of management? Based on the statistical tests, we can statistically say that 4 out of 5 independent variables have no significant influence on the firms to implement the JMM. However, we must recognise that a variable, such as the ownership of the firms has some kind of relationship with the firms' implementation of the JMM, although it did not show up in the statistical test. As mentioned earlier, the reason is

probably because the number of Japanese joint ventures is relatively small to be statistically significant.

Although the statistical tests did not show that there is a relationship between respondents' knowledge of the LEP and their firms' implementation of the JMM, we could not deny the indirect effect of the LEP. In fact, our survey finding shows that out of the 69 respondents who participated in our study, (52) 75.4% indicated that they knew what the Look East Policy was all about. It could then be hypothesised that perhaps this knowledge of the LEP has encouraged some of them (i) to attend seminars on the JMM in order to further their knowledge in that area; (ii) to be sent for industrial training/attachment to Japan; and (iii) to selectively implement some elements of the JMM which they believed suitable for their firm's use. Hence, it could be further argued that all these have taken place possibly because the respondents' awareness is raised by the government's LEP. Perhaps, if there were no LEP and no government encouragement, it could be doubtful that a firm would send its top management for industrial training in Japan, but because of the LEP, the opposite has happened.

With regard to the respondents' visits to Japan and their firms' implementation of the JMM, the test shows that there is a relatively weak relationship. In statistical terms, this means that visits to Japan have no significant influence on the firms to implement the JMM. Although, that may be the case we cannot rule out absolutely that visits to Japan will not influence the firms to implement the JMM. In fact, some respondents that we have interviewed claim that subsequent to a visit to Japan, particularly for training purposes, they have implemented some elements of the JMM. This suggests that there is a

relationship between respondents who have visited Japan for training purposes and their firms' implementation of the JMM.

Since there is a clear indication that there exists a positive relationship between visits to Japan, particularly among our respondents who did so for training purposes, and their firms' implementation of the JMM, it could be argued that in order to successfully promote the Japanese management system in the manufacturing firms in Malaysia, the Malaysian government should send more people (both management and workers) to Japan for a longer duration to learn, at first hand, Japanese management techniques. At this stage we can say that the government has not done enough to successfully encourage management, in Malaysia in general and in this study in particular, to adopt even the low-cost Japanese practices (see Chapter 9 for the definition of low-cost practices).

## **8.12 Conclusion**

This chapter has presented both the survey findings and the results from the statistical tests. The findings reported above are generally consistent with those reported earlier in previous studies. Given the usual reservations about generalising from survey data, it is possible to draw the following conclusions.

First, the survey findings indicate that some elements of the Japanese model of management or Japanese management techniques can be implemented in manufacturing firms operating in Malaysia. However, it is not the whole system being implemented but only the easy or low-cost practices. Even then, these have to be modified to suit the

Malaysian heterogeneous society. This suggests that what has been transferred are significantly diluted/partial or easy versions of the Japanese model of management.

Second, our findings reveal that most respondents/firms in this study have encountered problems while implementing the JMM. These problems arise partly because Japan and Malaysia are two different countries with many differences in terms of culture, religion, economy, politics, educational systems and management systems. Thus, the socio-cultural values in Malaysia seem to play a far more significant role in management practice policy choices than the political will of the government. Perhaps because of that, the survey findings reveal that the Japanese techniques that are deeply embedded in its culture, for example, lifetime employment, seniority-based systems and the *ringgi* system have not been implemented by the majority of the respondents in this study. Although in-house union is the model held out for workers in Malaysia, our findings show that the majority of the respondents in this study did not indicate that they recognise it. Instead, most of our respondents stated that they recognised industry-wide union. This suggests that the LEP has not been successful in influencing the respondents in this study to recognise in-house union.

Third, the survey results reveal that the majority of the respondents have implemented techniques, such as QCCs, TQC, job-rotation, on-the-job training, suggestion systems, group responsibility and loyalty to the company. However, there is little evidence to suggest that these have been implemented because of the Look East Policy. As already mentioned, although we can statistically argue that the respondents' knowledge of the LEP has no direct influence on the firms to implement the JMM, we cannot deny the fact that

the LEP has some indirect effect. For example, it could be argued that if there had not been a LEP, perhaps there would not have been as much use of the JMM among the manufacturing firms in Malaysia. It could also be argued that without a LEP, visits to Japan, technology transfers, the establishment of the first Malaysian car company, Proton, and student exchanges between Malaysia and Japan, etc. would not have happened.

Fourth, our findings show that the majority of the respondents are of the opinion that the LEP has not been very successful in changing the attitudes and behaviour of Malaysian workers in terms of loyalty and hard work in accordance with Japanese philosophy. This suggests that the socio-cultural values in Malaysia, which are pro-West, play a far more significant role than the LEP.

Finally, based on our survey findings it is argued that the LEP has not been very effective in encouraging management in Malaysia, particularly in the manufacturing firms in this study, to adopt Japanese management techniques and work ethic. However, it could also be maintained that if there had not been a LEP, some respondents might have been less keen to attend industrial training in Japan as they said they did when answering our survey questions; or perhaps the majority of the respondents would not have been interested in learning more about Japanese management techniques at all. But, in fact, there is some evidence to show that some respondents have attended seminars on Japanese management techniques to further their understanding in that area – suggesting that the LEP has had some indirect effect. Also, there is statistical evidence to show that visits to Japan have actually had a direct effect on firms to implement the JMM.

It could be suggested that if the government set aside adequate funding to sponsor more Malaysians, particularly from the manufacturing sector, to go to Japan, and allowed these people to spend a longer time there to learn more about Japanese management techniques, culture and so on, it might be able to overcome the cultural barriers that have impeded the transfer of certain elements of the Japanese management techniques to Malaysia.

Chapter 9 presents the analysis of the survey findings.

## **CHAPTER NINE**

### **ANALYSIS OF THE SURVEY FINDINGS**

#### **9.1 Introduction**

The objectives of this chapter are twofold. First, it provides an analysis of the mail survey questionnaire findings, as tabulated earlier in Chapter 8, and discusses the findings gained from the interview. The main reason for doing this is to determine the extent of the Look East Policy's influence on the management of the manufacturing firms in this study to adopt Japanese management techniques and work ethic. To facilitate this we need to (i) examine the elements of the Japanese management techniques that the respondents said they have adopted; (ii) compare those elements with the elements that have been adopted by firms in other countries as covered in our study; (iii) analyse the reasons why the respondents have implemented the Japanese management techniques; and (iv) discuss the problems that the respondents said they have encountered while implementing Japanese management practices. Second, it provides more detailed discussion on whether or not the Look East Policy has been effective in encouraging management in Malaysia in general, and in this study in particular, to adopt Japanese management techniques and work ethic.

#### **9.2 Analysis and Discussion of the Findings from the Mail Survey Questionnaire and Personal Interview**

In this section, a detailed discussion of the findings from the mail survey questionnaire (see Chapter 8) is presented. In addition, the findings gained from the interview are also discussed. As mentioned earlier, we interviewed 32 respondents who said they have implemented some elements of the Japanese model of management (JMM) or Japanese



management techniques. The aim of conducting the interview was to find out some of the reasons behind the respondents' replies in the mail survey questionnaire. As a result, at this point we are going to apply that information to exemplify points, or to try to understand in more depth some of the issues to be discussed. For this reason, sometimes we will summarise what our respondents said, and occasionally, we will quote verbatim from these interviews/discussions, though we should be clear that some of these materials have been translated from Bahasa Malaysia.

As stated in Chapter 1, one of the aims of this study is to examine the impact or effectiveness of the Look East Policy in encouraging management in Malaysia, and particularly in the manufacturing firms in this study, to adopt Japanese management techniques and work ethic. Therefore, to enable this, first, we will determine the extent of Japanisation effects in Malaysia, which is important because Japanisation is a key part of the Look East Policy. That being the case, most of the discussion in this section is in accordance with some earlier studies, but we must point out that this is not a replication of other studies on Japanisation. Instead, in Section 9.3 we will discuss more specifically the Look East Policy. The discussions in this section are presented in the following sequence:

- 9.2.1 What has been transferred/adopted?
- 9.2.2 Reasons for implementing Japanese management techniques.
- 9.2.3 Why problems have been encountered in the application of the Japanese management techniques.

### 9.2.1 What has been Transferred/Adopted?

In order to answer this question, it is necessary to take a step back in our discussion to remind ourselves why the transferability of the Japanese management techniques is a matter of importance in the first place. As highlighted in this study, the transferability of Japanese management techniques is important to the government of Malaysia, and in particular to Mahathir, because he aims to change people's attitudes as well as the way in which the Malaysian industry operates in order to further the nation's industrial development. As mentioned in Chapter 5, towards this goal, in February 1982, Mahathir officially launched the Look East Policy, through which he aimed to encourage management in Malaysia to adopt Japanese management systems by specifically campaigning to promote the Japanese work ethic and managerial techniques.

However, despite the strong "push" by the government to promote Japanese management techniques in Malaysia, our survey findings reveal three interesting results. First, less than 50% of the respondents who participated in our survey indicated that they have implemented certain elements of the Japanese management techniques. Second, of those respondents, the techniques that they said they have implemented are limited to what Dedoussis (1995) calls low-cost techniques or practices.<sup>1</sup> Core or high-cost techniques or practices have generally not been implemented by most of the respondents<sup>2</sup> in this study (see Table 9.1).

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<sup>1</sup> Dedoussis (1995) defines low-cost techniques or practices as those that can be adopted piecemeal by firms in other countries because of economic considerations. On the other hand, he defines high-cost techniques or practices as those that have to be adopted as a package.

<sup>2</sup> Out of the 69 respondents that participated in the survey, 32 said that they have implemented some elements of the Japanese management techniques.

Table 9.1

Japanese Management Techniques Implemented by Respondents<sup>1</sup>

Types	Management Techniques	Remarks
Low-cost practices	QCC, TQC, Suggestion system, Group Responsibility, Job rotation, On-the-job training, Loyalty to company, Open-office system, Paternal leadership style, Just-in-time	Highly favoured and implemented by most of the respondents
High-cost practices	Lifetime employment, seniority systems, Hiring of fresh graduates, Enterprise Unionism, <i>Ringgi</i> system	Less favoured by most respondents and generally not implemented by respondents

Note: <sup>1</sup> - refers to the 32 out of the 69 respondents that said that they have implemented the Japanese management techniques.

Finally, looking at the techniques that the respondents said they have implemented, they are not all that different to those techniques adopted by firms in other countries, such as the UK, the USA, Singapore, Hong Kong, Taiwan and South Korea (see, for example, Putti and Chong, 1985; Fukuda, 1988; Rodgers and Wong, 1996; Oliver and Wilkinson, 1992). Hence, even at this stage, this kind of evidence suggests that the Look East Policy might have a limited impact or influence in terms of encouraging the respondents in this study to implement the Japanese management techniques. The discussions in the next section will reveal some of the reasons as to why the respondents in this study said that they have adopted some elements of the Japanese management techniques.

### 9.2.2 Reasons for Implementing Japanese Management Techniques

Based on the findings presented in Chapter 8, in this section we will discuss in more detail the reasons why the respondents<sup>3</sup> in this study said that they have adopted some elements

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<sup>3</sup> Refers to the 32 respondents who said that they have implemented some elements of the Japanese management techniques.

of the Japanese management techniques. The three most important reasons that have been identified, according to our survey are:

1. Some elements of the Japanese management techniques are less expensive to implement;
2. Some elements of the Japanese management techniques are adopted because of economic considerations; and
3. Some elements of the Japanese management techniques are adopted because of management's response to specific problems.

#### **9.2.2.1 Implementation of Less Expensive Elements**

As shown in Table 9.1 on the previous page, out of the 69 respondents who participated in this study, 32 said that they have implemented some elements of the Japanese management techniques. Of these 32 respondents, more than 80% said that they have implemented techniques such as quality control circle, on-the-job training and suggestion systems. When these respondents were asked why they had chosen to implement these techniques, their responses were: "Because they are practical, not interrelated, less expensive and can be implemented piecemeal." On the other hand, when the same respondents were asked why the Japanese management techniques, such as lifetime employment, seniority-based wage and promotion systems, the *ringgi* system, hiring of fresh graduates and enterprise unionism had not been implemented in their firms, their explanations were: "These techniques are not practical for our use given the fact that our management system is quite different from Japan's. In fact, we believe that techniques such as lifetime employment, seniority-based systems, the *ringgi* system and enterprise unionism are strongly attached to

Japanese culture, thus, to transfer such techniques to Malaysia, where there exists different cultural values, will be quite difficult.” To illustrate this point, let us examine the situation in some large Japanese firms in Japan. When one looks at these firms, it is obvious that lifetime employment is highly-favoured where seniority systems and *ringgi* or consensual decision-making are present. This could be explained by the fact that there exist two psychological needs that can be met through this association. First, seniority systems in the context of lifetime employment provide a high degree of structure and certainty; and second, consensual decision-making may symbolise a company’s respect for employees, as well as trust and a sense of communal responsibility, which in turn lead to a desire for lifetime employment with the company. This suggests that there is an interrelationship between some of these techniques, and it could be possible that it has existed for many decades. Perhaps, the absence of this kind of interrelationship in Malaysia makes it difficult for the country’s firms to successfully implement Japanese management techniques.

Thus, based on the above arguments, it could be posited that no matter how strong the government “push” to encourage management in Malaysia to adopt Japanese management techniques, particularly the high-cost or “hard” practices, most of the respondents are not keen to do so. As one respondent explains: “It is difficult to implement the Japanese hard practices not only because they are expensive to implement as a package, but also they impracticable and inapplicable in Malaysia as we have different cultural and religious beliefs compared to Japan.”

### **9.2.2.2 Economic Considerations**

Out of 32 respondents who indicated that they have adopted some elements of the Japanese management techniques, 65.2% said that they did so because some elements of the Japanese management techniques are practical and economically beneficial for their use. As one respondent explains: “Being a manufacturing concern, we have to be productive and competitive, not only in terms of workers’ productivity but also in terms of product and service quality. As such, we believe that we can achieve all of these not only by working very hard but also by systematically incorporating some Japanese management techniques, such as QCCs, TQC, and suggestion systems into our existing system because these techniques are economically beneficial to us.”

Experiences might have taught top managements that maximum quality services and products can be achieved through well-planned QCC implementation. Hence, it might be argued that because of the concern for product and service quality, it is necessary for the respondents to adopt techniques such as QCCs and TQC. Furthermore, it could be argued that the LEP is probably not the main reason why our respondents said that they have implemented some elements of the Japanese management techniques, but it could be an important factor that reinforces some of the techniques. What the LEP does, is therefore, highlight some of these issues. Of course, there are other ways to learn about Japanese business practices, but the LEP gives them an added impetus.

### **9.2.2.3 Management’s Response to Specific Problems**

Besides the two reasons mentioned above, the other reason given by some of the 32 respondents is that certain elements of the Japanese management techniques are adopted

because of management's response to specific problems. With regard to this reason, three specific problems have been identified in this study, as discussed below.

With regard to the problem of competition for market and raw materials, the information gathered from both the interview and mail survey questionnaire reveals that some respondents stated that they have implemented elements of the Japanese management techniques, such as QCCs, TQC, suggestion systems and on-the-job training because they strongly believe that these techniques can help them to be competitive. In fact, according to the interviewees, it is partly because of the need to be competitive that they find it less difficult to persuade their workers to accept the techniques mentioned above.

Based on the information from both the interview and mail survey questionnaire, it can be argued that the role of top management is more powerful when compared to the role played by state in persuading management as well as workers to accept Japanese management techniques, such as QCCs, TQC, suggestion systems and on-the-job training. In fact, according to Abdullah (1995), local management has played a stronger role in persuading workers to accept such techniques because they have been partly influenced by multinational firms in Malaysia. In addition, by adopting QCCs, TQC, and suggestion systems local management or firms believe that they could become more competitive (Abdullah, 1995).

The important questions here are how could multinational corporations (MNCs), and particularly Japanese MNCs, influence local management to adopt some of their management techniques and how could they indirectly influence local firms to be

competitive? In order to answer these questions, it is necessary to take a step back and recall the events of the late 1970s. In Chapters 5 and 6 we learnt that Japanese investors are motivated to invest in Malaysia partly because of the availability of local markets, cheap labour, and the abundance of raw materials, and also partly because of investment incentives offered by the Malaysian government under the premiers Tun Abdul Razak and Tun Hussein Onn (second and third Prime Ministers, respectively).

For instance, since 1972 the production of manufactured products in Malaysia, and particularly from the electronics industry, has grown at an average of 46.9% per year, and by 1989 Malaysia had become the world's largest producer of semiconductors and the world's largest exporter of electronic products. This performance was achieved by 115 multinational electronics companies, the majority of which were Japanese who were attracted to Malaysia following the introduction of the 1968 Investment Incentive Act. These Japanese investors have not only used up the raw materials and taken advantage of the cheap labour but also their products have also flooded local markets. Moreover, the strong performance of multinational companies (MNCs), and particularly the Japanese companies, have indirectly forced local firms to compete for raw materials as well as markets. Thus, arguably the experience gained from observing the performance of these MNCs has in some way influenced local managers to adopt some elements of the Japanese management techniques that are deemed suitable for local firms to overcome management's problems.

Bearing the above in mind, it is therefore reasonable to suggest that the implementation of techniques, such as TQC, QCCs and suggestion systems by respondents in this study might



be the result of their concern to produce high quality products and to build up a team spirit with the intention to be competitive. It might also be maintained that if local firms did not adopt such techniques, they would be probably left behind and the government's intention to encourage the establishment of local manufacturing companies would be undermined.

The second problem faced by management is the shortage of skilled labour and workers' mobility. Previous studies report that the shortage of skilled labour in the manufacturing sector in the mid 1980s forced employers to provide not only better terms of employment and better working conditions for workers but also internal training programmes, such as job rotation and on-the-job training for the existing workers (Abdullah, 1995). Besides the shortage of skilled labour, job-hopping is also a major problem in Malaysia (Thong, 1991). Because job-mobility is highly valued by the majority of Malaysian workers, a number of respondents have raised doubts as to whether there is any sense of loyalty left among their workers. As one respondent says: "In our company, to discourage job-mobility among workers we have provided them with better working conditions, better pay schemes, encouraged team work and elicited new ideas from workers. We have also encouraged management and workers to socialise in order to narrow the management-worker gap, but suffice to say, there is very little sense of loyalty among some of our workers....some of them are more motivated by money than anything else and if they can get a better offer somewhere else, they will move."

Therefore, to solve the problem of the shortage of skilled workers and worker mobility, a number of policies are said to have been adopted by the respondents in this study. Based

on our survey findings, of the 32<sup>4</sup> respondents that indicated that they have adopted Japanese management techniques, 90.6% stated that they have introduced incentives such as continuous training schemes; 78.1% said that they have introduced awards for long service; 71.9% indicated that they have introduced internal promotion schemes; 59.4% stated that they have introduced workers' welfare facilities and wage incentive schemes; and 56.3% said that they have introduced measures such as the reconciliation of human relations between management and workers. When our respondents were asked why they had introduced these techniques, they explained that it was partly because of the shortage of skilled workers and partly to reduce worker mobility. Thus, looking at these responses, it is possible to argue that the above techniques have not necessarily been implemented because of the strong "push" from the Malaysian government.

A third problem faced by management is the self-centred and individualistic nature of the Malaysians. Previous studies (for instance, Kawabe, 1991) report that some Malaysians, regardless of whether they are managers or ordinary workers, are self-centred and too individualistic when compared to their Asian counterparts such as the Koreans, the Taiwanese, and, in particular, the Japanese. Kawabe (1991) also argues that individualism and self-centredness among some Malaysians could have been a legacy of their colonial master.

As mentioned in Chapter 6, even in the economy, the British "divide and rule" policy, in which the Malays stayed in rural agriculture while the Chinese worked in tin mines and urban service sectors and the Indians worked in rubber estates remained prominent. This

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<sup>4</sup> Since the multiple answer system is used in the questionnaire, total percentages (answers) are more than the number of respondents.

may have contributed to the individualistic nature of the Malaysians, where the Malays, Chinese, and Indians were confined to their own communities. Even the educational system in the country's higher institutions is still patterned along the Western curriculum, as are most of the educational backgrounds of the majority of the respondents in this study. This could explain why the present organisation structures in most Malaysian firms are still very westernised.

However, a number of respondents in this study have indicated that they have tried very hard to solve the problem of self-centredness and individualism among their workers. In fact, one respondent stated during the interview: "In our firm we implemented techniques such as group responsibility, company loyalty, suggestion systems and the reconciling of human relations between management and workers and all these were aimed at encouraging workers to mix freely with management and make them feel that they were part of a team."

Our findings (interview data) show that even before the launch of the LEP in February 1982, certain elements of the Japanese management techniques, such as QCCs, TQC, suggestion systems, job-rotation, on-the-job training, company loyalty and group responsibility had been implemented by a number of our respondents.<sup>5</sup> Although it is not possible to generalise the whole population based on the information collected from the interview, we can infer from what has been reported to us that some elements of the Japanese management techniques were implemented by firms in Malaysia prior to the launch of the LEP (see Lim and Ping, 1979). It could therefore be suggested that it is

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<sup>5</sup>Interviews with some respondents revealed that they had implemented some elements of the Japanese practices long before the LEP.

unlikely that the respondents implemented some elements of the Japanese management techniques solely because of the strong “push” from the government via its LEP.

Although, we are not arguing that the LEP alone led to the introduction of the Japanese management techniques in many firms, that in itself does not imply that the LEP has had no effect, but it may have had an indirect influence. In fact, according to a number of respondents that we talked to, the LEP has had a number of indirect effects and in some areas it has actually achieved some success. For example, one respondent says: “I believe we need the Look East Policy because with this policy it is much easier to change our employees’ work attitude.” Another respondent explains: “With the Look East Policy, it is much easier to do business with the Japanese because this policy gives us ideas/perceptions to understand how the Japanese systems work.” Looking at the above claims, it is therefore possible to argue that to some extent the LEP has had some indirect effects.

### **9.2.3 Reasons for Problems Encountered in the Application of the Japanese Management Techniques**

Based on the earlier discussion, there is no doubt that a number of elements of the Japanese management techniques have been implemented in manufacturing firms operating in Malaysia as far as the respondents in this study are concerned. However, when compared to other countries, for example, the UK, the USA, Singapore, Hong Kong, South Korea or Taiwan, it seems that Malaysia has never been more successful than any of the above countries, despite the fact that the Malaysian government has strongly “pushed” towards this direction. This is reflected by the fact that of the 32 respondents who stated they have

adopted some elements of the Japanese management techniques, more than 78% said that they have encountered some problems. These problems can be categorised as follows:

1. Differences in culture, tradition, religious beliefs and management systems;
2. Impact of Western-educated managers;
3. Respondents/Management's lack enthusiasm, and workers' preference for existing management practices; and
4. Lack of commitment from top management.

#### **9.2.3.1 Differences in Culture, Tradition, Religious Beliefs and Management Systems**

As described in Chapter 6, Malaysia is a unique mix of two main ethnic categories, *Bumiputra* and non-*Bumiputra*. Under the former we have Malays and many other ethnic groups, whereas under the latter we have Chinese and Indians. Because of the diversity in terms of race in Malaysia there exist different religions, customs, cultures, languages, values, etc. In contrast, because of Japan's unity and relative homogeneity the existence of different customs, religions, values, etc. may not be very obvious. Moreover, when the different religions, customs, cultures, etc. that are found in Malaysia are compared with those found in Japan, they are quite different. Therefore, it could be argued that such differences between Malaysia and Japan have made it difficult to transfer certain elements of the Japanese management techniques to Malaysia.

Indeed, our survey findings do seem to support this conjecture, since, of the 32 respondents who stated they have implemented some elements of the Japanese management techniques, more than 70% said that it is very difficult to transfer techniques, such as lifetime

employment, consensus decision making, seniority-based wage system, paternalism and company loyalty because they are not compatible with the existing Malaysian management system, nor with the country's prevailing culture, values, traditions and religious beliefs.

Based on this information and from our findings, we might argue that since the majority of Malaysian workers are Muslim,<sup>6</sup> this could have made it even more difficult to transfer the Japanese management techniques mentioned above (each of these and their associated problem(s) will be discussed shortly). It could also be suggested that since the majority of the respondents in this study are Muslim, and the fact that the present government has strongly encouraged Muslim managers to incorporate Islamic values in their firms, it is therefore natural for them to make every effort to promote Islamic values when and where possible and at the same time, implement only the elements of the Japanese management techniques that they believe are acceptable to the majority of their workers who are Muslim. It could also be argued that even if the respondents are not themselves Muslims, elements of the Japanese management techniques that are deemed contrary to Islamic religion would be avoided as the majority of workers who are of *Bumiputra* origin practise the Islamic faith. Hence, it can be inferred that certain aspects of culture and religion seem to play an important role in determining which elements of the Japanese management techniques are transferable and which are not transferable to manufacturing firms in Malaysia.

Below, we present a brief discussion on certain elements of the Japanese management techniques, including lifetime employment, seniority-based wage system, paternalism,

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<sup>6</sup> Labour Department Malaysia - Statistical data, 1997.

company loyalty and quality control circles, and the problem(s) associated with each of them.

### Lifetime Employment

We have learnt from earlier studies that lifetime employment in Japan is developed to encourage a worker to stay where he or she is trained, thus, ensuring that a company's investment in training a worker will not be lost or wasted. The company could feel secure in the knowledge that workers trained at its expense will remain to repay these investment costs (Alston, 1986). In this study, however, the interviewees argue that the average Malaysian worker prefers a high salary and quick promotion to the job security offered by a lifetime employment system. They also state that many good, skilled employees left their companies for more highly paid jobs after acquiring the necessary skills. In fact, one respondent stated: "Since many of our skilled employees left our company for a better salary, this makes lifetime employment unrealistic and wastes the company's investment in training employees." In Japan, however, it is argued that many large organisations do, in fact, operate the system or, in other words, the reason for the success of lifetime employment in Japan is because of widespread adoption, and because of this, a worker who leaves his or her company has to settle for a job with a lower salary and status and possibly in a smaller company (Alston, 1986).

In contrast, as each individual company in Malaysia has its own system, a skilled worker will normally obtain a better job with a higher salary and better fringe benefits on leaving his or her company. This might suggest that it can be difficult for an individual company in Malaysia to implement the Japanese management systems, and particularly the lifetime

employment system unless other companies do the same. Moreover, with the present performance-based reward system in Malaysia, indigenous workers are less likely to see how lifetime employment will benefit them. On the other hand, it can be maintained that it would be expensive for an employer to retain a so-called “unproductive” worker under the lifetime employment system (a recent local newspaper reports that there is strong evidence to show that the Malaysian employment system is based on principles of “hiring and firing”).<sup>7</sup> Thus, it can be concluded that as long as the government fails to address this issue (hiring and firing) and as long as there is no development of the kind of structural factors similar to those in Japan, for instance, reward systems that sustain lifetime employment or other Japanese management techniques that the government hopes to transfer to Malaysia, it will be difficult for the government to see its LEP achieve any significant success in this area.

### Seniority-based Wage System

We have learnt from Chapter 2 that under the seniority-based wage system that is being practised in Japan, the remuneration of a worker is determined primarily on the basis of the number of years he has spent with the company, subject to age and level of education at the time of entry. However, according to a number of respondents that we have talked to, the average Malaysian worker would not work hard if remuneration and promotion were to be based on seniority. This suggests that this feature of the Japanese management techniques would not be very popular in Malaysia (most of the respondents interviewed claimed that remuneration and promotion in their firms are based on performance). But even if there are firms that have adopted this technique, it is possible that they have faced some

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<sup>7</sup> Berita Harian Online, 13<sup>th</sup> July 1998.



difficulties. In fact, of the 69 respondents that participated in our survey, more than 60% would not recommend a seniority-based wage system as they perceive that it could be very difficult to transfer to Malaysia where the current practice is based on performance and merits.

### Paternalism

The paternalistic treatment given to employees by managers in Japan has its origin in the feudal master-servant relationship. Although the modern Japanese State is a self-sufficient feudalistic society, some roots still remain from the distant past (Adams and Kobayashi, 1969). It is common for a Japanese manager to feel obliged to know every employee's name, to greet him or her every morning, and to protect him or her. In return, the employee is expected to respect his or her manager, work hard for him, and give him his or her complete loyalty. The information gathered from the interviews, however, reveals that this feature is not well accepted by the majority of Malaysian workers because it is believed that they have nothing to gain from being loyal to their employer. In fact, one respondent explains: "It is difficult for us as management to ask our workers to be loyal to our company because if it is found that a worker has tried to be loyal and do his or her best to please his or her manager his or her colleagues will dub him or her as playing a 'dirty game'."

Another respondent that we talked to stated: "Although we believe that paternalism requires that managers or supervisors should socialise, since the majority of our workers are Muslim, it is very difficult to encourage them to socialise because the majority of them do not mix work with family life." In fact, in some states in Malaysia, for example,

Kelantan and Trengganu there are office rules that forbid Muslim men and women from sharing canteen facilities, and in most premises, such as banks and post-offices, there are different queues for men and women. This suggests that the working environment that exists in some states in Malaysia is totally different when compared to that in Japan. In this kind of working environment, where the majority of workers do not mix work with family life and where men and women are not encouraged to socialise, it would be difficult to envisage a higher degree of job involvement between supervisor and workers in and after work being successfully implemented in Malaysia.

### Company Loyalty

As mentioned earlier, in Japan, company loyalty requires an employee to work for the firm for a lifetime, and his or her priority is his or her company rather than his or her family. In return for his or her loyalty, the company will provide him or her with good fringe benefits, it will guarantee his or her promotion to a senior post after he or she has served the company for some time and it will look after his or her family. However, despite the Malaysian government's drive to promote diligence and discipline in the work place, loyalty to the business enterprise where the worker is employed, and to emphasise priority to group over individual interests, etc., our findings suggest that company loyalty is a difficult concept to try to advance in Malaysia. This could be due to the fact that the majority of Malaysians are believed to be self-centred and individualistic, and are said to value job-mobility.

In addition, as the majority of Malaysian workers are *Bumiputra* and of the Islamic faith, it might be argued that as Muslims, their family comes first, rather than their company.

Therefore, it might be argued that to introduce company loyalty among Malaysian workers, the majority of whom are Muslim, could be very difficult. Moreover, in Malaysia, remaining in the same job for a long time can be perceived as the result of an employee's inefficiency or incapability. It might be argued, therefore, that pledging one's loyalty to a single company for life is inconceivable for most Malaysian workers, as no one wants to lose face by being labelled an inefficient employee. It is also possible that he or she would rather resign or apply for another position in different company than be seen as inefficient or lazy. This is consistent with our respondents' view that the LEP has not been very successful in changing workers' attitudes in terms of loyalty and hard work based on the Japanese philosophy. For example, of the 69 respondents that participated in the survey, 29 or 42% did not agree that the LEP has resulted in changes in attitudes and behaviour in terms of loyalty and hard work among their workers, while 26 or 37.7% stated that they neither agree nor disagree compared to 14 or 20.3% of respondents who indicated that the LEP has been responsible for changing the attitude and behaviour of their workers in this respect.

### Quality Control Circles

As discussed in Japan, since most raw materials are imported and paid for by hard-earned exports, the Japanese cannot afford to waste these imported resources. It is therefore necessary for every worker to ensure quality by having each operator him/herself inspect the output and devise methods for preventing errors. Hence, QCCs are implemented, where every circle member is required to apply his or her creativity and experience to solve common problems. Because QCCs have to be carried out together with their peers, this directly provides an opportunity for socialising in a constructive way (Ishikawa, 1990).

Our findings reveal that of the 69 respondents who participated in the survey, 32 stated that their firms have QCC activities. However, at this point we cannot statistically prove how successful they have been with their QCCs and to assess this, further research needs to be conducted. Nevertheless, what is clear is that, according to some respondents that we have interviewed, a number of problems have been encountered while implementing QCCs (see the discussion below for details of some of these problems).

One of the barriers to the implementation of QCCs, as mentioned earlier, is that unlike the Japanese, the majority of Malaysian workers tend to be more self-centred and individualistic and it could be these characteristics that have influenced the interview's respondents to reply this way (see below) when they were asked to describe some of the problems they had faced when introducing QCCs.

“Since we normally have QCC activities after office hours, we have attendance problems because most of our workers decline to participate in it as they would prefer to go straight back home to their families or do other activities that are more economically beneficial to them.”

The fact that more than 60% of the 32 respondents<sup>8</sup> indicated that they believed their workers are not keen to participate in QCC activities suggests that many Malaysian workers give priority to their family, or do something that earns them an income, rather than staying late in the office and participating in unpaid company activities such as QCCs. In fact, our findings seem to concur with the findings of Smith (1994) who suggests that

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<sup>8</sup> Respondents that have indicated that they have implemented the JMM including QCC.

most Malaysian workers are less enthusiastic to participate in QCC activities as they have little to gain in monetary terms. According to Smith (1994), he or she can make more money by leaving work at the end of the shift, for instance, to help a relative run a small street stall, instead of participating in unpaid QCC activities after office hours.

Although it is found that QCCs are overwhelmingly recommended by our respondents, it could be argued here that because of the failure of many Malaysian workers to voluntarily involve themselves in QCC activities, this has not only eliminated the advantages offered by QCCs, but has also undermined the Look East Policy's campaign for "quality" employees.

#### **9.2.3.2 Impact of Western-educated Managers**

Besides the differences in culture, tradition, religious beliefs and management systems, the impact of Western-educated managers is also believed to have posed problems to the implementation of certain Japanese management techniques. For example, out of 32 respondents who said they have implemented Japanese management techniques, 20% stated that they have faced problems because of the impact of Western-educated managers. It is important to note that although this is not a very high percentage, its impact is quite significant. This is because, according to our questionnaire survey, attempts to introduce techniques, such as in-house unions, the *ringgi* system and open-office system (each of these will be discussed shortly) often fail as a result of a resistance from Western-educated managers. This suggests that the impact of Western influence may still be very strong among some respondents in this study. This could be due to their educational background, whereby out of 48 respondents who indicated they have degree, 48% said they were

educated at Western institutions compared to only 8.3% who mentioned they were educated in Japan or South Korea.

Hence, it might be argued that because their earlier education and subsequent training are based on a Western curriculum, the majority of the respondents cannot easily accept Japanese management techniques, such as in-house unions, the *ringgi* system and open-office systems even though they are being formally instructed by the Malaysian government via the Look East Policy to do things “the Japanese way”.

Moreover, even if the respondents choose to adopt some elements of the Japanese management techniques, they are in fact indirectly looking to the West. This is because even before the government of Malaysia decided to take a strong lead to Japanese, some companies in the West had actually adopted management ideas from Japan – albeit a slightly weaker version of Japanisation (see Chapter 3). In fact, Jomo (1994: 4) was right in saying, “In geographical terms, the very idea of ‘Looking East’ is necessarily defined from a Western perspective. In this sense then, ‘Looking East’ during this historical conjuncture has ironically become quite fashionably Western.”

Below is a brief discussion on in-house unions, the *ringgi* system and open-office systems, and the problem(s) associated with each of them.

### In-house Unions

Despite the government’s Look East Policy, which encourages the recognition of in-house unions (Smith, 1994), it might be argued that because of the strong impact of Western

influence, out of 23 respondents who indicated that they recognised trade union, only 43.5% stated that they have chosen to recognise in-house unions. Even then, according to some respondents that we have interviewed, a number of problems have been encountered while implementing in-house union. One respondent claims that the formation of such a union in his firm has been strongly opposed by certain quarters in industrial relations as they fear that the workers will be exploited by an unscrupulous employer. Some other respondents also claim that the industrial scene in Malaysia is still pro-British and therefore it is difficult to introduce in-house union. Thus, based on the above claims, it might be argued that the effort by the British could have continued to exert a profound and direct influence on trade unionism in Malaysia, where most workers have chosen to recognise industry-wide union. This might suggest that the government has also failed to recognise the extent of the British influence. It could also be suggested until the “Western mentality” among Malaysians is “wiped out” completely, it is unlikely that the LEP will be successful in its endeavours to promote work attitudes and discipline based on the Japanese philosophy.

#### The *Ringgi* System (Consensus Decision Making)

Japanese management values highly the spirit of harmony for goal achievement. The Japanese method of reaching decisions is designed to avoid pinpointing responsibility for mistakes (Matsuda and Morohoshi, 1973-74). In the *ringgi* system, consensus is stressed as the way of making decisions, while close attention is paid to the personal well-being of employees (Sethi *et al.*, 1984; Yoshino, 1979). A number of respondents that we talked to said: “The more capable Malaysian worker prefers to be given the authority to make decisions instead of following the Japanese way of decision-making by consensus.” This

could explain why a number of our respondents claim that this feature of the Japanese management system is not popular, particularly among Western-educated Malaysian workers as well as managers.

Thus, despite the government's efforts to narrow differentials and gaps between executives and workers through consensus building (the *ringgi* system), it seems that attempts to adopt this system by 9.4% of the respondents<sup>9</sup> have been accompanied by a number of problems. Our findings reveal that problems arise not only because the social and cultural environment in Malaysia is not conducive towards the application of this system, but also because of the impact of Western influence. For example, some respondents explain it this way: "Since the majority of our top management are Western trained or have been working for Western companies before, they are more comfortable making decisions alone, rather than through consensus."

Indeed, our findings concur with those of Abdullah (1995) who suggests that since the majority of top management in Malaysia have been educated in Western institutions, like most Western managers they prefer to make decisions alone. Because of that, the *ringgi* system is, in fact, not being practised among most Malaysian companies whose top management are Western-trained.

Our findings also agree with those of Thong and Jain (1988), who report that the Malaysian companies in their study have not adopted the *ringgi* system, but it has been adopted by the Japanese subsidiary companies in Malaysia. However, the application is not as elaborate

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<sup>9</sup> Out of 32 respondents that have implemented Japanese management practices only 9.4% have adopted ringgi system.



as that practised in the parent company in Japan because of the incompatible social and cultural environment in Malaysia, which still has a strong Western influence.

### Open Office System

Despite the strong government drive to promote open office systems with the intention of narrowing the gap between managers and ordinary workers, it is very clear that not many respondents in this study have adopted the open-plan office concept, which might suggest that most of them are not strongly in favour of such a system. This is shown by the feedback from the survey whereby out of 32 respondents who indicated they have implemented some elements of the Japanese management techniques, slightly more than 50% said that they have adopted the open-plan office concept. Even then, an open-plan office often means open-plan for only the non-managerial workers.

Having this concept of an open-plan office also means that managerial staff are isolated from non-managerial staff. It could therefore be argued that the government cannot expect to narrow the gap between managers and ordinary workers when the managerial staff are cut off from non-managerial staff. The findings from the interview also reveal that most of the latter have complained to their superiors about the open office system. For example, one respondent says: "One of the common complaints we receive from non-managerial staff with respect to an open-plan office is that the non-managerial staff often feel distracted by their colleagues and by the office noise." This might suggest that the adoption of the concept of an open-office plan by some of our respondents has not only failed to narrow the gap between managers and ordinary workers but has also disrupted the workers' performance.

Our findings are consistent with some earlier studies (Boyce, 1974; Keighley and Parkin, 1981; Klitzman and Stellman, 1989, Banbury and Berry, 1998) suggesting that an open office system brings more problems than it solves because background noise can, in fact, disrupt workers' performance. It is clear that many people in Malaysia conceive this as a problem probably because of the fact that people are being too individualistic. It could then be maintained that by being individualistic there is no element of community among them and that could be the reason why they do not like this system. Moreover, since the majority of our respondents have been educated in Western institutions or have worked for Western companies (as mentioned during the interview) they are more comfortable having private offices and the idea of losing such a privilege is unimaginable. The Japanese, on the other hand, focus on the community elements of the open office system and therefore are willing to not only tolerate it, but, in fact, to see it as a benefit to both individual and organisational growth and achievement.

### **9.2.3.3 Respondents/Management's Lack of Enthusiasm, and Workers' Preference for Existing Management Practices**

The lack of enthusiasm on the part of respondents towards Japanese management techniques, and the workers' preference for existing management techniques or practices is believed to be another cause of the problems encountered in implementing the JMM. It could be argued that the former problem could be due to: (i) the lack of training in Japanese management techniques; (ii) the inability of the vast majority of respondents to converse or write in the Japanese language; and (iii) their limited exposure to the Japanese culture, as indicated by the small number of visits to Japan. The weakness is obvious for only 6% of our respondents can speak Japanese; 4% can read and write in Japanese and slightly more

than 40% have been to Japan. Of those who have been to Japan, only about 17% were there for training purposes. Such a background on the part of our respondents would certainly not help to boost their interest in the JMM and certainly would not help much towards the realisation of adopting the Japanese management techniques and work ethic.

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As mentioned earlier, of the 42% of the respondents who indicated that they have visited Japan, more than one-third or 42% said that they stayed there for more than one week but less than a month. Therefore, it is reasonable to argue that these respondents would not absorb much of the Japanese culture and values in general, and the Japanese management techniques in particular, given the type of exposure and short duration of their stay in Japan.

Although some elements of the Japanese management techniques have been introduced in our respondents' firms, 12 or 48% of our respondents stated that they have faced problems because their workers prefer the existing management practices, which are pro-West (see Chapter 8). This could be explained by looking back at the historical development of the management system in Malaysia. History tells us that it is the by-product of four different eras; British, American, Japanese, and finally Islamic. Comparing the four different eras, the longest was the British and this obviously had a stronger influence on most Malaysians.

As discussed in Chapter 6, the British influence in Malaya started in 1786. From then on administration in Malaysia (during that time known as Malaya and Northern Borneo) was based on the British system, and encompassed not only one area but spread to include the school curriculum, information networks, academic training, books, architecture, leisure,

business culture and consumer culture. Therefore, it is reasonable to argue that doing things the “British way” is deeply entrenched in most Malaysians’ minds because this is not just an overnight transformation but the result of 161 years of being told to do things in this manner.

Thus, in one way or another, even after the British had left, their influence is still strongly reinforced by local managers who have been educated in British universities. This became apparent when, under premiers Tun Abdul Razak and Tun Hussein Onn, large numbers of Malaysian students were sent to Western institutions of higher education, and notably to the UK. The fact that these two premiers preferred to send students to Western institutions was because they themselves were educated at British universities. It therefore follows that when these students came back to Malaysia to work as executives and managers in local firms, it was natural for them to favour the Western style of management.

Having said that and looking at our findings from the mail survey questionnaire, it can be argued that because of their inclination towards the Western management style coupled with their other experiences, the majority of our respondents, i.e. 37 out of 69, indicated that they have not implemented any elements of the Japanese management techniques in their firms.

Based on the evidence presented above, one might ask how the government via its Look East Policy could expect to see a great deal of success in its transformation of the management system in Malaysia overnight when it is so difficult to change the hearts and minds of people who have been influenced by the West, and particularly the British, for

161 years. Our findings, to some extent, have provided evidence that it is indeed difficult, but not impossible, to encourage management in Malaysia in general and in this study in particular, to adopt the Japanese management techniques and work ethic, partly because of the strong influence of the West, and the British in particular.

#### **9.2.3.4 Lack of Commitment from Top Management**

It is revealed that the majority of the respondents we interviewed thought that top management (including themselves) lack commitment in terms of adopting Japanese management techniques, despite being told by the government via the Look East Policy to do so. The important question here is why is top management not committed to adopting certain elements of the Japanese management techniques? There are a number of possible explanations for this. One is that top management do not believe that the Look East Policy is intended purely for the purpose of promoting Japanese management techniques. This is shown by the fact that out of the 69 respondents who participated in the survey, 56.6% stated that the Look East Policy is just a “window-dressing” policy compared to 26.1% who said that it is the kind of policy they need. Even then, there is no statistical evidence to support the notion that the Look East Policy has been very successful in encouraging our respondents to adopt Japanese management techniques because there is no association between the respondents’ knowledge of the Look East Policy and their firms implementing Japanese management techniques as revealed by the chi-square test (see Chapter 8, Section 8.11.1)

The other possible explanation could be the fact that the majority of top management are Chinese. The survey findings show that of the 69 respondents who participated in the

survey, 33 or 47.8% are Chinese. Thus, it might be argued that being Chinese they are less committed to the government policy which they think is not beneficial to them. It is important to note that this does not imply that the Chinese are against the government's policy, but the truth of the matter can be traced back to shortly after the launch of the Look East Policy. A study by Lim (1984) reports that since the LEP has encouraged Japanese investors to co-operate with the *Bumiputras* in the implementation of the New Economic Policy, this has altered the existing structure of ownership and control of certain sectors of the Malaysian economy. For instance, in the construction sector, large construction companies that were being overwhelmingly controlled by Chinese have been rapidly taken over by the Japanese. Therefore, it is understandable that the Chinese community does not support the Look East Policy (Lim, 1984).

Besides the four main causes of the problems encountered in the implementation of the JMM mentioned above, this study also reports other problems that we believe could have made it more difficult to promote or transfer some elements of the Japanese management techniques to Malaysia, and particularly to manufacturing firms in this study, despite the government's drive in this direction. These include the fact that Malaysia and Japan are at different stages of technological development. In addition, trade unions in many firms do not favour certain elements of the Japanese management techniques. Moreover, the unwillingness of the Japanese to assist their Malaysian counterparts in the process of transferring/implementing the Japanese management techniques constitutes another barrier. Finally, some elements of the Japanese management techniques are perceived as bringing more problems than benefits to the respondents' firms (see Chapter 8, Table 8.24).

Thus, to this point we might argue that despite the strong “push” from a powerful government to encourage management in Malaysia, particularly in manufacturing firms in this study, to adopt Japanese management techniques, it is clear that the Look East Policy has not been very successful. This perception of its lack of achievement is reinforced by the fact that of the 69 respondents who participated in the survey, only 2 or 2.9% stated that strict enforcement of the Look East Policy is one of the best ways to ensure that the Japanese management techniques will be successfully transferred to firms in Malaysia. Even then, the results of the chi-square test show that there is no association between the respondents’ knowledge of the Look East Policy and their firms implementing the Japanese model of management - suggesting that the Look East Policy has had no direct influence on our respondents to adopt Japanese management techniques.

The following discussion is intended to assess in more detail the impact or effectiveness of the Look East Policy in encouraging management in Malaysia in general, and in this study in particular, to adopt the Japanese management techniques and work ethic.

### **9.3 The Look East Policy - How Effective it is?**

Following the above discussion, our main objective in this section is to examine the impact or effectiveness of the Look East Policy in more detail in terms of encouraging management in Malaysia, and particularly in manufacturing firms in this study, to adopt the Japanese management techniques and work ethic. In order to do so, we will discuss some of the “weapons” that the Malaysian government have used and assess whether these weapons are effective or not. Towards the end of this section, we will look at the area(s) to

which the Malaysian government should pay attention if the “weapons” they use or if the Look East Policy are not effective in achieving its objective.

As pointed out, the Malaysian government arguably has displayed strong initiative in attempting to enforce its policy, and this has manifested in a number of ways. For example, the government has taken a very strong lead in economic development and there is a much more co-operative feel about it than in many Western nations, for example, Britain, America, Germany, etc. When we look at these nations, it appears that to some extent their development is the result of companies “looking East” themselves and picking up management ideas, to another extent it has been a result of emulation. While government encouragement can be seen to have played a role, it has not in any way had as strong a role in the economy, particularly in promoting new management ideas, as it has in Malaysia. This is partly because of the relative political situations and also because of the differences in stages of economic development. But, as mentioned, in the case of Malaysia, the policy has been reinforced by a powerful government that took a number of measures to ensure that its policy would work, such as employ the use of certain “weapons”. The following discussion looks at some of these “weapons” and assesses whether or not these “weapons” have been effective.

The first of these “weapons” has taken the form of a nation-wide campaign, which has been used to promote the Japanese management techniques and work ethic. In this campaign, Mahathir himself has made several important speeches related to the Look East Policy. In these speeches, which are usually broadcasted through mass media (television and newspapers), Mahathir emphasises East Asian values, and in particular the Japanese



values, and has called upon all Malaysians to adopt the Japanese management techniques and work ethic. Although, on the one hand, Mahathir has been effective in terms of promoting his “punch-card” ideas (see discussion in Chapter 5), on the other hand, he has failed to assure Malaysians workers that they would have a reward system similar to the Japanese. Not surprisingly, one consequence of his LEP has been the stimulation of a variety of critiques in Malaysia.

Some criticise the notion of hard work. For example, Muzaffar (1983) argues that “hard work is not everything. Neither is discipline, nor is efficiency. It is wrong to suggest that hard work is a cure-all, a panacea, for all our ills. No nation will be able to resolve all its economic problems through hard work and discipline alone. This is why it is fallacious to argue that Japan’s economic prosperity is due entirely to the hard work and discipline of its people. It follows that by emulating Japanese work ethics, we will not be able to guarantee the success of our nation.”

Others raise somewhat narrower but nonetheless fundamental issues, such as, “more hard-working in whose interest?”<sup>10</sup> With respect to values and behavioural changes, it has been asked whether or not the *Bumiputra* will or should be willing and able to behave more like the Japanese and Koreans, or subject themselves to the kind of industrial discipline that South Koreans have had to in recent years (Machado, 1987). Some British-educated politicians in Mahathir’s government (as quoted in Jomo, 1994) also ask “why are Islamic values not emphasised instead of East Asian ones, even though Mahathir has consistently stressed the connections between discipline, industriousness, and Islamic values?”

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<sup>10</sup>Tan Chee Beng (1983) “Work Productivity and Ethics”, *Aliran*, Vol. 3, No. 4, pp. 23.

According to Machando (1987), “such criticism takes place within narrow confines in Malaysia. Nevertheless, dislocating consequences of economic policies said to be inspired by the Japanese ‘model’ might, at some point, provoke sharper protests, perhaps cast in Islamic terms.”

The above accounts suggest that the way in which the first “weapon” has been used by Mahathir is indeed not entirely effective in changing the attitudes of the people, nor does it encourage management in Malaysia to adopt the Japanese management techniques and work ethic. Instead, Mahathir has surrounded himself with criticisms from both academicians and British-educated politicians in his government.

The second “weapon” takes the form of a policy to send people to Japan. We have learnt from the literature on the Look East Policy that only Malays have been sent to Japan for training. For example, according to one report,<sup>11</sup> the Malaysian government sent 135 Malay technical trainees to Japan in September 1982, followed by 238 more in April 1983. It is also reported that the majority of these trainees were from government agencies. From the information given in this report and a number of others, it is reasonable to suggest that the Look East Policy is racially motivated where higher priority is given to the Malays, while the Chinese, Indian, and other indigenous groups from the states of Sarawak and Sabah, which include Bidayuh, Iban, Kelabit, Kayan, Kadazan, etc., are not given equal chance to go for training in Japan (see Lim, 1984).

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<sup>11</sup> Perbadanan Persatuan Jepun/Malaysia, April 1983.

Based on the above accounts, the way in which the second “weapon” has been used by Mahathir also seems to be ineffective for a number of reasons: (i) it seems that the Look East Policy contains racial sentiments, which might make non-Malays, particularly the Chinese, less enthusiastic towards the policy. Since the Chinese are particularly important in the business community, their resistance to the LEP could be a significant problem if the government tries to influence the business community by excluding non-Malays, and in particular the Chinese; (ii) the duration of training in Japan is normally very short, i.e., between one week and a few months (see Chapter 8). It is highly likely that this is not enough time to provide the trainees with sufficient exposure to Japanese culture and managerial practices. This could present problems if the government try to persuade these trainees to adopt Japanese management techniques when they (the trainees) are not ready to do so because of their limited knowledge of both Japanese culture and managerial practices; (iii) most trainees have no prior knowledge of the Japanese language and this could make it difficult for them to communicate effectively with their Japanese counterparts; (iv) courses undertaken by the trainees are normally related to the general background of Japan rather than to specific management techniques (Jomo, 1983); (v) most of the trainees are from government agencies rather than from the private sector (Lim, 1984). Moreover, according to Lim, being the government employees, there is little initiative on their part to implement Japanese management techniques; and (vi) most importantly, Malaysia’s businesses and people in general have already been strongly influenced by the West, which could make it difficult for Malaysia to follow effectively the Japanese model of management (Jomo, 1994).

Thus, based on the above arguments it is understandable that it would be difficult to persuade/influence the Malaysians, and particularly the non-Malays, to believe that they should change their approach and adopt the Japanese approach instead. In fact, from the above discussion it can clearly be argued that it is a difficult task to perform because people's views vary according to the educational background and other experiences derived from exposure to Western approaches. Therefore, perhaps the only area in which the policy works is actually where management itself is "looking West" and adopting the Japanese techniques that are already being practised by Western companies. Even then, the techniques that management decides to adopt are only the minor or low-cost ones, as they could be implemented piecemeal and have to be further modified to suit Malaysian cultural settings.

The third and last "weapon" that the government has used is its encouragement of Japanese companies to invest in Malaysia. As already discussed in Chapter 5, the Malaysian government's attitude towards Japanese investment became more indulgent with Mahathir's Look East Policy. As a result, Japanese investment in Malaysia increased in larger numbers than ever seen before (see Chapter 5). The government has argued that by encouraging the Japanese to invest in Malaysia, they would transfer their management techniques and technology, and at the same time, would reduce regional differences and locational poverty in Malaysia. However, a more detailed examination of Japanese investment in Malaysia in the 1980s indicates that the Japanese interests lie in wood and wood products and in basic metal products (Saravanamuttu, 1983). According to the same author, this shows that in the former case they are interested not in transferring their management techniques and technology but in taking advantage of Malaysia's abundant

timber resources, while in the latter case it shows that their intention is to shift a highly polluting steel industry from Japan to Malaysia.

On the other hand, a detailed examination of Japanese investment locations in Malaysia further indicates that most companies are established in free trade zones (FTZs) and industrial estates, such as Penang and Selangor, where well-developed infrastructures already exist (Saravanamuttu, 1983). Since Japanese enterprises are concentrated in the industrialised areas they could have spread their management ideas, but our findings show that they have not done so. Thus, based on the above-accounts it can be claimed that the use of this “weapon” has had little effect for the following reasons:

1. It is believed that the Japanese firms in Malaysia are involved in purely profit-seeking activities rather than transferring their management techniques/expertise and technology and this could be one of the reasons why, according to Lim (1984) “Japanese ‘over presence’ in Malaysia has long been criticised by the various local communities. This has created several economic trade frictions between the two parties, i.e. the Malaysian and Japanese. For instance, at the end of April 1983, about two weeks before the Japanese Premier Nakasone (former Premier) visited Malaysia, the mass media in Malaysia criticised Japanese commercial practices and business behaviour in the country” (p. 235). According to the *Straits Times* (as quoted in Lim, 1984), “since the start of the Look East Policy, Japanese companies had won over RM3 billion worth of contracts in Malaysia but Malaysian had gained ‘practically nothing’ in terms of invisible trade with Japanese contractors. All shipping, insurance, and other

invisibles were exclusively handled by the Japanese companies themselves, shutting out the opportunities for local companies.”

2. Although the Japanese are very good at learning from others, some authors argue that they are not as good at introducing their own experiences to others. For example, Lim (1984) points out that Japan does not have the social equipment or a policy to transfer knowledge and technology to other countries. Hence, some Japanese academicians (as quoted in Lim, 1984) have expressed that “There are some serious impediments in the implementation of the Look East Policy. In theory, it is possible for Malaysia to learn from Japan; in practice, however, it is necessary for Malaysia to look into social costs incurred by Japan in its industrialisation and modernisation process.” According to Lim (1984), “the Japanese academicians also warned that the distortions emerging from the Japanese economic development process, for instance, environmental pollution, the neglect of human aspects in factories, housing shortages, and capitalistic expansion, must particularly be avoided if Malaysia wants to learn from Japanese experience.”

Besides the ineffectiveness with which the “weapons” discussed above have been used, there are other reasons to qualify the opinion that the Look East Policy is not very effective. The first reason that can be used to substantiate our argument is the fact that the LEP has been used not only to accomplish the New Economic Policy (NEP) goal, but also as a tactic to stabilise the Mahathir administration during the general election of March 1982 (Lim, 1984). In fact, when the respondents were asked to give their opinions of the Look East Policy, the majority of them stated that it is politically-motivated. This is supported by the fact that Mahathir launched the Look East Policy in 1982, when he was

fighting for the most powerful post during the general election of that year, which implies that a policy of this magnitude was of great importance to him and his party.

Moreover, according to some critics (for instance, Jomo, 1994), being a so-called Malay nationalist, Mahathir has always tried to improve the *Bumiputras'* discipline and work ethic in order to narrow the economic gaps between the Malays and other races in Malaysia. Although in principle this seems quite noble to the Malays, it is also clear that the Look East Policy has racial objectives.

Because of the fact that the policy is closely related to a pro-*Bumiputra* policy, some critics argue that this makes it unlikely that full co-operation will be gained from the Malaysian Chinese (Muzaffar, 1983; Lim, 1984; Jomo, 1994). It is further argued that other non-Muslims in Malaysia are less enthusiastic towards the policy as Mahathir has concentrated most of his efforts in combining the Look East Policy with Islamic doctrine (Soong, 1983). In addition, because of the religious sentiments, it is said that Malaysians of different religious beliefs are also quite sceptical towards the Look East Policy since the mass media further reported that the implementation of the policy is expected to strengthen Islamic ideology in Malaysia (see Muzaffar, 1983).

The second and last reason for the ineffectiveness of the LEP is perhaps due to the fact that some people believe that it is "short-lived", even though there has been no official statement from the Mahathir administration that has officially ended the policy. However, the fact that Mahathir has made the Islamic policy the dominant policy barely five years after introducing the LEP might suggest that the original objective of the LEP is perhaps

not economic but political. This could explain why Mahathir drastically changed the Look East Policy's direction following the Japanese government's refusal to give Malaysia Airlines System Berhad (MAS)-Northwest Airlines joint flight-service traffic rights through Tokyo's Narita Airport (Jomo, 1994). Subsequent to this disagreement, in Mahathir's 1984 speech, "The Second Opening of Japan" which was delivered by his cabinet colleague, Tunku Razaleigh Hamzah - a different, critical and almost threatening tone emerged (Jomo, 1994). Bartu (1992: 63) claims that this 1984 speech marked the end of Mahathir's infatuation with Japan.

From the above discussion it can be inferred that the Look East Policy seems not only ineffective but also, ultimately, unrealistic due to Malaysia being a heterogeneous society and Japan, a homogenous one. In fact, when the interview's respondents were asked for their opinion with respect to the effectiveness of the Look East Policy, their responses included the following:

"The Look East Policy is not effective and it does not work anymore, now people are looking back to the West."

"The Look East Policy is not very effective, and in fact, it is very difficult to sustain in our culture."

"How could the Look East Policy be effective when the cultural backgrounds of a lot of Malaysian workers are not geared towards industrialisation. In fact, most of them are more suited to an agricultural sector. The Japanese model that the Look East Policy tries to



introduce might be good, but it will take time, and to transfer it completely will really be not only a disaster but will scare away a lot of local workers who already have problems coming to work daily.”

In addition, it is also important to remember that, as described, Malaysia and Japan are totally different in culture, social values and historical background, and this will undoubtedly create serious impediments for Malaysia to “Look East”. As discussed earlier in this chapter, the ways in which the “weapons” have been used by Mahathir also seem to have had their limitations. This might be due to the fact that: (i) although the policy aims at upgrading work ethic and improving skills, only the Malays seem to have been purposely mobilised (in terms of sending Malaysian students and trainees to Japan)<sup>12</sup>; and (ii) the government has tried to achieve significant results but in a short time (i.e., less than five years after introducing the Look East Policy, the government introduced the Islamic Policy). In fact, it could be maintained that in order for the government to achieve some success it would require more time, for example, at least 10 to 20 years or perhaps longer, just to change the attitudes and behaviour of the Malaysians, especially when they have been heavily influenced by the British for over 100 years.

What is apparent, however, is that Malaysia’s efforts to learn from Japan through the introduction of technology, managerial systems, work ethic and economic development experiences – is, in fact, a painstaking task which needs years to formulate and implement before some success can be achieved. Presently, it appears that economic co-operation in trade and investment has received the most attention in Malaysian-Japanese relations,

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<sup>12</sup>The Malaysian government started sending 135 Malay technical trainees to Japan in September 1982 and 238 in April 1983 (Malaysia, no. 38[Tokyo: Perbadanan Persatuan Jepun/Malaysia, April 1983]).

while cultural exchange seems to have been of less significance or given inadequate attention.

Generally, although cultural exchange does not directly contribute to economic cooperation, it does form a necessary basis for the deeper understanding of the Japanese systems and also of a nation's overall developmental achievements. Because of that, perhaps it is essential for the government of Malaysia to have a thorough appreciation of the Japanese social and cultural values, institutions and practices, at a time when Malaysia is attempting to learn from Japanese business and economic performance.

As it has been argued that the LEP is not been very effective, the important question here is to which area should the government pay attention? Based on what we have learnt from the literature on the Look East Policy and our findings, it is suggested that if the Malaysian government wanted to do this again, it would have to concentrate on a number of areas that seem to have been overlooked. For example, the government has to take into account the importance of why and how the Japanese management system links itself to the Japanese social and cultural values, institutions, practices and most importantly, history. Although it might be argued that the understanding of these would not guarantee the success of the Look East Policy, they could become important principles in order to prevent the blind emulation of Japanese management practices. For example, by understanding Japanese history, perhaps, the Malaysian government would realise that Japan is one of the very few Asian countries that has remained free from colonial rule.

Following this the Malaysian government would be able to make the sensible inference that because Japan has stayed free from colonial powers, they have been able to achieve goals that Malaysia could not. For example, they could utilise traditional economic skills and activities which are expressed through a whole network of small and medium-sized industries that have helped to launch its industrialisation programme. Moreover, because its cultural base is almost intact, traditional values of co-operation and group solidarity could provide a framework for its modernisation. However, unlike Japan, Malaysia has been colonised for over 100 years, and such a long period of colonisation could possibly de-stabilise its cultural base, making people become more westernised, self-centred and individualistic.

Because of being influenced by Western views and culture, it is reasonable to argue that it would not be possible for the Look East Policy to influence the mentality of the people overnight, but some success could be achieved, particularly in altering the attitudes of the Malaysians, if only the Look East Policy were longer-term (say about 20 years or more) and emphasised a cultural theme as opposed to being just a political rhetoric.

The next thing that we believe the government should focus on is to reduce the racial and political motivations underpinning the policy. It is believed that if the policy were racially inclined it could win greater support from the non-Malays, and particularly from the Chinese. In that sense then, the government should try to mobilise other races in terms of sending them to Japan for training. It might also be argued that by doing so, the government could easily win the support of most Malaysians, and particularly the Chinese, the majority of whom dominate the business or private sector.

The other important thing that we believe the present government should approach more seriously is an understanding of local management culture and systems. In fact, this was what the Japanese did, i.e. they learned and understood as much as possible about their own culture and systems before copying ideas from the West, although this did lead to a longer and more painstaking process than Malaysia experienced.

Last but not least, we also believe that the government should consciously put more effort into the development of local human resources. Japanese success in the nineteenth century can be partly attributed to the fact that they chose consciously to develop through their own human resources, with appropriate knowledge and technology from outside<sup>13</sup> but without foreign investments, aid and consultants (see Muzaffar, 1983). Moreover, at present some Japanese factories and even the bureaucracy provide security of tenure to their workers, and this reflects the dedication and discipline of their leaders (managers and politicians). Besides that, most occupations in Japanese firms carry with them a variety of material incentives, including paid holidays for productive workers. Needless to say, Japanese workers are relatively well-paid compared to Malaysian workers (Muzaffar, 1983). All this shows that there are some connections between Japanese management techniques, working conditions and work ethic. Hence, it is argued here that no one - not even a Japanese would be prepared to work hard for a long period of time unless he or she is given material and non-material rewards which can satisfy him or her to some extent, and which will make his or her work more gratifying.

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<sup>13</sup> Mainly Western technology.

Based on the above discussion, it is argued that if Malaysian leaders had a more balanced view of Japan, we believe that they would be able to understand the limitations of the Japanese management system, work ethic and hard work as a “cure-all” theory in Malaysia. Indeed, if the work ethic/hard work theory is inapplicable in Japan, we also believe that it is even more inappropriate for Malaysia. This is because in countries like Malaysia, there are large numbers of people who are poor and disadvantaged through no fault of their own. It could be argued that no matter how hard they work they will probably remain poor because they are being exploited by the social and economic systems in the country. In fact, Muzaffar (1983) points out that “a padi farmer or a trishaw-pedlar in the city will not be able to alleviate his or her misery by being disciplined and by working twice as hard or thrice as long. His poor income is linked to the technological level of our society, educational opportunities, the employment pattern, the rate of social mobility and labour-capital relationships. The trishaw-pedlar on his own can do very little about any of these issues. The resolution of each of them requires a thorough examination of the entire social system.”

Based on the above discussion, we might sum up that there are a number of lessons that the government should learn and they are:

- I. The Look East Policy was never properly thought through in terms of the difficulty of transferring a system from one culture to a very different one. It is doubtful if the policy could ever have worked as such.

- II. A more limited objective, of learning from the Japanese might have been successful. But this would have demanded (a) a long term-commitment; and (b) more involvement of Chinese community.
  
- III. The policy was always partly a political as well as an economic one, thus it can be argued that its success should be judged not on a basis of whether it was adopted but on whether it achieved its political objectives.

#### **9.4 Conclusion**

Having discussed and analysed the survey findings we arrived at the following conclusions. First, there is no doubt that some Japanese management techniques, especially the low-cost ones such as QCCs, TQC, suggestion systems, job rotation, on-the-job training, etc., have been transferred to manufacturing firms in this study. But even then a number of problems have been encountered in the transplanting process and one of the reasons is because some of these practices are incompatible not only with Malaysia's present management system but also with the culture, values, traditions and religious beliefs found in Malaysia.

Second, it can be inferred that because of managerial as well as socio-cultural constraints, our findings suggest that despite a great deal of effort by the Malaysian government in trying to promote or transfer Japanese management techniques, and despite its strong push to encourage management and employees in Malaysia to adopt the Japanese work ethic, it has not succeeded much more than it has in other countries where there has been less government pressure.

Thirdly, it can be concluded that the extent to which the Malaysian government can promote Japanese management techniques in Malaysia may be limited by the cultural differences between Malaysia and Japan; by the strong influence of the West; the individualistic tendencies of the people and the lack of an element of community among them; the workers' preference for existing management practices; and finally, by a lack of commitment from top management to support the government campaign.

Lastly, as a whole, it can be said that the Look East Policy has not been effective because not only was it believed to be unsuitable for a heterogeneous society such as Malaysia, but also it was because the policy was perceived as racially motivated. Moreover, some believe that it was launched more as a political strategy to achieve Mahathir's political ambitions than to further economic development in the country.

The research implications and conclusion are presented in Chapter 10, which also forms the final chapter.

## CHAPTER TEN

### RESEARCH IMPLICATIONS AND CONCLUSION

#### 10.1 Introduction

In this chapter, strands from earlier research are highlighted. Following this, we present a summary of the research findings. Next, the research implications and the contribution of this thesis are presented. Finally, suggestions for future research are made and the conclusion is presented.

#### 10.2 Strands from Earlier Research

The purpose of our discussion in this section is to recap what has been discussed in the preceding chapters. The literature that was initially reviewed was based on three themes: the internationalisation or globalisation of business; culture and cross-cultural management; and the role of the state, in this case, whether or not a strong state in Malaysia can influence a change in people's attitudes.

In the first theme, two aspects were analysed. They were the globalisation of business and/or as part of that, the spread of management techniques or ideas. When talking about globalisation, a number of commentators (for instance, Hirst and Thompson, 1996) suggest that it has become a fashionable concept in the social sciences, a core dictum in the prescriptions of management gurus, as well as a catch phrase for journalists and politicians of every stripe. It is widely asserted that we live in an era in which the greater part of social life is determined by global processes, in which national cultures, economies and borders are dissolving (see Frenkel and Peetz, 1998).



As already mentioned in Chapter 3, the globalisation of business was not a new phenomenon. In fact, the history of the globalisation of business is a long one and not something confined just to the period since 1960 (Hirst and Thompson, 1996). The same authors claim that although trading activities dated from the earliest civilisations, it was the European Middle Ages that saw the initiation of systematic, cross-border trading operations carried out by institutions of a private corporate nature, though often with strong state backing and support.

Having said this, the important question here is why do businesses globalise? A number of authors (Kish and Vasconcellos, 1993; Barlett and Ghoshal, 1995; Joynt and Warner, 1996; Yip *et al.*, 1997; Schell and Solomon, 1997; Doney *et al.*, 1998) argue that there are a number of reasons why businesses cross national boundaries. These reasons can be divided into three broad categories:

- (i) Because of two traditional motives, i.e. a resource-seeking motive and a market-seeking motive.
- (ii) As a result of the different stages of economic development in different parts of the world as well as because of unevenly distributed global resources.
- (iii) Due to the international division of labour, and anti-monopoly legislation, the local market becomes saturated while cost pressures and trade friction increase.

The globalisation of business thesis states that as businesses cross national borders, they bring along a number of important aspects, such as the rapidly expanding international trade and financial flows (Frenkel and Peetz, 1998), as well as the spread of management ideas or techniques (Xing, 1995; Hendry, 1996; Schell and Solomon, 1997; Wasti, 1998).

Even though the globalisation of business thesis claims that internationalisation permits the spread of management ideas, a number of authors (for instance, Xing, 1995; Hendry, 1996) argue that only part of the home country's management ideas are transferred when businesses cross national boundaries. Why is this the case? To answer this question, we need to look back at what is revealed by the second theme, i.e. culture and cross-cultural management.

Although the globalisation of business thesis seems to agree that management ideas do spread to some extent as a result of businesses crossing national boundaries, the culture thesis, however, argues that it is difficult to successfully transfer wholesale management ideas from home to host countries, partly because of the cultural variations between one country and another (Ichimura, 1981; Francesco, 1981; Hamzah *et al.*, 1989; Hodgetts and Luthans, 1990; Hofstede, 1991, 1993; DiBella, 1993; Tung, 1996; Clark and Mallory, 1996; Hu and Warner, 1996; Wasti, 1998; Frenkel and Peetz, 1998).

The above discussion suggests that while a number of authors have carried out research into culture and its impact on the transfer of management ideas across national borders, unlike other studies, those of Hofstede (1980; 1984; 1989; 1991; 1993) were more extensive because of the fact that he "successfully ties-cultural orientation and observable

institutional differences between countries in a parsimonious framework” (McGrath *et al.*, 1992). As such, it is worth reinstating or reviewing some of his works.

In his two important studies *Cultures and Organisations: Software of the Mind* (1991) and *Cultural Constraints in Management Theories* (1993), Hofstede points out that national culture has an impact not only on employees’ work-related attitudes, but also on the spread of management ideas. In his studies, he compares employees of large multinational business organisations in forty nations. Based on his data, he highlights four dimensions of culture which he considers as having a major impact on both employees’ work-related attitudes as well as on the spread of management ideas. As mentioned earlier in Chapter 3, they were “power distance”, “uncertainty avoidance”, “individualism/collectivism”, and “femininity/masculinity”.

Hofstede argues that “power distance” represents the way a society handles inequality, a factor that he considers inevitable in every society. “Uncertainty avoidance”, on the other hand, relates to the amount of tolerance that the members of a society have for ambiguity and uncertainty. He states that “individualism” exists in societies in which the ties between individuals are loose, whereas in “collectivist” societies, people are born into and maintain with great loyalty strong and cohesive in-groups throughout their lives. Finally, he contends that the masculinity/femininity dimension relates to work goals.

Hofstede (1993) argues that not only are there four dimensions of culture which make one society different from the other, but also that “there is something in all countries called ‘management’, but its meaning differs to a larger or smaller extent from one country to the

other, and it takes considerable historical and cultural insight into local conditions to understand its processes, philosophies, and problems...if already the word 'management' may mean so many different things, how can we expect one country's theories of management to apply abroad?"

Because of that, Hofstede (1993: 89) says, "One should be extremely careful in making this assumption, and test it before considering it proven. Management is not a phenomenon that can be isolated from other processes taking place in a society....it interacts with what happens in the family, at school, in politics, and government. It is obviously also related to religion and beliefs about science. Theories of management always had to be interdisciplinary, but if we cross national borders they should become more interdisciplinary than ever."

As discussed in Chapter 3, although Hofstede's studies (including those conducted in the 1980s) have been popular and aroused intense interest, they are not free from criticisms. For example, Hunt (1981) questions the generalisations that could be drawn from Hofstede's sample, which was collected from one multinational company. He argues that the results from Hofstede's study could be contaminated through selection processes that sought individuals with predetermined personalities and values. Similarly, Watson (1987) points out that the result from Hofstede's study could also be distorted as a result of subsequent acculturation, formal development and training that might lead to a typical set of norms and values in every respect of the corporate culture. Likewise, Hollinshead and Leat (1995) criticise Hofstede's study by arguing that his model is methodologically imperfect. The same authors argue that his sample was not only limited, but the four

dimensions that he included in his study were too heavily drawn from Western concepts rather than from Eastern experiences.

Despite such criticisms, a number of authors (for instance, Triandis, 1982; Kirkbride *et al.*, 1990) argue that Hofstede's study will no doubt stand as one of the major landmarks of cross-cultural research for many years to come. In addition, some authors (for example, Smith *et al.*, 1995; Wasti, 1998) do seem to agree with Hofstede's findings and, in fact, there is widespread acceptance that there are difficulties in simply transferring management ideas across national boundaries.

However, some commentators (for instance, Sayer, 1983; Kim, 1983; Terrill, 1993; Whiting, 1996) believe that if transfers are to take place then the state has to play its role effectively, especially in terms of influencing a change in people's attitudes. This leads us to our third theme, i.e. the role of the state, and particularly whether or not a strong state can have a significant impact in changing people's attitudes and mind-sets. Unlike the two previous themes, this one is different because it neither talks about the spread of management ideas *per se*, nor does it talk about culture in detail. Instead, it argues that unlike in developed countries where the role of state is less important, in developing ones the state is often seen as playing some important roles, especially as a driving force in changing culture and/or people's attitudes.

With regard to the role of state in stimulating economic development, some commentators (Soon, 1994; Okuku, 1997) claim that state intervention is necessary because there is the need: (i) to create domestic supplies of factors of production when the private sector is

unable or unwilling to create them; (ii) to preserve a competitive market structure through the regulation of large private enterprises; (iii) to adjust for the failure of markets to achieve a desired allocation of resources; and (iv) to achieve a more desirable distribution of income.

The related literature asserts that unlike the private sectors, which are profit-oriented enterprises, the state being instrumental in both economic and social change has different priorities. For example, as an agent of economic change, its priorities include setting legal rules; implementing policies, such as political and economic ones; buying goods and services; producing services; making payments, etc. On the other hand, as a force in social or behavioural change, its focus is to implement policies directed towards that. Some of the more powerful policies, as already mentioned in Chapter 4, were Singapore's "Look East" campaign, South Korea's Saemaul Undong Movement, and the Cultural Revolution in China. These policies or campaigns were intended not only for economic purposes but also for the purpose of changing people's mind-sets and behaviour.

To sum up, three different views have emerged from the above discussion. One view that clearly favours the notion that management ideas do spread when businesses cross national borders, is the globalisation/internationalisation thesis. Another view is linked to the culture thesis, which, although it does not necessarily reject the former view, states that it is difficult to successfully transfer wholesale management ideas across national boundaries because of the cultural variations between home and host countries. The final view relates to the role of the state, especially as a driving force in changing people's attitudes. Although it is argued that it is difficult to scientifically measure the degree of success

achieved by the state in terms of influencing a shift in attitudes, some commentators believe that it is not impossible for the state, especially in developing economies, to do so, partly because the state in these countries is both determined and powerful, and is able to impose policies and laws which outsiders may conceive as draconian. Another reason is that power is much more all-embracing and involves control over the media, and by using that as a channel for its campaigns, the state is able to affect more radical changes.

### **10.3 A Summary of the Research Findings**

A review of the related literature suggests that the state in Malaysia has a great deal of power and it has been instrumental in instigating economic development as well as behavioural change. Based on this, we would expect the Malaysian government to achieve a great deal of success with its Look East Policy. Therefore, given this scenario our general hypothesis, as spelled out in Chapter 5, would be as follows:

*The Look East Policy might have had some success in promoting Japanese management techniques to manufacturing firms in Malaysia, despite the difficulties of transferring management practices between different countries, because of the strength of the state in Malaysia and its commitment to such a policy.*

Based on our findings, clearly some Japanese management techniques, such as QCCs, TQC, job-rotation, on-the-job training (OJT) and suggestion systems have been transferred to manufacturing firms in our study. But the question here is to what extent has this happened because of the Look East Policy? Firstly, of the 32 respondents who said that

they have implemented the above practices, only 3 or 9.3% stated that they have done so because of the LEP and it is therefore apparent that the implementation of the above techniques has not happened solely because of the government's policy drive. This clearly indicates that it has not been successful in this direction. Secondly, the view that the Look East Policy is not the major impetus for the transplanting of the above techniques to manufacturing firms in this study is further reinforced by the fact that only 2 of the 69 respondents who participated in our study indicated that the strict enforcement of the Look East Policy is one of the best ways to ensure that Japanese management techniques are successfully transferred to firms in Malaysia. Finally, looking at the practices mentioned above, they tend to be the same techniques as those adopted by firms in other countries, such as the UK, the USA, Singapore, Hong Kong, South Korea and Taiwan even though there is less pressure to do so from these governments, except in the case of Singapore where it has a "Look East" campaign, but then it was also nothing comparable to Malaysia's Look East Policy.

The above discussion clearly suggests that while the adoption of such techniques by some of our respondents is not necessarily the result of a direct push from the government, it could be attributed to the influence of multinational corporations (MNCs) operating in Malaysia, or because of the fact that they have been educated and trained abroad, especially in Japanese institutions and organisations.

Based on the above argument, it can be said that, as a whole, the Look East Policy has not been successful, as it has not achieved as much success as the government expected. The question then is why is this so? First, it could be because of the barrier imposed by culture,



i.e. Malaysia is a multi-cultural and multi-religious country and therefore obviously it is different from Japan. As a result, the Japanese management techniques, and particularly the ones that are deeply embedded in its culture, such as lifetime employment, seniority-based systems and the *ringgi* system are not easily transferable to manufacturing firms in Malaysia, despite strong encouragement from the Malaysian government. Hence, it could be argued that the religious beliefs and socio-cultural values in Malaysia might play a far more significant role in management practices policy choices than the political will of the government.

The second reason relates to the dominance of Islam that has caused great difficulties in the transfer of Japanese management techniques to Malaysia, and the fact that Mahathir seems to have shifted his focus from the Look East Policy-to promote the Islamic policy has further reinforced the problem. As discussed in the previous chapter, in fact, Mahathir has made the Islamic policy dominant in less than five years after introducing the Look East Policy. It could be because of this that Malaysians of different religious beliefs are sceptical of Mahathir's main objective in introducing such a policy.

The third reason could be because Mahathir has failed to address the Chinese community, yet, they are the most significant ethnic group in the business sector. In fact, the Look East Policy is perceived by some as anti-Chinese on the one hand, and pro-*Bumiputra* on the other. The reason as described in Chapter 5 could be because when the government started to send trainees to Japan in the early 1980s, it seemed to favour *Bumiputra* workers, especially the Malays. In fact, it is argued that other races, especially the Chinese, are not given an equal chance to go for training in Japan (Lim, 1984). Thus, being perceived as a

racially motivated policy it can be argued that it does not have a great appeal, particularly among the Chinese community.

The fourth reason for the policy's failure to succeed could be due to the fact that Mahathir did not pursue it systematically and fully, i.e. some of its aspects that were working, for example, a long-term visit to Japan, especially for training purposes, are not followed through. Despite the costs incurred in this area, it was one that seemed to have a positive impact. It could therefore be further argued that by not following through this programme, there might be a real problem for the government if it tries to persuade trainees to adopt Japanese management techniques, if these trainees are not ready to do what is expected of them due to their limited knowledge of both the Japanese culture and managerial techniques. Moreover, it might take a long time for these trainees to learn what is required as most of them have no prior knowledge of the Japanese language and therefore cannot communicate effectively with their Japanese counterparts. This suggests that learning from Japan requires commitment and it should be a long-term strategy which demands both systematic and continuous backing from the government.

Finally, the policy's lack of success could be due to Mahathir's personality and political ambition. With regard to the former, it has been suggested that because of his non-western educational background, even before he became Prime Minister he wanted to disassociate himself from the West. By the time he became Prime Minister his relationship with the West, and particularly with Britain was at its lowest ebb (Jomo, 1990). As discussed in Chapter 5, taking advantage of these strained relations which were caused by a series of events, including the British media's and the London Stock Exchange's hostile reception to

the Malaysian government's take-over of the Guthrie Corporation; the severe financial losses suffered by the Malaysian government when the London Metal Exchange abruptly amended its rule to limit the premiums payable by short-sellers who were unable to deliver on tin futures at a time when the Malaysian government quietly but actively supported tin prices; the issue of landing rights where Britain refused to give two additional landing slots at Heathrow airport for Malaysia Airlines System Berhad (MAS) despite the fact that Malaysia purchased four additional units of Boeing 747 as requested by Britain; a dramatic increase in student tuition fees for all foreign students in Britain, where there were more than 50,000 Malaysians studying in Britain at that time, including Mahathir's son; Mahathir finally announced the "Buy British Last" directive, and by the end of 1981 there was a total boycott of British goods. In terms of his political ambition, some commentators (for instance, Lim, 1984; Muzaffar, 1983; Jomo, 1990) allege that the LEP is being used to accomplish Mahathir's political goals rather than his economic objectives. This can be inferred from the fact that he launched the LEP in the same year as when he was fighting for the most powerful post during the general election in 1982. This suggests therefore a political rather than just an economic objective of the policy. As mentioned in Chapter 9, if that should be the case, perhaps one should consider examining how successful has the LEP been in terms of achieving its political objective.

Despite the fact that the Look East Policy did not achieve much success, we should not abandon altogether the notion of globalisation and the role of the state, especially in terms of influencing a change in people's attitudes in order to facilitate the transfer of management ideas. This is because the spread of ideas in Malaysia does happen and some Japanese practices have actually been adopted, as revealed by our findings. As such, we

cannot conclude that the Look East Policy has completely failed. Moreover, there might be some indirect effects of the Look East Policy. A number of commentators (for instance, Hamid, 1993) argue that if there had not been a Look East Policy, perhaps there would be no technology and managerial skills transfer from Japan. But the fact that there is such a policy has resulted in the establishment of Malaysia's first car company, Proton, where technological and managerial skills are said to have been transferred. It is also argued that without a Look East Policy, perhaps there would be no Japanese department in the University of Malaya (Malaysia's oldest university) headed by a Japanese professor who could have helped to spread Japanese culture and ideas; or perhaps there would be no student exchange between Malaysia and Japan (Lim, 1984).

With regard to our findings, it can be said that without a Look East Policy, perhaps some respondents in this study would not have been keen to undertake industrial training in Japan; or perhaps the majority of the respondents would not be interested to learn more about Japanese management techniques at all. However, there is some evidence to show that some respondents have said that they have attended seminars on Japanese management techniques as a way to further their understanding on the subject, which might suggest that the Look East Policy has had some impact, particularly in this area. Moreover, there is statistical evidence to suggest that a "visit to Japan", particularly for training purposes, actually has a direct effect on the respondents to implement some elements of the Japanese management techniques. To some extent, this suggests that the Look East Policy has succeeded in this area.

To sum up, it is apparent that the Look East Policy has not been successful, particularly in instigating the transfer of Japanese management techniques to manufacturing firms in Malaysia because: (i) it fails to recognise the barriers imposed by culture; (ii) it was short-lived as it was quickly replaced by the Islamic policy, and in fact this shift of policy simply reinforces the problems that already existed; (iii) it is believed to be racially motivated; (iv) it was not followed through as a long-term strategy nor systematically; and (v) it is believed to have been launched because of Mahathir's personality and to fulfil his political ambition. Despite its failure to achieve significant success, one cannot conclude that it was a total failure, as some evidence suggests that it has had an indirect effect.

The above discussions lead us to ask what implications does this have for the general literature. Some of the research implications and the contributions of this thesis will be discussed in the following section.

#### **10.4 The Research Implications and the Contribution of this Thesis**

The aim of this section is to relate the findings of this study to the general literature with which we commenced. To facilitate this, we will refer to the globalisation thesis and we will provide some argument based on the understanding of our findings. The same procedure will be applied when examining the culture thesis and the role of the state, particularly in terms of influencing a change in people's attitudes. Towards the end of this section, the contribution of this thesis is presented.

First, there is a view that globalisation permits the spread of management ideas. As far as our findings are concerned, clearly some management ideas from Japan have spread to

Malaysia. But, as already mentioned, when examined these techniques it was apparent that only the easy ones have spread and these seem to be the same techniques that have been adopted by firms in some other countries, while the techniques that our respondents believed to be culture-bound are not easily transferable. One of the reasons why this happened is because of the problem of Malaysian culture. Therefore, the fact that the cultural differences exist between Japan and Malaysia undermines the assumption that what works in the former country will work in the latter.

Second, some authors allege that management ideas cannot easily spread because of cultural barriers. Indeed, our findings have drawn attention to some of these difficulties. One example is that despite the Look East Policy, through which the Malaysians called for the adoption of Japanese management techniques, such as open office systems, seniority-based systems, loyalty to the company, the *ringgi* system, etc., these practices have not been adopted by the majority of our respondents, who claimed that it is because they are not compatible with Malaysian culture. But given that this is the case, are we then able to conclude that such techniques are not adopted solely because of the cultural variations? In other words, has this happened because authors like Hofstede are right in saying that management theory and practices cannot be easily transferred across national boundaries because of culture, or is it because in this case the government has not tried hard enough to push this idea forward and to persuade management to adopt it as they did in Singapore and South Korea, because clearly in these countries the governments have been quite successful in this area. Obviously, this is a contentious issue as far as the Malaysian experience is concerned.

In fact, based on our findings, it can be argued that Japanese management techniques did not spread as much as one might have imagined they could because the government never really tried hard enough. This could be due to the fact that the Look East Policy is claimed to be not only politically motivated, i.e. a strategy that a political leader has used to achieve his political ambition, but also racially motivated, and the fact that it was abandoned so quickly in favour of the Islamic policy suggests that the government probably was not committed to the economic objective of the LEP. Given that this might be the case, it would probably be incorrect to conclude that management ideas did not spread as much because of the existence of the cultural barrier. Moreover, based on the Malaysian experience, where politics seems to be a dominant factor, and the fact that the Look East Policy was short-lived, one should be wary of generalising that management ideas cannot be easily spread to developing countries because of the cultural differences.

It could also be argued that apart from the fact that the government did not try harder, there are a number of other possible factors that have inhibited the transfer of management ideas from Japan to Malaysia, such as the role of the Chinese, historical events between Malaysia and Japan, the influence of the West in Malaysia, a lack of commitment from top management, lack of support infrastructure, etc. As already mentioned in Chapter 2, besides the fact that its culture is said to be unique, the other reason why Japanese management practices work so well in Japan is because of the support of a strong infrastructure, for example, the establishment of networked alliances that encompass suppliers, buyers, fellow manufacturers, banks and even the government. Hence, taking the above factors into account, clearly we cannot infer that our findings must support the view that the spread of management ideas are limited by culture. In fact, a number of

authors (for instance, Frenkel and Peetz, 1998) argue that there are other influences, such as limited contact between subsidiaries, product and labour market differences, and heavy administrative costs associated with diffusion which can also limit the spread of management practices. Nevertheless, there is direct evidence from our findings to suggest that culture limits the transfer of such ideas to Malaysia.

Finally, there is another view that indicates that the state has a powerful role in developing economies and that it can achieve a lot more in terms of influencing people's attitudes than can be done in the industrialised countries. However, there seems to be little evidence to support this from the case of the development of the Look East Policy in Malaysia. In fact, our findings have drawn attention to the difficulties any government faces in trying to introduce policies which do not match with the local environment. This implies that the view that a strong state in Malaysia can have a significant impact in changing people's attitudes is not consistent with the claims made by some commentators. But there could be a number of reasons why the state in Malaysia has not had a strong impact in this area. As already mentioned, one of the reasons could be because the Malaysian government did not push the idea quite as dramatically and systematically as we might have imagined. But then this could be due to the fact that the Look East Policy might have more to do with politics than economics and it might have been more concerned with rhetoric than reality. Another reason could be because Malaysia has industrialised quickly and maybe to characterise it as an industrialising country with a strong state does not make up on the recent development. Maybe we should not expect the state to have a bigger effect because Malaysia has gone quite a long way down the industrialising road and it is no longer a pre-industrial country. Perhaps that is why the role of the state in this case is less important.



Based on the above, it could then be argued that it might be quite difficult for the government to successfully influence a change in people's attitudes although it can probably achieve a little more (see, for example, Singapore and South Korea) compared to countries in the West because, as mentioned in Chapter 4, it is able to introduce and impose policies and laws which, for example, a more Western attitude might consider as stringent. Moreover, unlike in the West, it has greater control and influence over the media to the extent that it can do more compared to the states in the West.

To sum up, obviously there is no straightforward answer as to which theme should be supported or rejected. This is because the area is a complex one and it was never going to be a simple question of whether globalisation or culture limitations were going to be important, but of how the two forces or pressures interact. Moreover, one of the key characteristics of Malaysia is that not only is the culture different to the Japanese but it is also more complex, i.e. with various cultures co-existing within Malaysia itself. Having said this, it is possible to provide a number of commentaries based on our understanding of the literature, the findings of this study and the current situation in Malaysia. First, it can be argued that one thing that can be learned from the outcome of this research is that the barriers that have been imposed by factors such as culture variations, religious beliefs, legal systems, product and labour market differences, and a number of others including the role of the Chinese, should not be ignored in this area of research, especially in the case of Malaysia.

Second, there is no doubt that management practices can and in fact have spread across national borders (see, for example, the USA, the UK, Singapore, South Korea, Taiwan,

Hong Kong and Malaysia). But one must be wary of generalising that this has happened solely because of the effect of globalisation, especially through MNCs, when it has been suggested in a number of studies that management ideas can also spread either directly or indirectly through political influence, education, industrial or vocational training abroad, etc (Gopinath, 1998; Fong, 1992).

Third, it seems that similarities in culture and geographical closeness to some extent could have influenced the spread of management ideas. For example, according to a number of authors (for instance, Ito, 1985), in countries such as Taiwan the spread of Japanese management practices has been more substantial compared to their dissemination in Malaysia (see Imaoka, 1985) partly because Taiwan and Japan are said to share a common culture and history, and the fact that Taiwan is geographically close to Japan. This has aided the ease of transfer of Japanese management techniques, as many people, especially the older generation, can read and write in Japanese and these are the people who seem to favour such practices.

Finally, to conclude that one technique is likely to be more transferable than another is not a straightforward argument. In fact, a number of determining factors as to which technique is transferable and which is not, such as the technological superiority of the technique itself, might more likely influence its spread, while a practice that is believed to increase social and financial burdens is less likely to be adopted. As an example of the former, lean production methods, which give the Japanese auto industry many advantages (see Womack *et al.*, 1990), are easily transferable to other countries, such as the USA and the UK, despite the difficulties involved in changing their work culture in order to meet the requirements of

the technique. With regard to the latter, the practices that practitioners see as creating additional financial burden, for instance lifetime employment, have not been highly recommended by firms outside Japan. Moreover, when one looks at the situation in Malaysia, it would be unrealistic to implement techniques such as lifetime employment or seniority-based systems because job-hopping is a common phenomenon and promotion is normally based on performance as opposed to length of service.

The above might suggest that while on the one hand the willingness to adapt oneself to a new technology because of its technological superiority could ultimately influence a change in one's attitudes, on the other hand, this change is probably unwelcome if it is foreseen that a particular practice could incur social and financial costs. In fact, some commentators claim that this is now happening in Malaysia, where adjustment in culture, especially with regard to work attitudes, has to be made because of technology advancement. Although it is difficult to influence a change in people's viewpoints overnight the above reasons indicate that some progress is being made. As a result, it is now possible for the Islamic, Japanese and Western management practices to co-exist in Malaysia.

With regard to the contribution of this thesis, firstly, it presents significant information regarding the impact of an important policy area that has not been previously looked at. Secondly, it has identified some of the factors that have inhibited the success of the Look East Policy and such analysis might have some practical benefits. Finally, it feeds into the general debate about globalisation and about the limitations imposed by culture as well as

the role of the state. We recognise that this is a complex debate and therefore we are not going to foreclose it but what we have done is contribute further to this debate.

### **10.5 Suggestions for Future Research**

The suggestions for future research can be divided into two categories, and they are: (i) from the point of view of the Look East Policy; and (ii) from the perspective of Japanese management techniques. As is often the case, a study gives many new answers and raises a number of questions. With regard to the LEP, one of the recurring questions was “given the fact that it is difficult to transfer management ideas from one country to another, why, particularly in this case, is the government willing to use a large amount of resources (money, manpower, etc.) to promote its policy knowing that it probably has a limited chance of economic success?” Indeed, our findings reveal that the LEP has not been very successful as far as its economic objective is concerned, but, as stated, perhaps one should look into the political objectives of the policy rather than its economic objective when assessing its success. This is because, as mentioned in Chapter 9, among the major reasons why Mahathir introduced the policy were: (i) to distance himself from the West; and (ii) as a tactic to stabilise his administration during the general election in 1982. This could imply that the government launched the Look East Policy with a strong political motivation.

With respect to the techniques themselves, although our findings reveal that some firms in this study have adopted some elements of the Japanese management practices, such as the suggestion system, QCCs, etc. we do not have the answers to a number of questions. In terms of the suggestion system, for example, we have learnt from the related literature that

firms in Japan strongly encourage their employees to make suggestions and in turn award between 100 and 300 yen for each one. If the suggestion is considered to have potential, it is written up in more detail, then evaluated by the section manager and can qualify for an award of 1,000 to 10,000 yen and up to 20,000 yen if the suggestion is considered of special merit. Moreover, it is also claimed that an average of 28 suggestions per employee are adopted each year in Japan and these have resulted in a substantial amount of savings. In fact, comparatively, the average savings from suggestions on per-employee basis are nearly 10 times higher in Japan than in the USA, i.e. US\$3,612 versus US\$398 (Verespej, 1992). Given the fact that the majority of our respondents said they have adopted this technique, it would be interesting to know (i) how many suggestions there are per employee, for example, per month and year; (ii) the type of reward that is given to a worker who makes a suggestion; (iii) how the suggestions are evaluated and by whom; (iv) the percentage of the suggestions that are actually implemented; and (v) how much the company saves as a result of implementing such suggestions. This is part of the general question on whether or not the implementation of the suggestion system has had some economic impact in Malaysia. As we are not been able to answer, it might be worth researching or investigating in the future.

## **10.6 Conclusion**

Having reviewed the related literature and the findings of this study, it is possible to make the following conclusions: first, despite the fact that our findings recognise that management ideas, particularly from Japan, have spread to Malaysia through Japanese multinational corporations, one should be wary of generalising from the Malaysian experience because of the fact that ideas can also spread through political influence,

training and education, etc. In fact, it has been suggested that the place of study or training seems to have a positive influence in terms of which management ideas should be adopted. For example, some commentators allege that the three former Western-educated Prime Ministers of Malaysia have strongly favoured Western management practices, while the present Eastern-educated Prime Minister is said to favour Eastern management techniques.

Second, our findings seem to support the literature which argues that culture inhibits the transfer of management ideas because some elements of the Japanese management techniques, such as seniority-based wage and promotion systems and the *ringgi* system, which our respondents believed to be culture-bound are not easily transferred to manufacturing firms in Malaysia. However, it should be noted that the transferability of management practices can be inhibited by other factors such as labour market, trade unions, administrative costs associated with the transfer, the legal system, organisational structure and policy, etc.

Finally, although we were expecting the Malaysian state to be able to influence people's attitudes and to overcome the barriers that culture imposes, there was not a great deal of evidence from this thesis to support that view. There could be a number of reasons as to why this has happened and these might include the influence of Western education, the spread of Western management philosophy among management, and the current stage of economic development which means that Malaysia is no longer a pre-industrial country, etc. It is clear that these have been influential factors, as has the Malaysian government's failure to push the Look East Policy more as an economic policy as well as its lack of success in engaging the Chinese community. This could be the fundamental flaw of the

Look East Policy. Until the time when such a formidable task is accomplished, the Look East Policy will remain to a larger extent another political rhetoric.

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The Economists (US), 25<sup>th</sup> December 1993, Vol. 329, No. 7843, pp. 44-45.

The Nikkei Weekly, 2<sup>nd</sup> February 1998

The Star (various issues)

The Star Online (Internet Edition) (various issues)

Tokyo Business, August 1993



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Appendix 7.1

1<sup>st</sup> April 1998

Dear Mr/Ms \_\_\_\_\_,

I am conducting a survey for my thesis on the impact/effectiveness of the Look East Policy on management practices in manufacturing firms in Malaysia with regard to the Japanese model of management.

Your company has been carefully selected to participate in this survey. Only a small number of manufacturing firms have been selected to participate, so your experiences and thoughts on the subject are very important. In addition, you will be representing a number of managers, therefore your responses are very important as this research can provide insights into some of the issues regarding the applicability of the Japanese model of management to Malaysia.

Enclosed is a copy of the questionnaire that includes questions about:

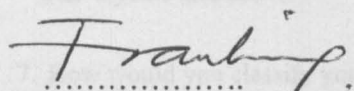
- The Look East Policy
- The major features, strengths and weaknesses of the Japanese model of management
- The feasibility of implementing and adopting the Japanese model of management and work ethics and their implications
- The prospects, problems and other issues related to the transferability of the Japanese management techniques to manufacturing firms in Malaysia

Please take the time to complete the questionnaire and return it in the enclosed self-addressed stamped envelope. It would be very helpful to have your completed questionnaire returned to me by 15<sup>th</sup> April 1998.

**Your responses are confidential. No organisation names or individual information will be used or released to a third party.**

Thank you very much for your time and co-operation.

Yours sincerely,

  
.....  
Frank Kiong

## Appendix 7.2

### Mail Survey Questionnaire

#### SECTION A: RESPONDENT'S PROFILE

1. Name of your company: \_\_\_\_\_

2. Your job title: \_\_\_\_\_

3. Your race:

1  Bumiputra

2  Chinese

3  Indian

4  Others, please specify: \_\_\_\_\_

4. Your religion:

1  Islam

2  Christian

3  Buddhism

4  Hinduism

5  Others, please specify: \_\_\_\_\_

5. Your age group:

1  Below 30 years

2  30-35 years old

3  36-45 years old

4  46-55 years old

5  Above 55 years old

6. How long you have been in your present post?

1  Less than 1 year

2  1 year but less than 2 years

3  2 years but less than 3 years

4  3 years but less than 4 years

5  4 years but less than 5 years

6  5 years and above

7. How would you classify your job category?

1  Senior management

2  Middle management

3  Supervisory/Lower management

8. If you have had a previous managerial position, how long were you in your last position?

- 1  Less than 1 year
- 2  1 year but less than 2 years
- 3  2 years but less than 3 years
- 4  3 years but less than 4 years
- 5  4 years but less than 5 years
- 6  5 years and above
- 7  Not applicable

9. What is the **highest** level of education you have achieved?

- 1  Have completed primary education only
- 2  Have completed secondary education
- 3  Have completed technical/commercial college education
- 4  Have completed university education

10. If you have completed college/university education, can you list your diplomas and degrees and areas of specialisation.

<u>Name of Diploma/Degree</u>	<u>Areas of Specialisation</u>
1 _____	_____
2 _____	_____
3 _____	_____

11. Where did you study for your diploma/degree?

- 1  Local institution
- 2  United States of America
- 3  United Kingdom
- 4  Japan
- 5  South Korea
- 6  Others, please specify: \_\_\_\_\_

12. Have you undergone any postgraduate training/education?

- 1  Yes
- 2  No (*please go to Q. 14*)

13. If you have answered "Yes" to Q. 12, please mention the type of postgraduate training/education.

- 1  Master in Business Administration (MBA)
- 2  Master in Science (MSc)
- 3  Doctor of Philosophy (PhD)
- 4  Others, please specify: \_\_\_\_\_

14. Please list your professional qualifications, if any.

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_

**ATTENTION: QUESTIONS 15 to 18 ASK YOU ABOUT YOUR KNOWLEDGE OF THE JAPANESE LANGUAGE**

15. Can you speak the Japanese language?

- 1  Not at all
- 2  A little
- 3  Reasonably well
- 4  Extremely well

16. Can you read and write in Japanese?

- 1  Not at all
- 2  A little
- 3  Reasonably well
- 4  Extremely well

**ATTENTION: IF YOU ANSWERED "Not at all" TO BOTH Q. 15 & Q. 16, PLEASE GO TO Q. 20**

17. If you have chosen no. "2", "3" or "4" as your answer to either Q. 15 or Q. 16, why did you learn Japanese?

- 1  It was required before I could be sent to Japan for training/course
- 2  It helps me communicate better with my Japanese counterparts
- 3  My interest in Japanese language
- 4  Other reason, please specify: \_\_\_\_\_

18. If you have chosen no. "2", "3" or "4" as your answer to either Q. 15 or Q. 16, **where** did you learn Japanese?

- 1  At school/college/university
- 2  At an intensive course programme
- 3  At a language correspondence course
- 4  Through local private tuition
- 5  At a foreign language class at local institution
- 6  Others, please specify: \_\_\_\_\_

19. If you have chosen no. "1" or "2" as your answer to Q. 18, **in which** country did you learn Japanese?

- 1  In Malaysia
- 2  In Japan
- 3  In United States
- 4  In United Kingdom
- 5  Others, please specify: \_\_\_\_\_

20. Have you been to Japan?

- 1  Yes (*please answer Q. 21 & Q. 22*)
- 2  No (*please go to Q. 23*)

21. What was the purpose of the trip?

( "√" ALL THAT APPLY )

- 1  Undergoing training/work attachment
- 2  Attending conference/seminar
- 3  Attending short course
- 4  Obtaining qualification
- 5  Business trip
- 6  Others, please specify: \_\_\_\_\_

22. What was the **longest** duration of any visit you have made?

- 1  Less than 1 week
- 2  1 to 4 weeks
- 3  5 to 8 weeks
- 4  9 to 16 weeks
- 5  17 to 24 weeks
- 6  25 weeks and more



**SECTION B: YOUR ORGANISATION/FIRM**

23. What is the type of your organisation/firm?

- 1  Locally-owned
- 2  A joint venture with Japanese
- 3  A joint venture with Korean
- 4  A joint venture with British
- 5  A joint venture with American
- 6  Others, please specify: \_\_\_\_\_

24. What is the size of your organisation/firm?

- 1  100 employees or less
- 2  More than 100 but less than 200 employees
- 3  More than 200 but less than 300 employees
- 4  More than 300 but less than 400 employees
- 5  More than 400 but less than 500 employees
- 6  More than 500 employees

25. What is your organisation/firm's core business activity?

- 1  Manufacturing
- 2  Others, please specify: \_\_\_\_\_

**SECTION C: THE LOOK EAST POLICY**

26. Have you heard of the Look East Policy?

- 1  Yes
- 2  No

27. If you answered "yes" to Q. 26, do you know what the Look East Policy is all about?

- 1  Yes
- 2  No

28. What is your opinion of the Look East Policy?

- 1  It is the kind of policy that we need
- 2  It is **not** the kind of policy that we need
- 3  It is a policy that only favoured the Japanese and Koreans contractors
- 4  It is just a 'window-dressing' kind of policy
- 5  Other opinion, please specify: \_\_\_\_\_

29. Why do you think the Government introduced the Look East Policy?

( "√" ALL THAT APPLY )

- 1  The Government wanted to bring Malaysians into close association with Japanese and Korean work ethic and management styles
- 2  The Government wanted to encourage technology transfer from Japan
- 3  The Government wanted to encourage investment from Japan
- 4  The Government wanted Malaysians to learn from the economic/ technological success of Japan/South Korea
- 5  Other reason, please specify: \_\_\_\_\_

30. In your opinion, what effect does the Look East Policy have on your firm?

( "√" ALL THAT APPLY )

- 1  It facilitates business deals between the Japanese and the Korean
- 2  It helps to promote our firm and its products in Malaysia and in the international market
- 3  It facilitates the implementation of the Japanese model of management in my firm
- 4  It helps our firm to acquire technological know-how from Japan
- 5  The policy has had no effect on my firm in terms of encouraging the transfer of the JMM

31. In your opinion, do you agree that the Look East Policy has resulted in changes in attitudes and behaviour in terms of loyalty and hard work among employees in your firm?

- 1  Yes, I agree
- 2  No, I do not agree
- 3  Neither agree nor disagree

**SECTION D: JAPANESE MODEL OF MANAGEMENT**

32. Please indicate your degree of familiarity with the elements of the Japanese model of management listed below by **placing a “√”** to the column provided after each answer.

Elements of the Japanese model of management	Not familiar at all	A little bit Familiar	Reasonably familiar	Very familiar
1. Lifetime employment				
2. Seniority-wage system				
3. Seniority-promotion system				
4. Quality control circle				
5. Total quality control				
6. Job-rotation				
7. On-the-job training (OJT)				
8. Just-in-time (JIT)				
9. Suggestion system				
10. Open office system				
11. Group responsibility				
12. Loyalty to company				
13. Paternal leadership style				
14. Ringgi system				
15. Hiring of fresh graduates				
16. In-house unionism				

33. Please indicate by **placing a “√”** to the appropriate column in each case, as to how you acquired the knowledge of the Japanese model of management (If you don't have the knowledge of the Japanese model of management, please leave blank).

Elements of the Japanese model of Management	Learned from workshop/ seminar/ course	Learned from my immediate supervisor/ mentor/ colleagues	Learned from my previous employer	Learned While on Attachment/ Secondment Industrial training in Japanese firms in Japan	Learned from books/ journals	Learned from LEP	O t h e r s
1. Lifetime employment							
2. Seniority-wage system							
3. Seniority-promotion							
4. Quality control circles							
5. Total quality control							
6. Job-rotation							
7. On-the-job training							
8. Just-in-time (JIT)							
9. Suggestion systems							
10. Open office system							
11. Group responsibility							
12. Loyalty to company							
13. Paternal leadership style							
14. Ringgi system							
15. Hiring of fresh graduates							
16. In-house unionism							

34. With regard to those elements with which you are familiar with, would you recommend them to your firm?

(Please “√” the column that represents the **most appropriate answer** for each element below)

(If you don't have the knowledge of the Japanese model of management, please leave blank)

Elements of the Japanese Model of management	I would recommend to my firm	I would <b>not</b> Recommend to my firm	No comment
1. Lifetime employment			
2. Seniority-wage system			
3. Seniority-promotion system			
4. Quality control circle (QCC)			
5. Total quality control (TQC)			
6. Job-rotation			
7. On-the-job training (OJT)			
8. Just-in-time (JIT)			
9. Suggestion system			
10. Open office system			
11. Group responsibility			
12. Loyalty to company			
13. Paternal leadership style			
14. Ringgi system			
15. Hiring of fresh graduates			
16. In-house unionism			

35. Using a range from one (1) to five (5), where “1” stands for “strongly disagree” and “5” stands for “strongly agree”, please indicate by **circling** the appropriate number in each case, your agreement or disagreement with each of the following statements:

Statements	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1. Employees do not like lifetime employment as it restricts career change	1	2	3	4	5
2. Seniority-wage system increases productivity among employees	1	2	3	4	5
3. Seniority system is the best way to determine promotion	1	2	3	4	5
4. The strong support from the government has made it more easier to implement QCCs	1	2	3	4	5
5. Employees are keen to participate in QCC activities	1	2	3	4	5
6. A suggestion system is beneficial in cutting costs and increasing productivity	1	2	3	4	5
7. Co-operation between manufacturers and suppliers is the most important factor for the success of JIT implementation	1	2	3	4	5
8. Consensus decision-making/Ringgi system can not be applied in Malaysia because of the different cultural environment compared to Japan	1	2	3	4	5

36. To your knowledge, has your firm implemented the Japanese management techniques?

- 1  Yes *(please go to Q. 37 to Q. 47)*  
 2  No *(please go to Q. 48)*

37. Why did your firm implement them?

- 1  Because of the Look East Policy  
 2  Because they are less expensive and can be implemented piecemeal  
 3  Because of economic considerations  
 4  Because of management's response to specific problems  
 5  Others, please specify: \_\_\_\_\_

38. Which elements of the Japanese management techniques have been implemented in your firm?

( “√” ALL THAT APPLY )

- 1  Lifetime employment
- 2  Seniority-wage system
- 3  Seniority-promotion
- 4  Quality control circle (QCC)
- 5  Total quality control (TQC)
- 6  Job-rotation
- 7  On-the-job training (OJT)
- 8  Just-in-time (JIT)
- 9  Suggestion systems
- 10  Open office system
- 11  Group responsibility
- 12  Loyalty to company
- 13  Paternal leadership style
- 14  Ringgi system
- 15  Hiring of fresh graduates
- 16  Others, please specify: \_\_\_\_\_

39. Please “√” the appropriate column to indicate whether those elements were implemented in pure or modified form.

Elements of the Japanese Model of management	Pure form	Modified form
1. Lifetime employment		
2. Seniority-wage system		
3. Seniority-promotion		
4. Quality control circles		
5. Total quality control		
6. Job-rotation		
7. On-the-job training (OJT)		
8. Just-in-time (JIT)		
9. Suggestion systems		
10. Open office system		
11. Group responsibility		
12. Loyalty to company		
13. Paternal leadership style		
14. Ringgi system		

40. Who was responsible for introducing those elements in your firm?
- 1  The Chief Executive Officer of the company
  - 2  The other senior managers of the company
  - 3  Shop-floor workers of the company
  - 4  The external consultant that the company engaged
  - 5  Others, please specify: \_\_\_\_\_
41. Did your firm have any problems in trying to implement those elements?
- 1  Yes
  - 2  No (*please go to Q. 43*)
42. If there were problems, what were they?
- 1  Worker's preference for existing management practices
  - 2  Strong resistance or impact of Western-educated managers
  - 3  Lack of commitment from top management to implement the Japanese model of management
  - 4  Some elements of the Japanese model of management are not compatible with workers' cultural and religious beliefs
  - 5  Others, please specify: \_\_\_\_\_
43. As a measure of employment stabilisation, which of the following measures have your firm adopted?  
( "√" ALL THAT APPLY )
- 1  Improvement and expansion of welfare facilities
  - 2  Pension Scheme
  - 3  Seniority-promotion system
  - 4  Internal promotion system
  - 5  Job-rotation
  - 6  Commendations/Award for long service
  - 7  Small group activities
  - 8  Continuous training system
  - 9  Wage incentive scheme
  - 10  Reconciling human relations between the management and workers
  - 11  Others, please specify: \_\_\_\_\_
44. In an effort to increase productivity, which of the following measures have your firm adopted?
- 1  Suggestion system
  - 2  Quality control circle
  - 3  Zero-defect movement
  - 4  Others, please specify: \_\_\_\_\_



45. What is the prime variable that your firm used in determining the salaries of the employees?

- 1  Job category
- 2  Merit/performance
- 3  Seniority
- 4  Employee skill and efficiency
- 5  Loyalty to the organisation
- 6  Others, please specify: \_\_\_\_\_

46. To your knowledge, have any Japanese personnel been attached to your firm specialising in transferring Japanese practices and technological know-how under the Look East Policy?

- 1  Yes *(Please go to Q. 47)*
- 2  No *(If you answered "No" or "Do not know",*
- 3  Do not know *go to Q. 51)*

47. How many of them have been seconded to your firm?

- 1  5 or less
- 2  More than 5 but less than 10 persons
- 3  More than 10 but less than 20 persons
- 4  More than 20 but less than 30 persons
- 5  More than 30 but less than 40 persons
- 6  50 persons and more

**ATTENTION: ANSWER Q. 48 TO Q. 50 IF YOUR FIRM HAS NOT ADOPTED/  
IMPLEMENTED THE JAPANESE MODEL OF MANAGEMENT**

48. In your personal opinion, can the Japanese model of management be implemented in your firm?

- 1  No elements can be implemented
- 2  Yes, but only some elements can be implemented
- 3  Yes, all elements can be implemented

49. If you picked no. "2" as your response to Q. 48, which elements can be implemented?

( "√" ALL THAT APPLY )

- 1  Lifetime employment
- 2  Seniority-wage system
- 3  Seniority-promotion
- 4  Quality control circles
- 5  Total quality control
- 6  Job-rotation
- 7  On-the-job training (OJT)
- 8  Just-in-time (JIT)
- 9  Suggestion systems
- 10  Open office system
- 11  Group responsibility
- 12  Loyalty to company
- 13  Paternal leadership style
- 14  Ringgi system
- 15  Hiring of fresh graduates
- 16  Others, please specify: \_\_\_\_\_

50. Why would you think they can be implemented in your firm?

- 1  They can be easily adapted into the existing system
- 2  They are practical to use and easy to implement
- 3  They do not conflict with the cultural, traditional and religious beliefs of the majority of the workers
- 4  They are readily accepted by both management and workers because of the enormous benefits they provided
- 5  Others, please specify: \_\_\_\_\_

**ATTENTION: Q. 51 TO Q. 61 APPLIES TO EVERYBODY**

51. If the Japanese model of management is to be successfully transferred to the Malaysian private firms in general and to your firm in particular, what are some of the best ways to achieve this objective?

- 1  Strict enforcement of the Look East Policy
- 2  Appointment of Chief Executive Officer and top management group who are adequately trained in Japanese model of management as well as highly committed to implementing it
- 3  A regular, systematic training for all employees regarding the Japanese model of management
- 4  Introduction of only those elements that are compatible with Malaysian cultural and religious beliefs
- 5  Secondment of Japanese personnel to the private firms for a certain period of time to speed up the transfer process
- 6  Others, please specify: \_\_\_\_\_

52. Some people argue that only certain elements of the Japanese management techniques can be transferred to Malaysia. Some of the reasons they give are listed below.

( “ √ ” ALL THAT APPLY )

- 1  Malaysia and Japan are at different stages of technological development
- 2  Many firms have been structured according to the Western style of management
- 3  The top management in many firms are Western-trained and therefore are not in favour of all the elements of the Japanese model of management
- 4  Not all workers are in favour of all the elements of the Japanese model of management
- 5  Trade unions in many firms do not favour some elements of the Japanese model of management
- 6  Some elements of the Japanese model of management are culture-bound and are not compatible with local cultural, traditional and religious beliefs
- 7  Some elements of the Japanese model of management bring more problems than benefits
- 8  Only some elements of the Japanese model of management are practical to use and easy to implement

53. With regard to management style, what is your preference in running your organisation?

- 1  The Japanese-style management
- 2  The British-style management
- 3  The American-style management
- 4  The Islamic-style management
- 5  A mixture of various styles which is pro-West
- 6  No preference

53. What is your opinion regarding the **transferability** of Japanese management techniques to Malaysia in general?
- 1  All elements can be transferred in their pure form
- 2  Only some or certain elements can be transferred but have to be modified to suit the local environment
- 3  No elements can be transferred either in a pure or a modified form
55. Do you believe that Malaysian workers have willingly accepted the Japanese work ethic?
- 1  Yes
- 2  No
- 3  Not sure
56. Do you recognise a trade union in your firm?
- 1  Yes (*please go to Q. 57 & Q. 58*)
- 2  No (*please go to Q. 59*)
57. What type of union does your firm recognise?
- 1  Industry-wide union
- 2  Craft union
- 3  In-house union
58. Why did your firm choose to recognise this particular union?
- 1  Since most firms in Malaysia recognise this type of union, so we followed
- 2  Management and employees favour this type of union
- 3  It is the trade union policy that we should recognise this type of union
- 4  We recognise this type of union because we follow what the government has instructed us to do
- 5  Other reason, please specify: \_\_\_\_\_
59. If you are a member of trade union, has it been beneficial to you in safe-guarding your interests?
- 1  Very beneficial
- 2  Reasonably beneficial
- 3  A bit beneficial
- 4  Not beneficial at all
60. In general, do you think that the Japanese are willing to transfer their technological expertise or know-how to the Malaysians?
- 1  No, they are not willing to transfer their technological know-how and expertise to the Malaysians
- 2  Only some are willing; others only teach what Malaysians already know or those that are not relevant to Malaysia's needs
- 3  Yes, they are willing to transfer their expertise to the Malaysians

61. In your opinion, has the Look East Policy been successful in transferring the Japanese model of management to private firms in Malaysia?

1  Yes

2  No

3  Not sure

Note: If you have any other suggestions or comments, please write down in the space below.

**THANK YOU VERY MUCH FOR YOUR TIME AND CO-OPERATION**

**WISH YOU ALL THE BEST!**

**DON'T FORGET  
TO RETURN YOUR COMPLETED QUESTIONNAIRE TODAY**

## Appendix 7.3

### Interview Checklist

1. Which elements of the Japanese management techniques have been implemented in your firms and which have not?
2. State the reason(s) why you have implemented them/why you have not implemented them?
3. What is your opinion of lifetime employment, seniority-based systems, paternalism, company loyalty, quality control circles, in-house unions, the *ringgi* system (consensus decision making), and open office systems? -
4. Would it be possible to implement these techniques/practices in your firms?
5. What are some of the problems you have faced in implementing these practices/techniques and why?
6. State the reason(s) why you think it is very difficult to implement/transfer Japanese management techniques which are considered “hard” and/or culture-bound?
7. How would you solve problems such as lack of loyalty, self-centredness and individualistic employees/workers?
8. What are the techniques you have implemented to solve these problems?

9. In your opinion what are the impacts/effects of the Look East Policy?
  
10. What are your comments on some of the “weapons” that have been used by the government in attempting to achieve its Look East Policy’s objective(s)?
  
11. Do you think the Look East Policy has been effective, especially in terms of encouraging management in Malaysia to adopt the Japanese management techniques?
  
12. Your general opinion on the Look East Policy?



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Appendix 7.4

First Reminder

16<sup>th</sup> April 1998

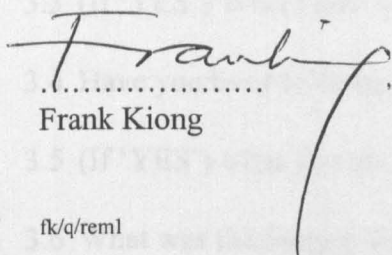
Dear Mr/Ms \_\_\_\_\_,

About four weeks ago I sent you a questionnaire pertaining to the effectiveness of the Look East Policy with regard to the Japanese model of management. As of today, I have not received your completed questionnaire.

I appreciate the fact that you may be busy but please take a few minutes of your time to complete the questionnaire because of the importance each questionnaire has to the study. I need your completed questionnaire. If, by chance, you did not receive the questionnaire or it has been misplaced, please let me know soon. Otherwise, it would be very helpful to have your completed questionnaire returned to me before 30<sup>th</sup> April 1998.

Once again, rest assured that your responses will be treated with the utmost confidentiality. If you have any questions or concerns, please feel free to contact me at 082-461561.

Yours sincerely,

  
.....  
Frank Kiong

fk/q/rem1



## Appendix 7.5

### Simplified Version of the Interview Schedule

#### Q1: BACKGROUND OF RESPONDENTS

- 1.1 Your race: \_\_\_\_\_
- 1.2 Your age: \_\_\_\_\_
- 1.3 Your religion: \_\_\_\_\_
- 1.4 Your level of education: \_\_\_\_\_

#### Q2: CHARACTERISTICS OF FIRMS

- 2.1 What is the type/ownership of your firm? \_\_\_\_\_
- 2.2 How many employees do your firm employed? \_\_\_\_\_

#### Q3: KNOWLEDGE OF THE JAPANESE LANGUAGE AND VISIT TO JAPAN

- 3.1 Can you speak the Japanese language?    Yes     No
- 3.2 Can you read and write in Japanese?    Yes     No
- 3.3 (If 'YES') Where and Why did you learn Japanese? \_\_\_\_\_
- 3.4 Have you been to Japan?    Yes     No
- 3.5 (If 'YES') what was the purpose of the trip? \_\_\_\_\_
- 3.6 What was the longest duration of any visit you have made? \_\_\_\_\_

#### Q4: THE LOOK EAST POLICY

- 4.1 Do you know what the Look East Policy is all about?    Yes     No
- 4.2 What is your opinion of the Look East Policy? \_\_\_\_\_
- 4.3 Why do you think the Government introduced the Look East Policy?  
\_\_\_\_\_

4.4 In your opinion, what effect does the Look East Policy have on your firm?

\_\_\_\_\_

**Q5: FAMILIARITY WITH THE JAPANESE MODEL OF MANAGEMENT**

5.1 Are you familiar with the Japanese model of management? Yes  No

5.2 Could you tell me which elements of the Japanese model of management are you familiar with?

Elements of the Japanese management techniques	Not familiar	Familiar
a. Lifetime employment		
b. Seniority-wage system		
c. Seniority-promotion system		
d. Quality control circles		
e. Total quality control	-	
f. Job-rotation		
g. On-the-job training (OJT)		
h. Just-in-time (JIT)		
I. Suggestion systems		
j. Open office system		
k. Group responsibility		
l. Loyalty to company		
m. Paternal leadership style		
n. Ringgi system		
o. Hiring of fresh graduates		
p. In-house unionism		

5.3 How did you acquire the knowledge of the Japanese model of management that you are familiar with?

\_\_\_\_\_

**Q6: IMPLEMENTATION OF THE JAPANESE MANAGEMENT TECHNIQUES**

6.1 To your knowledge, has your firm implemented the Japanese management techniques? Yes  No

6.2 (If 'YES') Why did your firm implement the JMM? \_\_\_\_\_

6.3 Which elements of the JMM have been implemented in your firm?

\_\_\_\_\_

6.4 Were they implemented in pure or modified form? \_\_\_\_\_

6.5 Who was responsible for introducing those elements in your firm? \_\_\_\_\_

**Q7: PROBLEM WITH THE IMPLEMENTATION OF THE JMM**

7.1 Did your firm have any problems in trying to implement those elements?

Yes  No

7.2 (If 'YES') what were the problems? \_\_\_\_\_

7.3 In your personal opinion, could the Japanese management techniques be successfully implemented in your firm? Yes  No

7.4 (If 'YES') which elements could be successfully implemented in your firm?

\_\_\_\_\_

**Q8: THE JAPANESE WILLINGNESS TO TRANSFER THEIR TECHNOLOGY**

8.1 Do you believe that the Japanese are willing to transfer their technological expertise to the Malaysians? Yes  No

**Q9: TRADE UNION**

9.1 Do you recognise a trade union in your firm? Yes  No

9.2 What type of union does your firm recognise? \_\_\_\_\_

9.3 Why did your firm choose to recognise this particular union? \_\_\_\_\_

9.4 What is your opinion regarding in-house unions? \_\_\_\_\_

9.5 Are you are a member of a trade union? Yes  No

**Q10: HAS THE LOOK EAST POLICY BEEN SUCCESSFUL**

10.1 In your opinion has the Look East Policy been successful in terms of encouraging management in Malaysia to adopt the Japanese model of management? Yes  No

10.2 (If 'YES') what is the basis for your opinion? \_\_\_\_\_

10.3 Do you have any other comments regarding the Look East Policy? \_\_\_\_\_

## Appendix 7.6

### List of Respondents/Firms

Globalmas Sdn Bhd	Advanced Micro Devices Sdn Bhd
Acer Technologies	Sri Muar Enterprise
Isuta Sdn Bhd	Safeskin Corporation (M) Sdn Bhd
Mariwasa Kraftanga Sdn Bhd	Black and Daker
Motorola (M) Sdn Bhd	F & N Dairies (M) Sdn Bhd
Amalgamated Metal Corp (M) Sdn Bhd	Besimega Sdn Bhd
Associated Koalin Industries Bhd	Amisan Products (M) Sdn Bhd
Albright & Wilson (M) Sdn Bhd	Guocera Marketing Sdn Bhd
Malaysian Tobacco Company	BP Malaysia Sdn Bhd
R J Reynolds Tobacco Co.	APMC
Amrich Styroform Mfg. (M) Sdn Bhd	AIC Corporation Berhad
S.E.H. Malaysia Sdn Bhd	Esso Malaysia Berhad
Chong Lee Hong Seng Ent. (M) Sdn Bhd	Best Tiles Works Sdn Bhd
Gamuda Bhd	DMIB Berhad
CCM Fertilizers Sdn Bhd	Advance Industries Sdn Bhd
Gula Padang Terap Berhad	Asia Chinon Precision Sdn Bhd
Coilcraft (M) Sdn Bhd	Antara Steel Mills Sdn Bhd
Aluminium Industries Sdn Bhd	Fico Asia Sdn Bhd
Cradu Enterprise Sdn Bhd	Syn Plastic Industries
Ever Advertising Sdn Bhd	MA Sdn Bhd
Trans Resources Corporation Sdn Bhd	CMS Cement Sdn Bhd
Adaptive Micro Systems (M) Sdn Bhd	Flexiwood
BIG Industries Sdn Bhd	Techtronic company
Malinet Research & Engineering S/B	Pawada Food Industries Sdn Bhd
Lasme Enterprise Sdn Bhd	Borneo Plastic Factory
KKB Engineering Berhad	Petronas
Kubaru Sdn Bhd	Kim Hin Industry Berhad
Tang Teck Ong Manufacturing	Sarcargo Sdn Bhd
MCSB	Carlsberg Brewery (M) Bhd
Arab-Malaysian Development Bhd	Ajinomoto (M) Bhd
Antah Oiltools Sdn Bhd	Autojack Sdn Bhd
Alps Electric (M) Sdn Bhd	Cold Storage (M) Bhd
Pioneer Concrete (M) Sdn Bhd	Today's Plastic Industries Sdn Bhd
Saujana Jaya Sdn Bhd	C H Steel Sdn Bhd
Perodua Manufacturing S/B	

## Appendix 8.1

Breakdown of Respondents who said that the  
LEP has had no and some Effect on their Firms

<b>Nationality</b>	<b>No effect</b>	<b>Some effect</b>
Malaysians	38	3
Japanese	-	5
American	2	-
British	2	-
Total	42	8