

Thesis  
3260

**Stirling University**

**Mohamad Trudin Yasin**

**The Transferability of Japanese-style Management  
Practices: A Case Study of the Malaysian Public Enterprise  
Sector.**

**Submitted for the Degree of Ph.D**

**June, 1990.**

~~7/90~~

ABSTRACT

Japanese-style management has attracted a lot of attention from managers, business executives and scholars worldwide. The sudden intensity of interest in the so-called Japanese Management Model has been partly due to the rapid ascendancy of Japan as a leading economic superpower in a relatively short period after her humiliating defeat in the Second World War.

In 1982, Malaysia officially launched the "Look East" policy to emulate the Japanese by adopting Japanese-style management practices. It was believed that by adopting Japanese-style management techniques, the Malaysians can replicate the Japanese success. This study aims to discuss what constitutes Japanese-style management and also to determine if it can be transferred to the Malaysian public enterprise sector.

From this study, it was revealed that only some elements of Japanese-style management are transferable to Malaysian public enterprises. There is a number of problems encountered in trying to transfer the Japanese practices to Malaysian public enterprise sector, especially if they are not compatible with the Malaysian values. The problems of transferring Japanese management techniques across

national boundaries are further compounded when the transfer is from private sector to public sector. Even in the case of Japan, her public enterprise sector does not even have a reputation of efficient management. It was also found that despite the official policy and persistent effort towards "Japanisation" by the government, the majority of Malaysian workforce still prefer the present existing management system.

To some extent, the study has provided some answers to questions regarding the feasibility of adopting the Japanese-style management. But most important of all, the study has revealed that Japanese-style management is not a panacea to the problems confronting the public enterprise sector in Malaysia.

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### ACKNOWLEDGEMENT

Many individuals and organisations have contributed towards the completion of this thesis. My employer, the Institute Technology of MARA has kindly granted me a study leave and provided a scholarship to enable me to pursue my Ph.D studies. I take this opportunity to express my gratitude to the Institute.

My supervisor, Professor Ian Gow has helped tremendously in guiding me throughout the course. He is very knowledgeable in Japanese management studies and I have benefited greatly from the comments and suggestions he made on my works. For his guidance and invaluable advice rendered to me, I would like to say Arigato Gozaimashta.

I wish to thank the 104 senior managers and 112 employees from the selected public enterprises in Malaysia who had kindly agreed to participate in the research survey. Thank you also to their respective employers who had given them permission to participate in my survey. Without their support and cooperation, it would not be possible to produce the findings of this study.

I am also indebted to some friends who assisted me during the research survey stage in Malaysia. I wish to say



"thank you" to them. I also wish to particularly record my thanks to my fellow Ph.D colleagues: Mornie Kambrie, for helping me with some computer program; Yusuf Nook, for the use of computer printer; and Abdul Latif for editing the final draft of my thesis.

Lastly, my family members deserve special credit. They have been a constant source of inspiration to me. My wife, Jasmin has been very understanding and supportive throughout the course of my study. I therefore wish to dedicate this thesis to her and my also my three children, Azam, Ihsan and Elani.

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**PART ONE**



**CHAPTER ONE**  
**INTRODUCTION**

**1.1. Purposes of the Study**

This study has two modest objectives. Firstly, the study attempts to undertake an indepth analysis of the various elements that comprise the so called Japanese-style management. Specifically, the emphasis of the study will be concentrated on the major Japanese management practices and policies adopted by major Japanese firms in Japan. This topic is chosen partly because of the tremendous interest that has been generated towards the Japanese-style management for the last decade. Managers, business executives, and management scholars from all parts of the world flock in great number to the city of Tokyo with some common pursuits: to study more about how the Japanese have managed their organisations successfully and also to determine if these practices can be applied to their organisations in their own countries. This sudden shift of attention in the study of management science from the West to the Orient is due to Japan's phenomenal success as a new world economic and industrial power.

It is hoped that some secrets (if there are indeed any) that contribute to Japanese's success would be uncovered by the time this study is completed. This would be carried

out by discussing some major characteristics of the management system and styles found in typical big companies in Japan. Analysis of both the strengths and weaknesses of Japanese-style management is also attempted, to provide a clearer picture to the reader as to what Japanese-style management is really about.

The second objective that this study aspires to achieve is to find out whether the Japanese-style management or the so-called Japanese Management Model can be transplanted to other countries. Specifically, this particular study tries to determine whether the successful practices and policies of Japanese enterprises in Japan can be transferred to Malaysia for adoption in public sector. The issues of transferability of Japanese-style management to other countries have been of particular interest to the author of this study. It becomes even more interesting now that it relates to his own country, Malaysia. This is especially so because Malaysia is the only country in the world that officially tries to emulate the Japanese via the launching of its "Look East" policy in 1982 by the Malaysian government.

Except for some journalistic articles which naturally are highly opinionated, there is no known research work done yet in Malaysia regarding the transferability, let alone the applicability of Japanese-style management to the

country. The majority of the Malaysians seem to take for granted that Malaysia can replicate the Japanese formula of success. This study can therefore be used as an instrument to find out if this is the case in actuality. It is the desire of the author to find out what many other eager Malaysians have been anxious to know, that is; "Can Japanese-style management be transferred and practised in Malaysia?". If this is so, can it be adopted in the public enterprises of Malaysia?". Hopefully some answers to those questions will emerge from this study.

## **1.2. Significance of the Study**

### **1.2.1. In Terms of Research Undertaking**

During the first two decades after World War II, Japan began to emerge as a great economic and industrial power. From the ashes of the atomic bomb as a result of her humiliating defeat by the Allied Forces during the war, she has once again become a major power. An enormous volume of literature on Japanese management has been written chronicling the outstanding feats achieved by the Japanese. It is widely believed that one of the important factors responsible for Japan's economic success and technological advancement lies in her Management Model, popularly known as Japanese-style management. This research study will hopefully provide some insight as to how and why Japan has become a superpower that it is

today. It will be hopefully of some value and interest to those in the field of management science.

The Japanese Management Model has created a lot of controversy. The group who believes strongly in it has claimed it as unique and superior to those management systems and styles originating from the West. Its critics find nothing special or superior about the model for it has also many drawbacks. Despite the vast differences in opinion, one thing cannot be disputed about the management style practised by Japanese managers. The Japanese-style management in private sector has proved to be an important, if not major factor responsible for higher productivity of workers at work in Japan, although other factors cannot be dismissed or underrated. In view of this, Japanese-style management deserves an indepth research study as it will surely contribute towards the enrichment of the existing management literature in the quest for effective and efficient management.

#### **1.2.2. In Terms of Malaysia's "Look East" Policy**

This study is very important to readers in the author's own country, Malaysia because of the official "Look East" policy whereby the government of Malaysia instructs all Malaysians to emulate the Japanese people. The Malaysian work force, especially in the public sector, has been asked to learn and adopt Japanese work ethics, work



philosophy and management approach to their jobs. When this 'Japanisation' policy was introduced, it was enthusiastically supported by those in the management circles from both the public and private sectors although at the same time, they were anxious to know about the feasibility of such a novel policy. The findings of this study will be most meaningful to the initiators and implementors of the "Look East" policy as they can be used as a guide in pinpointing as well as correcting any loopholes that "Look East" policy may have, if the policy is to be carried out successfully.

The study of Japanese-style management and its possible adoption by Malaysian public enterprises is also highly significant to the present Malaysian government which is vigorously, albeit systematically, seeking to reduce the size of her workforce. It is the contention of the Malaysian government that a reduced workforce in the public sector necessitates a higher per worker productivity in the future. It means the workforce has to be effective and efficient in its discharge of duties. The Japanese-style management seems very impressive and therefore a natural choice to the Malaysian government. This study will endeavour to find out if this is so in actuality.



This subject has been selected because of its importance in addressing the question of Malaysia's action in emulating other country's management models. Must the Malaysians look to the East for the solutions of striving towards effectiveness and efficiency when their existing problems have been created by practising Western model? The fact that Malaysia has a long association with the Western management system brought mainly by the British managers, and is now suddenly switching to the Japanese model, is indeed a challenging subject to study.

There is also another aspect of this study which makes it a worthwhile venture. Malaysia is a plural society that consists of the Malays, Chinese, Indians and sixteen other indigenous groups, while Japan by comparison is relatively homogeneous (besides the Japanese, there are also some other minority groups namely the Koreans, Chinese and Ainu inhabitants) (Gow, 1987). The majority of the people in Malaysia are Muslims and the others are either Christians or Buddhists. On the other hand, the Japanese people are mostly Buddhist and Shinto worshippers and a minority are christians. There are bound to be problems regarding the transfer of managerial elements from Japan to Malaysia in view of the vast cultural differences between the two countries. Problems of this nature will be of great value to the those involved in "Look East" policy. It will also provide valuable information to other

countries which aspire to adopt the Japanese-style management.

Lastly, this study is considered important to those managers of the public enterprises who had officially been instructed to introduce the Japanese-style management through the "Look East" policy in running their respective organisations. This study will discuss the elements of the Japanese Management Model that can and cannot be transferred to the public enterprises in Malaysia.

### **1.3. Scope and Limitations of the Study**

This study has been confined mainly to some major aspects of traditional Japanese-style management. Some topics like Japanese sogo shosha, and Japanese trade policies will not be discussed in detail because these are not considered so relevant to the theme of this thesis. The coverage has instead concentrated mainly on the Japanese human resources and personnel management aspects of management, because when the Prime Minister of Malaysia, Dr. Mahathir, announced the "Look East" policy in 1982, what he really wanted was for Malaysians from all walks of life in general, and the workforce in the public sector in particular, to emulate the work ethics, methods and philosophy of Japanese personnel management. He said:

"Now, if it is the Japanese work ethic that has contributed to the economic and commercial success of post-war Japan, and if this work ethic can be acquired and developed artificially, it follows that Malaysians too can shape and develop their own work ethics. That is precisely what the Look East policy is all about" (Mahathir, 1985:p.157)

From the tone of his numerous speeches throughout the "Look East" policy campaign in 1982, he was obviously not happy with the attitudes of the public sector's employees and the productivity level achieved by them. Accordingly, he believes that the personnel management practices and policies of the Japanese would provide the cure to the ills diagnosed among the Malaysians.

The study on the issues of transferability (and also the applications) of Japanese-style management is confined to Malaysian public enterprises only. There is a reason for this. The public enterprises have been chosen for study because the efficiency of these enterprises, which form the largest sector (i.e. in term of employment) in Malaysia, has been severely criticised. The majority of them are reported to be very disorganised and badly managed. If the "Look East" policy is to be pursued with the intention of bringing about efficiency, public enterprises may be a good starting point.



Since Malaysia gained her independence, there has been a rapid growth of public enterprises created by the government to speed up the various development projects in the country. In order to achieve the goals of the government towards the nation-building process, these enterprises have been allocated generous grants, yet many seem to be badly managed and incur yearly losses, indicating some sort of management problems. Against the backdrop of such circumstances, the study of Japanese-style management and its transferability to the public enterprises in Malaysia is an appropriate undertaking.

A major limitation of the study is the fact that the discussion on Japanese-style management is focussed on the traditional or stereo-type Japanese management practices. This means the latest management practices (neo-Japanese style management) which have recently emerged in Japan will not be given great emphasis.

The fact that the transferability of Japanese management practices to Malaysia is being confined only to public enterprise sector also constitutes a limitation. Being public agencies which have been created as instruments mainly to achieve government's political objective, one may question the suitability of using public enterprises in determining the feasibility of practising Japanese management practices, when one takes into account that in

Japan, the successful Japanese techniques are found in private rather than public sector. The practices which are said to be very effective in private firms have not shown the same degree of effectiveness in the public enterprises.

#### 1.4. Structure and Contents of the Thesis

The thesis is divided into two parts comprising nine chapters. Part One contains Chapters One to Six and they form the theoretical framework of the study. Part Two consists of the remaining Chapters Seven to Nine and they consist of the research methodology, research survey, findings and analysis of survey and conclusions of the study.

Chapter One begins with the purposes, significance, scope, limitation and lastly the structure and contents of the study. This gives the readers some indication of the overall direction of the study.

Chapter Two discusses the Malaysian setting. It covers areas such as the plural society, the economy, the socio-political system, the government, the New Economic Policy, the "Look East" policy and finally the Malaysian-Japanese relationship. The chapter aims to provide background information to the subsequent chapters.



Chapter Three dwells on some major management practices especially the personnel aspects that are found in Malaysia. The main discussion consists of the development, features and factors affecting the management system in the country. In the same chapter, the profiles of Malaysian managers and employees are also discussed. This chapter is also intended as a background study for the subsequent chapters.

Chapter Four highlights the prevalent situation in public enterprises. A typical enterprise is first discussed. Then a more detailed discussion of Japanese and Malaysian public enterprises follows. Among the issues discussed include the reasons for creating public enterprises; organisational structure; control and accountability and major problems confronting public enterprises.

Chapter Five is the core chapter of the thesis whereby the literature review on Japanese Management Model is presented in detail. The major features, strengths, weaknesses and the future of Japanese-style management will be thoroughly analysed.

Chapter Six deals with another important theme of the thesis; that is, the issues of transferability of the Japanese Management Model to foreign countries. In this chapter, effort of introducing Japanese-style management

practices especially by Japanese firms and joint-venture firms in the 1970s and 1980s in Malaysia are examined. Then, experiences of some countries which import and experiment with some Japanese elements of management are discussed. This marks the end the literature review section of the thesis.

The next three remaining chapters constitute Part Two of the thesis. Chapter Seven discusses the research methodology used in the study whereby explanation regarding research's objectives and research process is attempted.

The actual research survey is described in Chapter Eight. Included in this chapter are the survey's findings and analysis concerning Japanese-style management and the issues of its transferability to the Malaysian public enterprises.

Chapter Nine contains the concluding remarks and recommendations made based on the research study.

## CHAPTER TWO

### THE MALAYSIAN SCENARIO

#### 2.1. Objective of the chapter

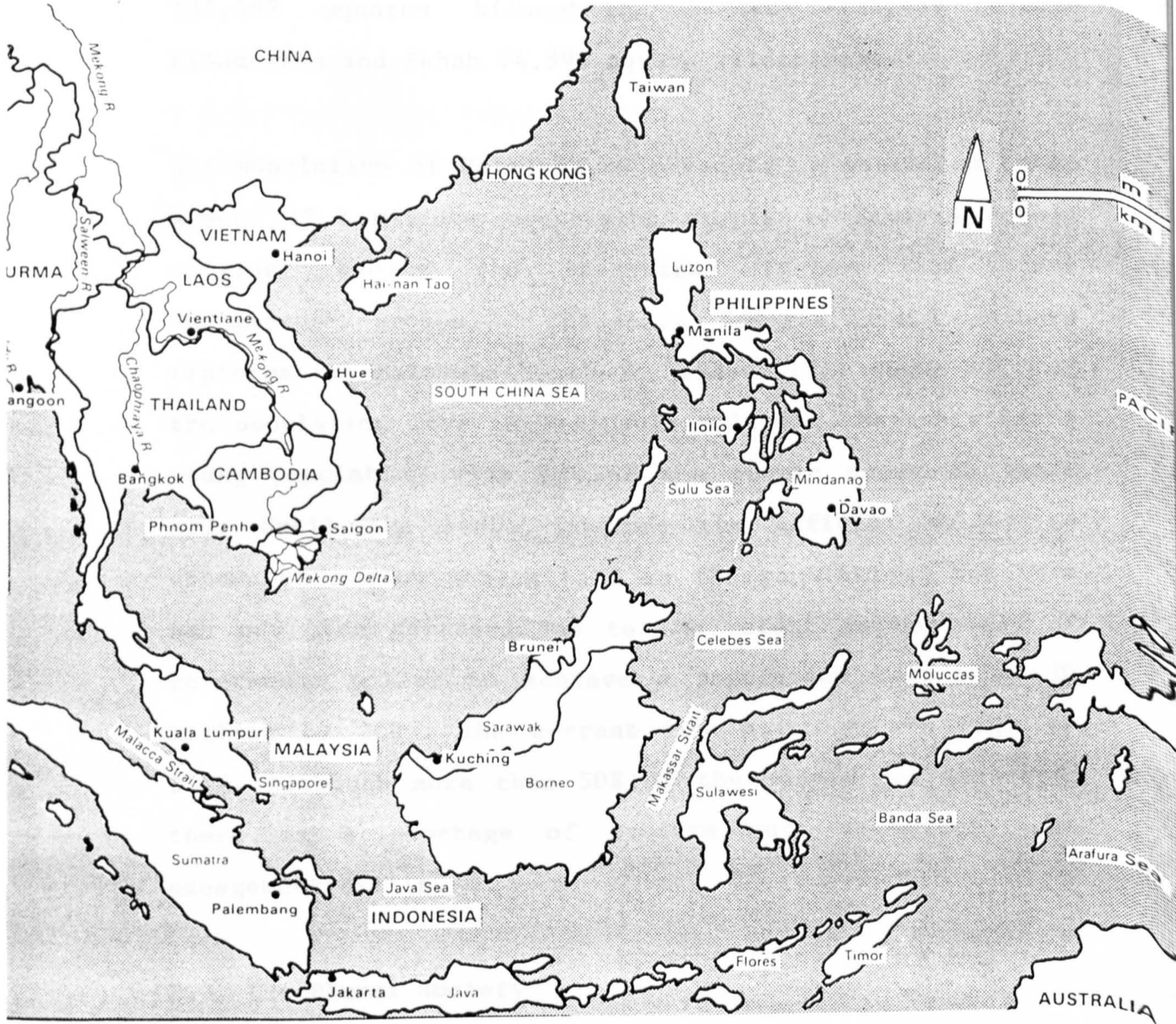
Before any discussion on the transferability of Japanese-style management to the public enterprises in Malaysia is attempted, it is felt that a background discussion on Malaysia particularly in areas of social, cultural, economic and political settings is deemed necessary. This will familiarise the reader with the past historical events, the on-going developments and also the future trends in the country. Such background information provides the reader with a wider perspective regarding the issues under study and therefore relates to the reader the relationships, if any, between the prevailing variables (culture, social, economic and political) and the findings of the study.

#### 2.2. General Background of Malaysia

Malaysia was born as a federation of fourteen states in 1963. Singapore left in 1965 due to political differences. Today, in addition to the existing thirteen states, there are two federal territories. Eleven of the states are in Peninsular Malaysia, formerly known as Malaya while the other two states of Sabah and Sarawak are several hundred miles away in the North West part of the island of Borneo.



Exhibit 2.1: Location of Malaysia





The federal territory of Kuala Lumpur, which is also the nation's capital city, is in Peninsular Malaysia, while the federal territory of Labuan is in the state of Sabah. Malaysia covers an area of about 340,434 square kilometres; Peninsular Malaysia making up a total of 131,587 square kilometres; Sarawak 124,449 square kilometres and Sabah 74,394 square kilometres.

The population of Malaysia at present, is estimated to be around 17.4 million comprising people of diverse ethnic origins, namely the Bumiputras (Malays and other indigenous groups), Chinese, Indians, and others (Information Malaysia Yearbook, 1989:p.17). About 83% of the population live in Peninsula Malaysia. Malaysia has a young population with 70% of the people under 30 years old. Until the 1980s, it was the official policy to encourage a slow growth rate in the population, but this has now been reversed due to the recent announcement of government policy to achieve a population target of 70 million by 2095. The current population growth rate is 3.2%. Although more than 50% of the people are literate, there is a shortage of professional, technical, and management skills.

### 2.3. The Plural Society

The most notable characteristic of the country's population is her highly variegated ethnic mix, which can

be divided into three broad categories, namely the Bumiputras; the Chinese and the Indians (Information Malaysia Yearbook, 1989:p.15). The Bumiputras ( meaning sons of soil) refers to the Malays and 16 other indigenous groups namely the Ibans, Bidayuhs, Melanaus, Kayans, Kenyahs and others of Sarawak and Kadazans, Bajaus, Bisayas and Muruts etc. of Sabah. Together the indigenous or the Bumiputra groups form about 54% of the population, with Malay constituting about 48% of the Malaysia's population. The Chinese and the Indians form 34% and 9% of the population respectively. These different groups differ sharply from each other in religions, cultures, languages, customs, food habits and dress. Before further discussion is carried out, it is pertinent at this juncture, to point out that in Malaysia, as a result of historical events, there exists a positive discrimination in Malaysia. For instance, the Bumiputras are given some special privileges under the country's constitution. These privileges are meant to protect the Bumiputras' interests and also their dominant political power which was deemed necessary to counter the Non-Bumiputras' economic dominance in the country.

Malaysia is indeed a plural society. A plural society is defined as a society comprising two or more elements of social orders which live side by side, yet without mingling, in one political unit. A plural society is

characterised by (1) cultural diversity, (2) politically organised cultural communities, and (3) the salience of ethnicity (Rabushka and Shepsle, 1972:p.21). Therefore, like many other plural societies, the overriding objective of the Malaysian government is to achieve national unity

It can be said that communal pluralism is the essential reality of the Malaysian society and the government. Communal divisions appear not only on specific issues regarding the economic, social and cultural benefits but also in many facets of Malaysian life. Each race communicates in its own language and adheres to its customs and traditions strongly. Thus the relationship tends to follow ethnic and religious lines. There is the expectation in society that one will favour members of one's own ethnic group. Friendship ties across ethnic border lines are possible but more difficult. Traditionally, friends from different ethnic origins as a rule are not invited together to some special functions .

Relations between the various ethnic groups can sometimes be strained by sensitive issues relating to race, religion and language. In 1969, there was a serious racial conflict known as the May 13th incident involving the Chinese and the Malays which resulted in loss of many lives. The conflict arose mainly due to the dissatisfaction of the Malays with the Chinese regarding the inequality of



economic power in the country. The Chinese control the economy while the Malays are politically dominant and this is where the problem began. Vigorous efforts however, have been taken (i.e the restructuring of society through NEP) to rectify this problem and to a certain degree, relations between the various ethnic groups in Malaysia has improved. Also, the present Malaysians of various origins are relatively more understanding and tolerant of each other, although outburst of racial sentiments by some ethnic groups (especially during election times) in matters of regarding educational and job opportunities are quite a common occurrence. The solidarity between the various ethnic groups is clearly seen during festive seasons when the Chinese and Indians enthusiastically visit the homes of their Malay colleagues during Hari Raya (Muslim Celebration). Likewise when the Chinese have their New Year celebration, the Malays and Indians will look forward to making a reciprocal visit. The Indians also will have 'open houses' to their Malay and Chinese friends during their Depavali Celebration. Such is the Malaysian way of life today.

### **2.3.1. The Malays**

Of the three major races, the Malays are considered the most backward because the majority of them live in rural areas doing agricultural farming, or at coastal areas, engaged in small-scale fishing. The rural Malays live for



the most part in village communities. The old semi-subsistence economy based on rice and fruit-growing has widened into smallholder production of rubber, copra and recently of palm oil, as well as the production of rice on vast new areas of padi land irrigated by modern engineering works. The other group of the Malay population, the urban Malays, consist of those who are top administrators in the civil services or executives in private firms and the ordinary workers (comprising of the clerks, technicians, police and armed forces, blue collar workers etc) of both the public and private sectors. The Malays are Muslims of the Sunni sect and are tolerant in their observances. The school teachers, the mosque officials, some prominent hajis, (those who have made the pilgrimage to Mecca) and the retired government servants are considered men of influence in their villages.

### **2.3.2. The Chinese**

The majority of the early Malaysian Chinese arrived over the 1830-1930 period. They came almost entirely from the south-eastern provinces of China, notably Kwangtung and Fukien, and they are subdivided by local dialects of Chinese (Cantonese, Hokkien, Foochow, etc.) which they speak. The first immigrants came as labourers with the intention of returning to China with their savings - as most of them in fact did (Ping, 1985:p.139). However, some prospered, having accumulated their fortunes by operating

mines, plantations, trading houses, factories and shops. Out of their immense stake in Malaya came their first attachment to it and a resultant inclination to settle permanently.

Although they were of peasant stock, the Chinese came to Malaysia to make money, for which they show a remarkable aptitude. The majority of the Chinese live in the major cities and towns of Malaysia. They lead in almost everything, ranging from dominance in business and commercial activities to occupying the top professional and technical positions in the private sector. If it were not for the provision of the constitution of Malaysia, they would eventually dominate the top positions in the civil service also, since the Chinese community has the highest number of educated people with university and college qualifications.

The Chinese are divided into various clans or groups such as Hokkien, Teochiew, Hailam, Hakka, Cantonese and many others. Most Hailam are involved in restaurants or coffee-shops, while the Hokkien and Teochew are involved in rubber plantations and retail provisions or product distributorships. The Hokkiens are penetrating and expanding into hotels, restaurants and coffee-houses, an area dominated by the Hailanese (Mong and Ghani, 1979:p.69).

Chinese religion is a blend of many elements of which Buddhism and Ancestor 'worship' are perhaps the main elements. (Sarachek; Hamid; and Ismail, 1984:p.182) Every dwelling however humble has its domestic shrine. However, compared to the Malays, the Chinese appear less concerned or less interested in matters of religion. Chinese religious tolerance often borders on indifference (Wu, 1980:p.38). At the same time, however Chinese culture harbours a healthy respect for superstitions.

### **2.3.3. The Indians**

The Indian community in Malaysia comprises of the Tamils (eighty percent) who migrated from Tamil Nadu state of Southern India, and also the Telegu, Malayalis and Sikhs who make up the remaining percentage of the Indian population. The vast majority of Indians are Hindu while the rest are either Muslims or Christians. They were brought to Malaya as "cheap labour" or coolies under the indenture and kangkani systems of immigration and they worked in estates although a minority of them who arrived later came to work in the lower rung of the British Civil Service as policeman or in army, and clerical jobs etc (Rajoo, 1985:p.149).

Today the Indians can be divided into two major categories; the plantation workers and the urban dwellers. About 60% of the Indian population in Malaysia is



concentrated in the plantation estates where they had were recruited as coolies by the British as estate workers. These Indians are simple people, not well-educated, and they are generally happy as evidenced from their over-indulgence in todi (Indian alcohol drink). They are not normally concerned with world affairs for their world revolves around the estates. The other group, the urban Indians constitute the educated and the commercial class. Broadly, they are classified as the South Indians (Malayanis and Tamils); the North Indians (Punjabis, Sikhs, Sinhis, Gujeratis, Bengalis and Marwaris) and the Ceylon Tamils. Except for the Sikhs who are mostly in the police force, the North Indians are engaged in business. The Malayalis and Ceylonese normally work as white-collar workers both in private and government sector.

The religion of the majority of Indian workers is a combination of peasant Hinduism and folk religion. Kinship ties among Indians are strong and non-conformity to family norms would result in total exclusion from all kinship ties.

#### **2.3.4. The Other Bumiputras**

The other Bumiputras consists of 16 ethnic groups. They are the minority group but the Constitution provided them special privileges similar to those enjoyed by the Malays. Dominant ones among these ethnic groups are the Ibans,



Dayaks and Melanaus of Sarawak and the Kadazans, Bajaus and Muruts of Sabah. Generally, they are more like the Malays in their cultures and occupations but unlike the Malays, they normally practise shifting cultivation.

The Dayaks and the Bidayuhs for example, live in rural areas and some still live in longhouses. Most of them are hill rice cultivators although many youngsters are now flocking to the major towns to look for work. The Melanau are normally fishermen. The Muruts, Kayans and Kenyahs live in the interior parts of Sarawak, and until recently, they were among the most primitive groups leading a simple lives living in longhouses. The Kadazans, Bisayahs and Muruts are also rice cultivators, cash-crop growers and fishermen. It must be noted however that times have changed, and many of these ethnic people are now migrating to towns penetrating the white collar jobs, which were once dominated by non-indigenous people.

The indigenous groups are simple people and the majority of them are not well-educated. This is the main reason for their backwardness compared to the other ethnic groups. With the New Economic Policy, remedial actions such as providing low-interest loans for Bumiputras to engage in business, setting certain quota for Bumiputra students in university, reserving certain important posts in certain sector for Bumiputra groups etc., have been aggressively

pursued by the government to assist them to catch up with the other groups.

The Ibans and Bidayuhs, who are also broadly known as the Dayaks of Sarawak are mostly Christians although a minority still practise animistic religion or paganism. The majority of Melanaus are Christians; others are Muslims while some are also pagans. The Kadazans mostly follow the Christian faith, while Bajaus are followers of Islamic religion.

#### **2.4. The Government**

Malaysia has a constitutional elective Monarchy (Information Malaysia Yearbook, 1989:p.85-103). To some extent, the Government is patterned along the British system, with legislative powers vested in two houses of Parliament: the Dewan Rakyat (House of Representatives) and the Dewan Negara (Senate). The supreme Head of the State is the King, the Yang di-Pertuan Agong, who is elected by the nine state rulers, to a five-year term. In the Malaysian system, each of the nine royal states has a ruler, the Sultan, while in each of the four remaining non-royal states, there is a Governor, usually referred to as the Yang di-Pertua Negeri who is elected to office for a four-year term by the King after consultation with the Chief Minister of the state concerned. National executive power is vested in the Prime Minister and the

Cabinet. The Prime Minister is a member of the Dewan Rakyat who commands the confidence of that House, and he is appointed by the Head of the State. Ministers constituting the cabinet may, with the consent of the Supreme Head of State, be appointed from either House. Unicameral legislative assemblies of elected representatives govern the states. A Chief Minister is drawn from each assembly to appoint an executive council, which manages the state affairs within its purview.

The constitution lays down a strong central government responsible for most matters, including health, education, finance, external affairs, internal security, and civil laws. Certain powers, especially those relating to land, agriculture and forestry are given to the states. Constitutionally, Malaysia is quite unique in that she has special provisions granting some powers on certain matters such as immigration, forestry etc. to the the States of Sabah and Sarawak. The justification for this arrangement is to allow for differences in culture and level of development in Sabah and Sarawak compared to the other states in Peninsular Malaysia.

Further, the constitution of Malaysia safeguards the position of the Bumiputras by giving them special privileges, such as providing financial assistance in the form of flexible loans and preferential treatment over



others in business and commercial undertakings; reserves of places in certain positions in the civil service and places of higher institutions of learning; and reservations of native lands which are non-transferable in titles to the Non-Bumiputras. Such provisions are deemed necessary to help alleviate the poor state of Bumiputras who still lag behind the other races in many aspects, especially in economic and educational development. This is very crucial for national unity and communal harmony given the multi-racial nature that exists in the plural society of Malaysia. The May 13th incident of racial violence was a good enough example to the leaders of this nation that racial imbalance in opportunities in ownership of assets, commercial activities, educational pursuits at tertiary level, etc is not healthy for the stability of a multi-racial society. Therefore, efforts have been made, sometimes at the expense of one group, to ensure that the country's wealth is distributed fairly between the various races in Malaysia.

## **2.5. The Malaysian Economy**

Despite the prolonged world economic recessions, which began in 1979 and continued into the early 1980s, the Malaysian economy is doing very well. Overall, the Gross Domestic Product (GDP) grew at an average rate of 5.8% per annum in real terms during the period 1981-1985. In real terms of current prices, the GDP grew by 7.9% per annum,



enabling the per capita income to rise by 4.4% per annum from M\$3,719 in 1980 to M\$4,609 in 1985. The growth of the Malaysian economy (refer to Table 2A below) is projected to be at 5.0% per annum for the Fifth Plan period (Fifth Malaysia Plan, 1986:p.71).

Table 2A: Malaysia's Gross Domestic Product by Expenditure Category, 1985 and 1990 (in M\$million).

Expenditure Category	1985	1990
Private Consumption	39,832	51,320
Private Investment	11,903	18,009
Private Consumption	11,750	15,274
Public Investment	11,700	11,467
Change in Stocks	-307	+628
Exports of goods and non-factor services	42,881	50,252
Imports of goods and non-factor services	39,289	47,115
Gross Domestic Product	78,470	99,835
Net factor Payments	-5,692	-7,115
Gross National Product	72,778	92,720

Average annual growth rate for 1981-85 = 7.1

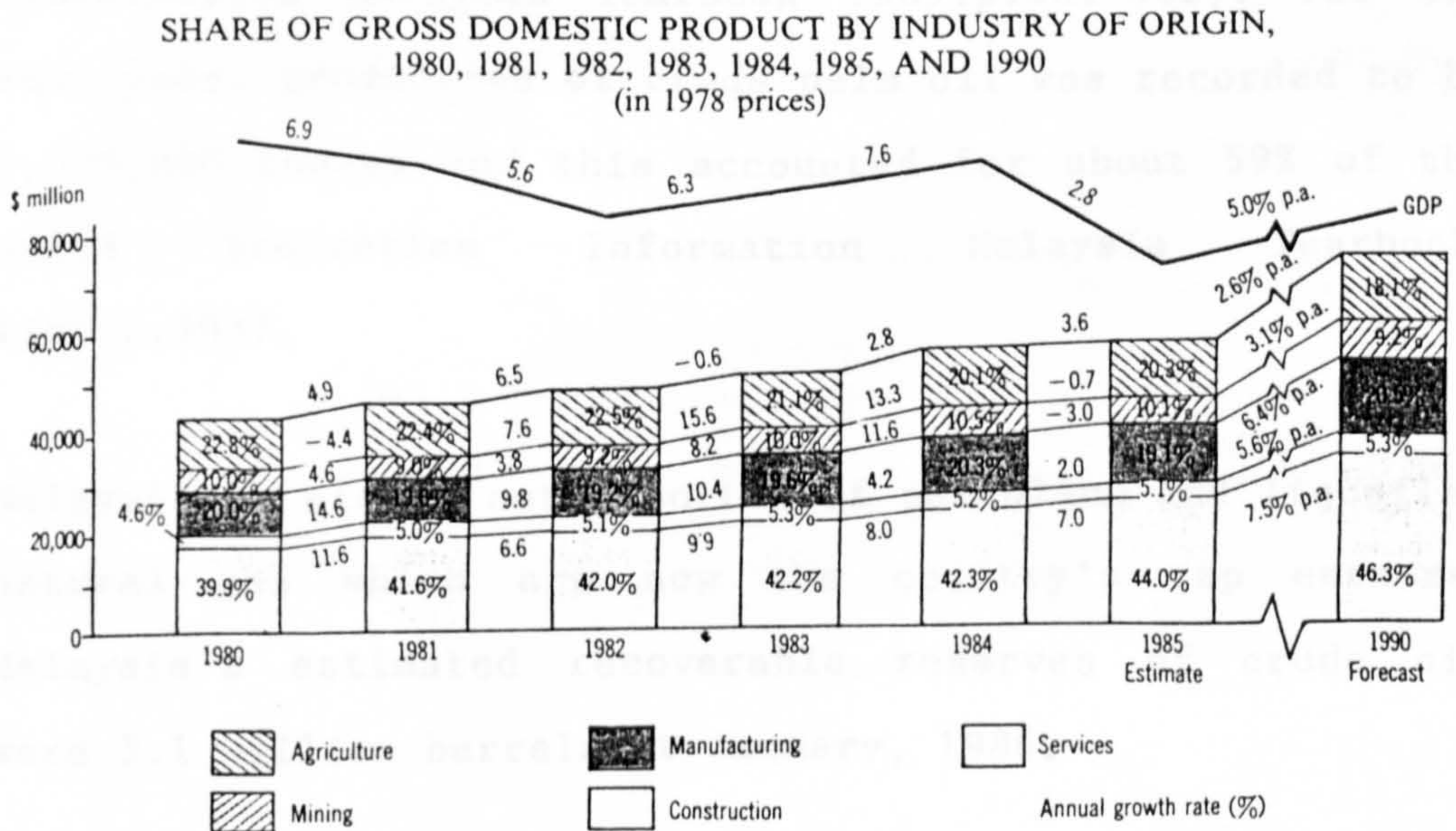
Average annual growth rate for 1986-90 = 5.0%

Source: Fifth Malaysian Plan, 1986)



The primary sector, comprising agriculture and mining and quarrying, grew at a rate of 4.2%. They account for 31% of the total output of the country's economy. The agriculture sector currently accounts for 20.3% of the total output in the economy. Its output is dominated by the production of rubber and palm oil which comprises 48.3% of the total production in this sector. The secondary sector, comprising of manufacturing and construction activities, expanded by 5.5% per annum and accounted for 23.3% of output growth. The sector contributed 24.3% of the total output in the economy in 1985. It is projected to grow at 6.4% per annum during the 1986-1990 period.

Exhibit 2.2.



(Source: Fifth Malaysian Plan, 1986)



It is said Malaysia has always been the "Lucky Country" of Asia. Balakrishnan (1989:p.96) said;

"its soil produces more palm oil and rubber than any other country in the world, though neither crop is indigenous. Oil wells off its coast yield petroluem so 'light' that it commands a premium price. Timber companies have been logging Malaysia's forests with such vigour that it is the world's largest source of commercial hardwood".

Malaysia is the world's largest producer and exporter of rubber. The production of rubber for 1985 was 1,624,000 tonnes and this represented 33.6% of the world production (Information Malaysia Yearbook 1989:p.301-302). For the same year, production of crude palm oil was recorded to be 5,400,000 tonnes and this accounted for about 59% of the world production Information Malaysia Yearbook, 1989:p.303).

Malaysia is also a net exporter of petroleum and liquefied natural gas which are now the country's top earners. Malaysia's estimated recoverable reserves of crude oil were 3.1 billion barrels at January, 1986.

Malaysia has been doing well economically as a result of her diversification programmes into the manufacturing



sector. Unlike other commodity-based countries whose fortunes fluctuate with the erratic world commodity prices, Malaysia adopts the tactic of pursuing export-oriented manufacturing. This has paid dividends, for Malaysia's main export items are no longer commodities, which still bring in substantial revenue, but manufactured products. Exports of manufactured goods grew 28.9% in 1988 and accounted for 49% of export earnings, up from 33% in 1985 (Balakrishnan, 1989:p.96). The balance of trade of Malaysia is quite sound as shown in Exhibit below:

Exhibit 2.3: Malaysia's Balance of Trade, 1985-88

Year	Exports		Imports		Balance of Trade \$ ('000,000)
	\$ ('000,000)	growth %	\$ ('000,000)	growth %	
1988 <sup>(e)</sup>	54.4	+20.6	42.8	+34.3	11.5
1987	45.1	+26.4	31.9	+14.4	13.2
1986	35.7	- 6.0	27.9	- 8.3	3.8
1985	38.0	- 1.6	30.4	- 7.6	7.5

(e) = estimates

Source: Ministry of Finance, *Economic Report 1988/89*

ASEAN COUNTRIES  
Balance of Trade 1986 & 1987 (US\$ million)

Year	Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand
1987	499.3	6,314.0	5,303.0	-1,200.8	-3,902.0	-1,701.1
1986	1,144.2	347.0	3,000.0	- 404.3	-3,016.0	- 301.6

Source: Ministry of Finance, *Economic Report 1988/89*

Malaysia's per capita GNP based on data of 1988 is US\$2,079 (MIDA 1988) and this is nearly twice that of her neighbour, Thailand; about three times that of the Philippines; and six times that of Indonesia. The GDP growth rate in Malaysia in 1988 was 8.1%, the best in the decade and for 1989, it has been projected to be around 8.5% (Balakrishnan, 1989:p.97).

Exhibit 2.4: Export of Malaysia by Commodity, 1985-88

Commodity	Year	Volume ('000 tonnes)	Value \$ ('000,000)	Growth (Value) (%)	Share Total Exports (Value) (%)	Position
Electrical & Electronic Products	1988	—	7,579	-26	13.9	1
	1987	—	10,251	+28.7	22.7	1
	1986	—	7,976	+32.3	22.3	1
	1985	—	6,028	- 4.5	15.8	2
Crude Petroleum Petroleum	1988	19,987	6,329	- 0.8	11.7	2
	1987	18,039	6,290	+16.5	13.9	2
	1986	18,792	5,408	-37.9	15.1	2
	1985	16,701	8,697	- 0.4	22.8	1
Natural Rubber	1988	1,655	5,095	+30.1	9.4	3
	1987	1,662	3,917	+23.1	8.6	4
	1986	1,516	3,183	+10.8	8.3	4
	1985	1,497	2,872	-21.8	7.5	4
Palm Oil	1988	4,490	4,626	+42.3	8.5	4
	1987	4,044	3,250	+ 8.0	7.2	5
	1986	4,305	3,010	+23.8	8.4	3
	1985	3,215	3,951	-12.8	10.4	3
Timber (Sawlogs) (production in '000 cu.m)	1988	21,000	3,990	- 6.8	7.1	5
	1987	23,001	4,280	+48.8	9.5	3
	1986	19,055	2,876	+ 3.8	8.0	5
	1985	19,360	2,771	- 1.3	7.3	5
Liquid Natural Gas (LNG)	1988	6,100	1,800	- 3.3	3.3	6
	1987	6,014	1,742	- 8.1	3.8	—*
	1986	5,285	1,895	-17.6	5.3	6
	1985	4,389	2,300	+29.6	6.0	6
* Textiles	1987		2,285	+39.0	5.0	6

(Source: Malaysia Information Year Book, 1988:p.422)

## 2.6. The New Economic Policy

Despite Malaysia's rapid rate of economic growth in the years after independence, two fundamental problems persist: widespread poverty and serious racial imbalances (Young; Bussink; and Hasan, 1980). To a large extent, this was cited as the root cause that led to the racial riot, the infamous May 13 incident where the Malays and Chinese clashed, resulting in unnecessary loss of lives. In response to these problems, the government embarked upon a policy called the New Economic Policy (NEP) in 1971.

In 1971 when the NEP was inaugurated, the Malaysian economy was mostly in the hands of foreigners whose controlling interests amounted to 62%. Of the remaining share, the Non-Bumiputras own 34% while the Bumiputras have only a mere 4%. This ethnic distribution according to occupation or economic activity was the norm of the day. More than two-third of the Malays were in agriculture, while less than a third of them were involved in mining, construction and trade. The Chinese were mainly concentrated in commerce, manufacturing, mining and construction. The Indians were found to be mostly estate workers, although some of them were successful in professional fields as lawyers and commercial entrepreneurs. The pattern of occupations in both private and public sectors on the whole indicate that the professional and technical occupations, such as



engineers, doctors and accountants are the monopoly of Chinese and Indians while the clerical jobs are dominated by the Malays. The political and governmental administrative positions, due to the provision of the country's Constitution, are mainly controlled by the Malays. The NEP was especially formulated to rectify the situation to redress the racial imbalances that are considered unhealthy.

The NEP, in aiming for national unity, carries a two-pronged policy namely:

(a) eradicating poverty and providing more employment opportunities for the people irrespective of their ethnic origin; and

(b) accelerating the process of restructuring society in order to correct the existing economic imbalances, so that the identification of certain economic roles by race could be reduced and finally eliminated (Second Malaysia Plan, 1976:p.7).

In trying to achieve the objective of reducing the imbalance through the restructuring of society, some of the steps to be taken are:

(1) to increase the share of the Malays and other indigenous people in employment in mining, manufacturing and construction and the share of the other Malaysians in agriculture and services;

(2) to raise the share of the Malays and other indigenous people in the ownership of productive wealth including land, fixed assets and equity capital. The target is that by 1990 they will own at least 30% of equity capital with 40% being owned by other Malaysians;

(3) to foster the development of entrepreneurship among the Malays and other indigenous people so as to contribute effectively towards the creation by 1990 of a strong and viable commercial and industrial community among them and

(4) to encourage and support private investment both domestic and foreign ((Second Malaysia Plan, 1976:p.9).

NEP has been misunderstood by the Non-Bumiputras and Bumiputras alike. The Non-Bumiputras tend to see it as a threat to them, to discriminate against them, and even see the apportioned quota of 30% participation of Bumiputras in business and commercial activities as denying them of their existing share. The Bumiputras, on the other hand, tend to be overcontented and believe that the magic figure of 30% will be theirs without effort.

Many economic observers have agreed that the NEP has been quite successful in poverty eradication and the restructuring of society, even though the achievements of Bumiputras (aiming for a 30% share of the nation's economy) still fall short of targets. For example, for the period of 1979-84, all ethnic groups experienced increases in incomes. In real terms, the Bumiputras' mean household income increased by 30% over the period, with 20% for the Chinese and 9% for the Indians. For the same period, the rate of employment for the Bumiputras increased by 2.6% annually, while that of Chinese and Indians, each rose by 2.5%. Although still comparatively low, in terms of category of occupations, the number of Bumiputras in the professional and technical field increased from 155,000 in 1980 to 194,000 in 1985. With regards to the ownership of share capital, the Bumiputras are doing quite well because their share in 1985 was estimated to be about 18%. Ownership by Bumiputra individuals grew at a fast rate of 32%, thereby closing the gap between the Bumiputras and the Non-Bumiputras (Fifth Malaysia Plan, 1986:p.125).

## **2.7. The "Look East" Policy**

The 1970s were years where Malaysia was preoccupied with policies aimed at bringing national unity through restructuring of economic and social structure of the nation and the eradication of poverty amongst the



Malaysians irrespective of races. The 1980s, however, witnessed another era where the government made efforts to strive towards productivity and efficiency to meet the new economic challenges which, initially appeared unfavourable to Malaysia. In 1982, the government of Malaysia launched the "Look East" policy to be used as a tool in facing the new economic realities. It was also believed that the "Look East" policy would be in line with the government's desire to make Malaysia a progressive and successful nation and also perhaps provide the answer to the somewhat oversized Malaysian public sector which, some quarters pointed out, had been unproductive and inefficient in its discharge of public duties (Drummond, 1984:p.9). Working and institutional arrangements needed to be made and new values had to be adopted. Only by implementing new approaches and blending existing values with new ones can the nation hopes to build a better society which will be united, resilient, self-reliant and progressive. Thus, "Look East" policy, the brainchild of Dr. Mahathir, the present Prime Minister of Malaysia, was born.

"Look East", according to Dr. Mahathir, means emulating the rapidly developing countries of the East, namely, Japan and Korea, in the effort to develop Malaysia. Matters deserving attention were thought to be diligence and discipline in work, loyalty to the nation and to the enterprise or business where the worker is employed,

priority of groups over individual interests, emphasis on productivity and high quality, upgrading efficiency, narrowing differentials and gaps between executives and workers, management systems which concentrate on long term achievement and not solely on increases in dividends or staff incomes in the short term, and other factors which can contribute to progress for Malaysia (Jomo, 1985:p.304). He further explained that "Looking East" does not mean begging from the East or shifting the responsibility for developing Malaysia to them. Instead that responsibility should be that of all Malaysians. "Looking East" also does not mean buying all goods from or granting all contracts to companies of the East, unless their offer is the best.

When launching the "Look East" policy, Dr. Mahathir always stressed that Malaysia is not breaking its relationship with the West by saying:

"Whatever you used to do before with the West I think you should also with the East.....Look East means we should resort to other sources than the West and this doesn't mean that we are going to give up the West entirely. What is good in the West, we still follow but here is a source of ethical values, systems and everything else which are useful to us. So why shouldn't we make a deliberate effort

to acquire this from the East?"(New Straits Times, July 16, 1982)

There are some major factors that are detrimental to the adoption of "Look East" policy. Firstly, Malaysia realises that she no longer enjoys the economic prosperity that she once had. She finds that with the global recession widespread, the prices of primary commodities like tin, rubber and palm oil, of which she is the main world supplier, have not been too favourable. She has to transform herself from an agro-based to an industrial nation if the country is to be competitive with others in the region. Malaysia has to search for a new strategy and look for a model to base herself upon. Malaysia is trying to be not too dependent on her natural resources which have been adversely affected by world's fluctuating market. What she needs is a new approach, that is, to diversify into manufacturing industries. A new model is necessary.

Secondly, Malaysia which has always carried out policies based on Western model, principally the British management style, finds that the Western model is no longer adequate for her development purposes. Western countries are having many economical and socio-political problems themselves. The "Look East" policy can be interpreted as a response emanating from the disillusionment with the western model



of development. Britain, for example, whose post-economic exploitation of the colonies and overall superiority in maritime power, provided her with all the grandeur of a superpower, seems to be in decline. The once proud lion is now ageing, so they say. Because Great Britain herself is no longer that 'great', Malaysia needs to turn to other countries for a model of development. It also has become clear that there is not much point in looking to the West since the values, cultures and religions of the East and the West differ greatly. So Japan, being a new successful economic power with Oriental values, is an ideal country to learn from. It is argued that similarities in culture and value systems will help to resolve the conflicts which always occurred when Malaysia was in the process of learning from the West in the earlier period. Japan is considered by Dr. Mahathir as a model nation. He said in one of his interview sessions regarding the "Look East" policy:

"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" (Das, 1982:p.39)

Incidentally, Malaysia's relationship with Britain at this time was at its lowest ebb. Malaysia was also very unhappy, for a number of reasons, with Britain. The first

event was the raising of tuition fees of foreign students by the British government. At that time, the Malaysians comprised the largest number of foreign students in England with 13,000 students. Being a member of the Commonwealth countries, Malaysia expected some preferential treatment. It was felt that if tuition fees were to be increased, it should be done over the years so as not to inconvenience the government of Malaysia, the main sponsor of the students studying overseas, and also the parents of those students affected. The second episode that led to deteriorating relationship concerned a deadlock in air flight negotiation between Malaysia and Britain. Britain refused to give additional landing rights in Britain. What actually happened was that Britain had suggested that Malaysia purchase 4 surplus Boeing 747s from Britain in order that a favourable attitude towards Malaysia's request be considered. When Malaysian Airlines System (MAS) did buy four aircrafts, but found that landing rights were still not approved by Britain, Malaysia was naturally disappointed. The last straw was over what is better known as the "dawn raid". As part of the Malaysianisation process under the NEP and the restructuring of the economy, the Malaysian government bought out the stocks of an English company, Guthrie, which engaged in a variety of enterprises in Malaysia. It was said that Malaysia was able to do this in just four hours. In response to this, the English Stock Exchange

took a similar "dawn attack" by revising regulations on the exchange. The regulations were revised so that a seven days grace period must be given if stocks over a certain standard were purchased. Malaysia was infuriated by such action because it was seen clearly as an attempt to block the Malaysian government's aspiration towards its nation building process. The Prime Minister immediately launched a "Buy British Goods Last" directive. Any contract that was to be awarded to a British company in Malaysia had to get the approval of the Prime Minister's Department. All the events above culminated into an open conflict causing Malaysia to drift further away from her one time colonial master.

The third underlying cause for the sudden "Look East" policy is prompted by Malaysia's desire to be economically and technologically successful like the Eastern countries of Japan and Korea. As regards Japan, Dr. Mahathir is very impressed with her ability to come out from the debris of the atomic bomb which shattered the whole economic machinery, to become the world superpower. She has no natural resources like Malaysia; and the land is mostly hilly and so uncultivable; but yet she has been successful. The success seems to lie, for the most part, in its highly disciplined and hardworking people. This is what Malaysia wants to be. By emulating Japanese work ethics, Dr. Mahathir wants the Malaysians to be a hard



working society like Japan. If Malaysia is to be successful economically and technologically, then Japan is the ideal country to model herself upon.

The last major factor which has been said to be the ultimate impetus for the "Look East" policy has to do with the personality of the present Prime Minister, Dr. Mahathir. He personally believes that the ills confronting Malaysian society, particularly of the Malays, can be solved by emulating the Japanese. He is of the opinion that the characteristics of the Japanese workers, such as dedication, discipline and strong work ethics are good for Malaysians to emulate. The "Look East" policy is also the result of his anti-Westernism or, more correctly, his disillusion with the Western model of development (Saravanamuttu, 1984:p.456). Unlike his three predecessors, he never had any tertiary education in the West, and this background is said to have accounted for his lacklustre attitude towards the Western model. At this time also Japanese economic success was at its height. Many business executives and managers flocked to Tokyo to find out the secret of Japanese "economic miracle". Japanese management seemed to be the in-thing then. Dr. Mahathir, being newly installed to the Premiership, naturally found this a golden opportunity to try a new model to replace the obviously ineffective Western model for the industrial development of his nation. In term of

transferability issue, the Malaysian management system is unusual in that it has already adopted and adapted another culturally determined model from the UK. Therefore, it has to consciously discard that model or key elements of it in order to proceed. Far from being a constraint however, the fact that Malaysia has already adopted the model makes it more experienced and more open to the transfer of the strengths of another non-Malaysian model.

Dr. Mahathir is also said to have been disillusioned by Western leaders who are not so sympathetic to developing countries like Malaysia. This was made evident when he began his premier's term by his snubbing of the Commonwealth Conference in Melbourne, followed by his famous call of "Buy British Goods Last".

The "Look East" policy is being pursued at two levels, namely;

(i) the level of external economic policy, whereby Japanese-cum-Korean governmental and private sector aid, technical assistance and training are being sought and contracted for in Malaysia. As an extension of this, students are also to be sent to both Japan and South Korea for vocational and tertiary education as a deliberate policy, and

(ii) the level of domestic policy wherein the Malaysian government itself seeks to inculcate the 'Eastern' work ethic through various propaganda devices and through concrete promotion and implementation of policy in the private and public sector (Lean and Lim, 1984:p.457).

In the spirit of the "Look East" policy, many government officials such as engineers, technicians and heads of departments are being sent to Japan for training for a period of one month to three years. Malaysian students have also started flocking to Japanese universities in significant numbers for the first time. By 1983, there was a total of 1719 Malaysians sent for training to Japan.

## **2.8. Malaysia-Japan Relationship**

### **2.8.1. The Past and Present Relationship**

Historically, Japan has never had a good image among the Malaysians. This is the result of the brief but bitter military rule in Malaysia (at that time called Malaya, Sarawak and North Borneo) by the Japanese from 1942-1945. The notorious behaviour of the Japanese soldiers during their three and half years occupation were full of atrocities. The people were mercilessly manipulated and maltreated, for the Japanese were very brutal in dealing with those who disobeyed them. The Japanese made themselves so hated that for a decade after the war it was deemed unsafe for individual Japanese to visit Malaya



(Gullick, 1968). Even to this day, the older generation of the Malaysians who experienced the brief occupation are said to be not enthusiastic at all about the Japanese. On account of Japanese aggression during the Second World War, the Malaysians sustained not only physical damages, but also "moral trauma". Animosity towards Japan amongst the older generation in Malaysia is still strong.

As for the Japanese, they did not try to establish a relationship with Malaysia immediately after Independence. The Japanese low profile and slow contact in Malaysia prior to 1970 was understandable. She was busy reconstructing her war-torn economy. On the other hand, Malaysia, like other Southeast Asia countries, still had memories of the harsh brutality of what the Japanese did to them before. Furthermore, there were unresolved problems regarding negotiation of the reparation repayment by Japan to Southeast Asian countries, including Malaysia.

Such a poor image of Japan, and the cold relationship between the two countries took a U-turn in the early 1970s. This was a period where the Japanese again invaded Malaysia in great numbers, but this time as civilians. They came as investors, signing contracts for mineral and timber concessions, foreign investments, joint-ventures in car assembly and electronics etc. As a result, their

products also began to flood the Malaysian markets and more and more British and American products were pushed aside from the shelves of the popular stores.

The Japanese are coming again. This marks a new era whereby they are heartily welcome. Today, there is always a Japanese community in Malaysian major cities comprising mainly of business executives who are stationed at their company's subsidiaries based in Malaysia. There are more than 300 Japanese firms in the country. There are a number of Japanese restaurants in major cities (14 in Kuala Lumpur alone) catering for their needs. The government of Malaysia is even said to have employed one very renowned Japanese consultant, by the name of Kenichi Ohmae, with whom the Prime Minister is said to occasionally consult, especially in matters relating to the "Look East" policy.

Between 1980-1986, an average of 115,000 Japanese visited Malaysia annually (MAJECA-JAMECA Joint Conference, 1988:p.1). In 1985 Japan represented the largest tourist generating market outside the Asean region with 117,250 arrivals. This constituted 4% of the total arrivals. Malaysia earned M\$129,771,000 from Japanese tourists that year. There has never been a period which witnessed a very close relationship between Japan and Malaysia as that of today.

### 2.8.2. Japan-Malaysia Trade Relationship

Presently, Japan is the No. 1 trade partner of Malaysia. In 1987, exports from Malaysia to Japan totalled M\$8.8 billion (MAJECA-JAMECA Joint Conference, 1988:p.8-15). This represented 20% of all exports from Malaysia and was the largest share for any trading partner. Imports to Malaysia from Japan constituted of M\$6.9 billion for the same year. This amounted to 22% of the total Malaysian import from all countries. It was also the largest amount for any trading partner.

Japan is considered a particularly important trading partner for Malaysia because in terms of revenue and expenditure, Malaysia has shown a substantial increase in exports since 1985. They amounted to M\$2.3 billion in both 1985 and 1986 and M\$1.9 billion in 1987. The Japan-Malaysia trade showed that it had been in Malaysia's favour. The details of the statistics concerning the trading volumes and export and import of Malaysia is produced in Table 2B and Table 2C.

**Table 2B: Exports and Imports of  
Malaysia to and From Japan**

T	1983	1984	1985	1986	1987
Malaysian exports to Japan	6,429.2	8,632.9	9,272.0	8,116.7	8,827.5
Malaysian imports from Japan	7,768.4	8,646.1	7,006.0	5,736.2	6,925.5
Trade balance	-1,339.2	-13.2	2,266.0	2,380.5	1,902.0



**Table 2C: Exports and Imports of  
Malaysia to and From Selected Countries**

(unit: in million Malaysia Ringgit = M\$)

Trading partners		1983	1984	1985	1986	1987
Malaysian exports (FOB)	Total value	32,771.2	38,646.9	38,016.7	35,720.9	45,175.7
	Japan - value	6,429.2	8,632.9	9,272.0	8,116.7	8,827.5
	%	19.6	22.3	24.4	22.7	19.5
	USA	13.3	13.6	12.9	16.6	16.6
	EEC	14.6	12.6	14.1	14.6	14.3
	ASEAN nations (inclusive of Singapore)	28.5 (19.5)	26.7 (20.4)	25.8 (19.4)	22.1 (17.0)	24.2 (18.2)
Malaysian imports (CIF)	Total value	30,795.2	32,925.9	30,437.8	27,921.3	31,982.6
	Japan - value	7,768.4	8,646.1	7,006.0	5,736.2	6,925.5
	%	25.2	26.3	23.0	20.5	21.6
	USA	16.2	16.3	15.2	18.8	18.6
	EEC	14.0	13.4	14.2	14.6	13.4
	ASEAN nations (inclusive of Singapore)	18.7 (13.9)	19.4 (13.0)	22.4 (15.9)	21.5 (15.0)	20.8 (14.7)
Trade balance		1,976.0	5,721.0	7,578.9	7,799.6	13,193.1

(Source: Statistics Bureau, Malaysian Prime Minister's Office)

Out of M\$8.8 billion of Malaysia's total exports to Japan in 1987, the value of various manufactured products was M\$1.3 billion which showed a 13% increase from the previous year. The export from Malaysia to Japan consists mainly of primary commodities such as petroleum, gas, palm oil, wood, timber, rubber and tin. Recently, there has been an increase in export of electrical and electronic components, and other manufactured products. In fact in 1986, there was a record of M\$1,149 worth of manufactured products exported Malaysia to Japan.

The major items of Malaysia's import from Japan consist of intermediate products and components such as light industry products, chemicals, textiles, heavy industrial products, iron and steel and machinery and equipment.

According the Chairman of the Committee on Trade and Investment at the MAJECA-JAMECA's 11th Annual Conference held at Kuala Lumpur in 1988, the growth rate in Malaysia's total trade with Japan in 1987 was 13.7%. Certain export items increased in much greater quantities in 1987 than the previous year, although the overall exports did not increase significantly. Malaysian imports from Japan increase slightly especially those of intermediate products and materials components.

A research study by the Master Builders Association Malaysia on the Japanese participation and competition in the construction industry in 1983-84 showed that estimated total amount of contracts awarded to Japanese contractors and joint ventures from January 1980 to December 1984 exceeded M\$3.8 billion. Malaysia was the second biggest client of Japanese contractors in 1983 after Singapore, according to the Japanese Construction Ministry.

### 2.8.3. Japan's Investment in Malaysia

The latest statistics from MIDA (1989) regarding foreign investment in Malaysia states that in the first six months of 1989, Japan led the foreign investors with M\$1.2 billion.

Baed on available data, it is found that the Japanese investments in companies of manufacturing production in Malaysia as at December 1986, totalled M\$1.8 billion. Hence, Japan ranked as the leading foreign investor followed by Singapore and the United Kingdom. Based on equity in approved projects by MIDA in 1987, Japan also topped the list with M\$230.9 million representing 31% of the overall total. It is also expected that Japan would continue to be the leading investor in Malaysia based on the first five months of 1988 investment figure. (MAJECA-JAMECA Conference, 1988). It is also observed that so far the inflow of Japanese investment is most conspicuous



amongst the Japanese multi-nationals like Matsushita, Sharp Corporation, Mitsubishi, NEC and Ajinomoto.

According to Mr. Kazumasa Suzuki, the president of JACTIM, the Japanese investment in Malaysia among other things, has been due to the following:

- a. Malaysia is politically stable compared with other Asian countries in the region;
- b. Abundant labour forces with reasonable wage
- c. Infrastructure, especially in Industrial areas is very good;
- d. Abundant natural resources.

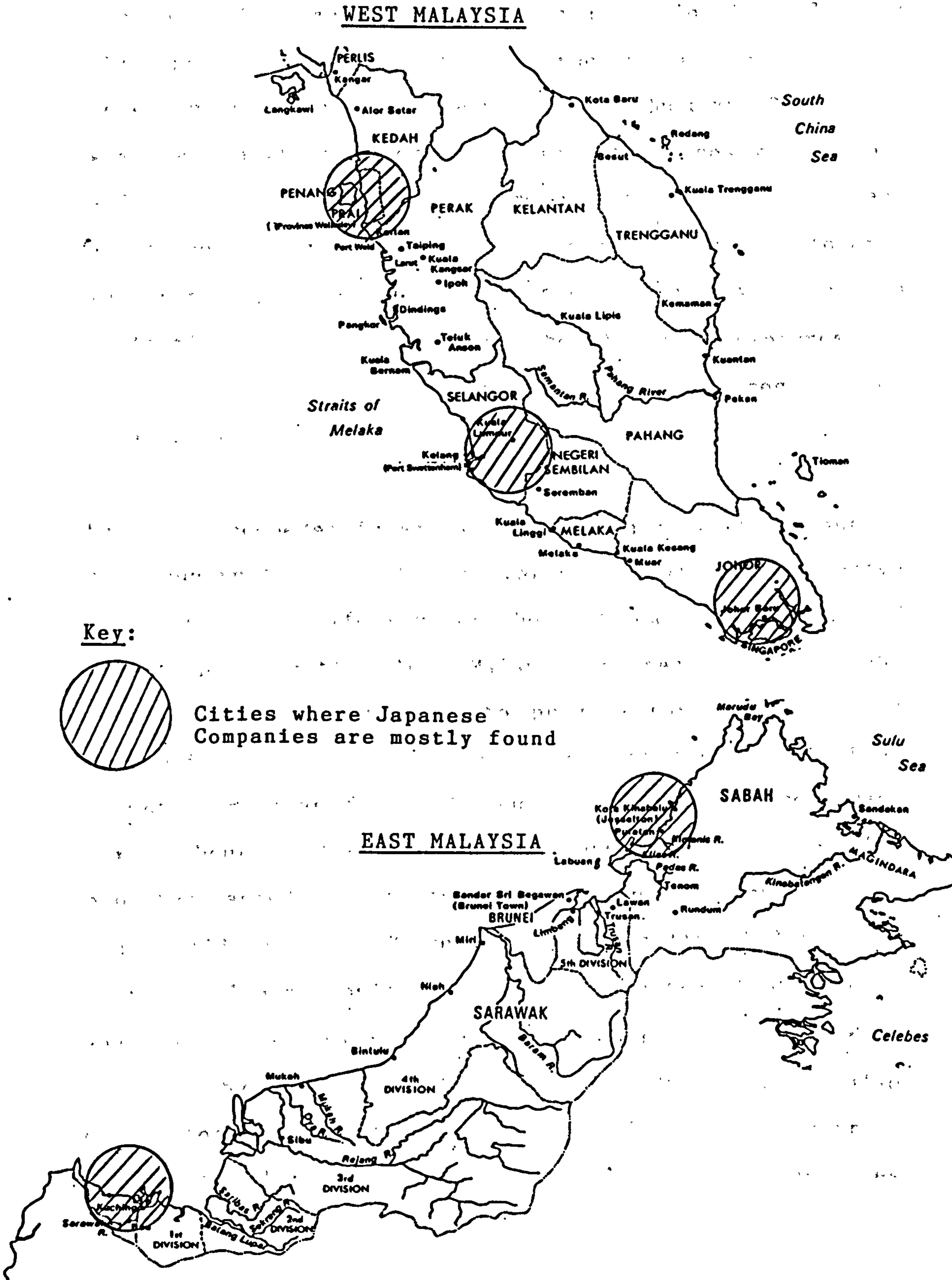
As mentioned earlier, the Japanese did not make significant inroads in Malaysia until after 1970, there being only 37 joint ventures in 1964 and 46 by 1969. One reason for this was due to the unresolved reparation issue which was settled only in 1967 with donation of two ships to the Malaysian International Shipping Corporation. Thereafter, Japanese joint ventures appeared to have picked up to the extent of more than 100 out of 189 joint ventures in the country in 1978 (Saravanamuttu, 1984:p.465). The great numbers in joint ventures has been due to the government policy which attempt to industrialise the country. By having joint-ventures with the Japanese, Malaysia hopes to learn the advance

technology from their Japanese counterparts in line with the country's industrialisation effort.

According to the sources compiled by Japanese External Trade organisation (JETRO) in 1978, there was a total of 368 Japanese firms in Malaysia, of which 191 or 51.9% of them are located in Selangor; 47 each in Penang and Sabah while the rest were scattered all over the states in Malaysia.

According to the latest statistics compiled by the author based on sources from JETRO as of December 1988, there are 440 Japanese companies (including joint-venture companies with Malaysian government) in Malaysia. About 170 are engaged in manufacturing and found in Petaling Jaya and Klang valley regions of Selangor, while the rest are scattered in other major cities like Penang, Johore Bahru and Kuching. The total sales of Japanese enterprises in 1986 was M\$3,770 million which is an equivalent of the total sales of manufacturers in Malaysia for that year. The number of employees employed in Japanese companies was around 40,000, of which 99% of them are Malaysians.

Exhibit 2.5: Location of Japanese Companies in Malaysia





There is a number of reasons that can explain the immense presence of Japanese firms in Malaysia in the 1970s. At this period, Malaysia was vigorously carrying out her development policies as under the New Economic Policy. It was the era where numerous public enterprises were formed and the government being hard-pressed for capital and expertise to run these enterprises welcomed foreign investors as partners. The Japanese responded well to such invitation and in fact out of the 189 joint ventures set up in 1978, 100 of them are the joint ventures between Malaysia and Japan.

Malaysia succeeded in attracting the Japanese to invest in the country because of her overly liberal and attractive terms she which offers under the 1968 and 1980 (Amendment) Investment Incentive Act. Malaysia's specific fiscal and other incentives, designed to provide tax relief to new enterprises or expanding ones, are: pioneer status that exempts companies from 40% company tax and 5% development tax; labour utilisation relief; special incentives for export-oriented industries and locational incentives with 'tax holidays' of 5-10 years (Saravanamuttu, 1984:p.465). There is also a provision of appropriate tariff protection and duty exemptions on raw materials and machineries required by manufacturing industries. Malaysia is also noted for her generosity by providing 50 industrial estates and 7 Free Trade Zones totalling 9,649.2 hectares

in various parts of the country. Another 'pull' factor is the fact that Malaysia imposes no restrictions whatsoever on the repatriation of profits by foreign investors. Japan gladly took advantage of such excellent incentives and conducive investment climate found in Malaysia.

Malaysia is a natural choice for Japanese economic invasion because of the rich natural resources that she has. She is the world's leading producer of tin, rubber, palm oil, timber and also pepper. In 1981, for instance, Japan consumed 30% of Malaysian mineral products (oil) and 49% of Malaysian wood and paper. With a closer trade ties with Malaysia, not only would Japan be assured of the raw materials her industries badly need, but she would also be able to export her finished products to the promising Malaysian market.

Since the racial riot of 1969, Malaysia's priority has been national unity. Various efforts under the NEP had been made to achieve this aim thereby creating a political stability in the country. Among the Southeast Asia countries, Malaysia is the most politically stable country after Singapore and this is the main reason why the Japanese find it very safe to invest in the country. This helps explain why foreign investment especially from Japan increased significantly during the 1970s.

#### 2.8.4. Cooperation Between Japan and Malaysia Since the "Look East" Policy.

##### 2.8.4.1. Trade and Export Promotions.

The most important cooperation between Japan and Malaysia is found in the area of trade and export promotions. Malaysia' efforts consists of (Kaneko,1988:p.3):

- a. Assistance is being given to exporters, with the Malaysian Expo (MEXPO) playing a central role. For example, some 9,000 exporters visited MEXPO, indicating their strong interests in the program;
- b. Malaysia has been sending its trade missions to Japan. In 1987, Japan received the delegations from Malaysia's textile and furniture industries;
- c. The stabilisation of the export loan system through Export Credit Refinance (ECR). The ECR's financing program has now achieved widespread prevalence among Malaysian entrepreneurs wishing to export their products to Japan .

On the Japanese side, the following efforts have been undertaken (Masuoka, 1988:p.2):

- a. The preferential tariff system was revised to increase the limit of preferential tariff treatment in 1988;
- b. Investment promotion by the AJDC;
- c. Dispatch of experts for technical guidance and business management training and;



d. Various services including information, consulting, business referral, and receiving trade missions, are provided by the JETRO/ASEAN centre.

#### **2.8.4.2. Provision of Technical Expertises to Public Enterprises Sector.**

Responding to call by the Malaysian government to help in ensuring the success of the "Look East" policy, Japan has dispatched some technical experts to various government agencies. For example, the Japanese personnel from the Japan Electric Components Testing Institute (JET) have worked closely with the SIRIM on technical cooperation regarding inspection and testing of electric household machinery and equipment.

JICA has been sending its experts on oleochemical to another public enterprise in Malaysia, the Palm Oil Research Institute of Malaysia (PORIM) on a long-term basis. These experts are now assisting the institute personnel in their studies of various techniques such as for separation of useful ingredients from palm oil, synthesis and analysis, and extraction and concentration of vitamin E.

JICA is also providing technical assistance to another government enterprise, the Forestry Research Institute of Malaysia (FRIM) in a research project concerning

techniques for processing lumber into composite products and wood based panel products, and for drying and preservation of lumber. There is a three-year JETRO-ASEAN Corporation joint project in progress to improve rattan and rubber tree household furnishings.

JICA is at present, furnishing technical assistance to the Department of Oceanography and Fisheries, and Agriculture University in a project design to train researchers in the fields of fisheries and oceanography.

Financial and technical assistance are also given by the Japanese to Veterinary Research Institute (VRI) to help the centre build the necessary facilities for researches into poultry diseases.

Since the inception of "Look East policy, Japan has accepted 15,000 Malaysian trainees since the first group arrived in 1982. Beginning 1988, Japan will start receiving 206 trainees each year. This forms of training will extent until 1992. There are an annual intake of 130 students to the Japanese technical colleges or four-year universities.

To summarise this chapter, it can be said that Malaysia has been undergoing a lot of changes in reaching the state of what she is today. From being a backward, agricultural

colony of the British empire, she has transformed herself into a politically stable and newly industrialised nation. In pursuit of her industrialisation programme, she launched the "Look East" policy, making her becoming more closer to Japan than to countries in the West. How far this new pattern of relationship will continue to last, and whether it will bring about the desired outcome Malaysia hopes to achieve, remains to be seen in the future.



## CHAPTER THREE

### THE MALAYSIAN MANAGEMENT PRACTICES

#### 3.1. Objective of the Chapter

This chapter highlights the evolution of management development in Malaysia. This includes a brief discussion on the major management practices found in Malaysian organisations, the major management training institutions and their roles towards the development of Malaysian managers and also the examination of factors that influence the management patterns in the country. It is hoped that by providing the reader with this background, he or she will be to some extent, acquainted with the origin of the present management practices commonly adopted in Malaysian organisations which can help him to follow subsequent discussion regarding the transferability of Japanese-style management to Malaysian public enterprises.

#### 3.2. Introduction

The concept of management science is relatively new in Malaysia and literature on management in the country is therefore not well-developed. This is not surprising since Malaysia is a newly independent nation which only achieved full independence from colonial rule in 1957 for Peninsular Malaysia (formerly Malaya) and in 1963 for East

Malaysia (Sabah and Sarawak). Presently, there is no one distinct management system found in Malaysia. Rather, the management practices found in Malaysia have been the end results of a combination of many management systems imported mainly from advanced countries. These practices have been preferred by the top executives who manage the organisations at a particular point of time to be continued, or replaced, or partly discarded or modified by those who succeed them. The existing trend seems to indicate that management styles which are practical or acceptable to the local environment are adopted. They are replaced when and where they are no longer useful and relevant. Most new management styles or practices that are incorporated into the existing ones would be modified so as to suit the Malaysian situation. Generally speaking, the most common management features practised in Malaysia consist of elements which come from the United Kingdom (UK), the United States (US) and Japan respectively. Most recently as a result of a surge in Islamic revival, some islamic-oriented management practices (said to have been brought by the Malaysians who studied in Middle East institutions, i.e. Cairo University) have been introduced.

### **3.3. An Overview of the Malaysian Managerial Development**

The early days of management practices were naturally based on the British-style management since the early

managers in Malaysia consisted of the British people who were then the ruling group in the country. The British administrators ran the government machinery while the British managers ran the rubber estates and big tin mines. The administrative and management system were therefore those of the British system. When the British left after the country's independence from Britain, the British managerial traditions were left behind and they were continued by the new Malaysian managers who had been under the guidance and apprenticeship of their British masters. Today, the continuity of the British management system in Malaysia is being reinforced by the fact that some multinational firms in Malaysia are still headed by the British expatriates.

Other forms of management system are also present in Malaysia, particularly among big international companies. American-style management for example, had made inroads in Malaysia as early as the 1970s. This has been for two reasons. Firstly, there were a number of American-owned companies established in Malaysia during the 1970s and with them came the American executives, who were stationed in Malaysia to run these companies. The American managers brought along with them American management culture. For instance, when an American company, IBM began its operation in Malaysia, the firm practised the American-style management as the majority



of its top managerial staff were then Americans. When these American executives returned to their home office to make way for the locals with the "Malaysianisation" of the management staff at the subsidiary office in Malaysia, the Malaysian managers who took over also continued their predecessors' styles of management. This is largely because they were still under the control of their superiors in the main office in United States. Secondly, around the mid-1970s, more and more Malaysians started to go to the US for tertiary education ranging from business administration to computer science. When they came back to work in their country, they brought with them elements of American management system.

Towards the beginning of the 1980s, another management development began to make its presence felt in Malaysia. This was Japanese-style management. The Japanese-style management was then the in-thing among managers all over the world as the result of the phenomenal Japanese economic success. The craze for Japanese-style management also spread rapidly in Malaysia. The entry of the Japanese Management Model had been brought to Malaysia in two ways. The first method was through the Japanese firms operating in Malaysia. The Japanese firm, Matsushita for example introduced Japanese-style management. The second and most powerful method was through the "Look East" policy introduced by the government of Malaysia which instructs

all Malaysians to adopt some relevant Japanese-style techniques in their workplaces.

A few years after the "Look East" policy was introduced, i.e. in 1985, another development took place. This time, the government initiated the Islamic-oriented management practices among the Malaysians whereby it suggested the incorporation of Islamic values at work. This new policy is in line with the fact that Islam is the official religion in the country. The policy is also the consequence of a sudden strong revival of Islamic movement in the country that strongly calls for more Islamic approaches to doing things. What this means is that in running their organisations, the Malaysian managers are asked to manage in accordance with the Islamic way of teachings such as being honest, uncorrupted, etc. The subsequent impact resulting from such development on managers and ordinary workers of Malaysian organisations is showing today. For example, one will observe that a number of young executives have discarded the fashionable tie and bush jacket attire (of the British tradition) during special official functions but instead dress in the ordinary batik shirt or baju melayu (Malay dress, which is also the Malaysian national attire) with kupiah (white hat) or songkok (black hat). It seems quite fashionable among the men to put on a kupiah and women a tudong (veil) or head scarf.

The call for the incorporation of more Islamic values in the running of Malaysian organisations is said to have been brought about partly by the failure of the Western management system to solve the present management problems in Malaysia. The incompatibility of the western modes of behaviours and ways of thinking which were believed to have caused breakdowns in traditional values had become increasingly prominent. At the same time, it was also discovered that some aspects of the newly introduced Japanese-style management were found unsuitable for Malaysians and proponents of Islamic fundamentalism are quick to point out that management with the emphasis on Islamic values are what Malaysian organisations need.

#### **3.4. Management Training Centres**

The development of management science in Malaysia began seriously two decades ago, initiated by the Government through the National Institute of Public Administration (INTAN) and other government agencies like Majlis Amanah Rakyat (MARA), The National Institute of Educational Management (NIEM), The National Productivity Centres (NPC) and later joined by private sector organisations such as the Malaysian Institute of Management (MIM) as there was a realisation then of a pressing need to develop a pool of trained and professional managers to meet the country's growing needs that had been brought about as a result of the country's



development after achieving her independence from Great Britain. Local universities and Institutes of higher learning like the Institute Technology of MARA (ITM) also help in the development of training managerial needs by offering management sciences disciplines in the form of business, accountancy, economic and public administration of undergraduate and post-graduate/post-experience courses to Ph.D level (Fifth Malaysia Plan, 1986:p.561).

#### **3.4.1. The National Institute of Public Administration (INTAN)**

INTAN was created in 1972 with the main objective of developing managerial talents that were badly needed then to meet the rapidly growing needs of the new nation which had just achieved its independence. The government, through INTAN, aimed at increasing the effectiveness of the public administrative system in developing and implementing national policies and programmes as embodied in the nation's Five Year Plan. Towards this end, INTAN's focal point is the training, development and application of new concepts and approaches to management. The other objectives of INTAN are as follows :

- (a). to increase the capacity for action of the administrative system in terms of its ability to develop and implement national policies and programmes;
- (b). to enhance the knowledge, skill and understanding of

civil servants relating to the processes in management of public policies and programmes;

(c). to promote a deeper understanding of the interrelationship between the government and the political, economic and social environment and of the implications of governmental action on the nation's socio-political systems and;

(d). to develop progressive approaches and attitudes among the civil servants in performing their leadership role as the primary agents of change in Malaysia's multi-racial society (Berita Intan, 1985:p.1-6).

At present, INTAN conducts both short and long-term courses mainly for civil servants ranging from a day to six months. The types of courses conducted at INTAN can be conveniently classified according to the schools namely: (1) Development Administration, (2) Land Management, (3) Local Government and Urban Development, (4) Community and Rural Development, (5) Management Science, (6) Financial Management, (7) Personnel Management, (8) General Management and (9) Supervisory and Office Management. In addition, INTAN has a Diploma in Public Administration program for civil servants, after which they are eligible to pursue M.B.A. or M.P.A. degrees straight away in some universities overseas that have some special arrangement with INTAN.

Although INTAN is mainly concerned with the managerial development of public sector's manpower, its contribution to the development of Management Science in Malaysia is significant. This is reflected in the numbers of people it has trained. For instance, during the Fourth Malaysia Plan period of 1981-1985, INTAN trained a total of 79,100 personnel from the public sector (Fifth Malaysia Plan, 1986:p.555). Training of administrative and managerial personnel in the public sector will continue to be reviewed and organised with a view to increasing efficiency and productivity. INTAN has been expanding its training programmes and for the Fifth Malaysia Plan period, it aims to provide training for 20,000 personnel.

#### **3.4.2. The Majlis Amanah Rakyat (MARA)**

MARA has one division that concentrates on the education and training of the ethnic groups who are considered more educationally backward than other races in Malaysia (MARA Annual Report, 1976). The main objectives of MARA's Training and Education Division are (1) to increase skilled manpower in professional and sub-professional fields; (2) to develop a group of Bumiputra managers and (3) to develop Bumiputra entrepreneurs. In the 1981-85 period, the educational and training program budget of MARA was M\$679.09 million while for the 1986-1990, the budget allocated is M\$690million(Fifth Malaysia Plan, 1986:p.564).



MARA established the Institute Technology of MARA (ITM) in 1967 whereby professional and sub-professional courses such as business, accountancy, engineering, architecture etc. were offered. To date, this institution offers 113 professional and sub-professional courses that prepare the young Malaysians for work in managerial and junior executives positions. In ITM, there is also a special managerial training programme conducted for Bumiputra entrepreneurs called Entrepreneur Development Programme and up to time of this study, 700 Bumiputra entrepreneurs and personnel from the public and private sectors have been trained.

In 1986 MARA created the MARA Education Foundation (YPM) whereby a MARA Yayasan College was established in Pahang to train Bumiputra students in various professional fields. This college conducts an American Associate degree program in which students are sent to American universities to complete their respective degree courses after undergoing the first two years of studies at MARA Yayasan College.

According to the record available from the Training Division of MARA, it can be said that contributed tremendously to the Bumiputra's manpower training in the country by providing scholarships and student loans to pursue tertiary studies both locally and overseas. More

than 21,000 students have been given this type of educational opportunity by MARA. Presently about 8,000 are still receiving their scholarship and loan, of which 6,000 are in various institutions overseas and the remaining 2,000 are with the local institutions (MARA Student Scholarship and Loan Report, 1988:p.5) .

### **3.4.3. The National Institute of Educational Management (NIEM)**

The objective of NIEM is to train key personnel in education service in management. These key personnel include headmasters, senior assistants of schools, officers in the States and District Education Departments as well as principals, heads of departments, and lecturers in teacher training colleges and polytechnics, and officers in the Malaysian Students Departments overseas. During the fourth Malaysia Plan period, a total of 10,500 education staff was trained at NIEM (Fourth Malaysia Plan, 1981:p.452). The managerial training offered at NIEM has indeed helped to contribute in a small way towards the improvement of management efficiency among the academic community in the country .

### **3.4.4. The National Productivity Centre (NPC)**

NPC was established in 1962 as a joint project by the United Nations Special Fund and the Federal Government with the International Labour Organisation as the

executive agency. In the NPC Annual Report for 1986, it has a reported staff strength of 298 personnel and has a budget of M\$14,209,200 for the year to run its activities.

The three main objectives of the organisation are (a). to be a productivity centre and becomes a leader, promoter and disseminator of productivity; (b). to establish itself as a centre for human resource development and its image as a premier supervisory, management and entrepreneurship training institution in the country; and (c). to fulfil its rightful role as a generator of local experts and expertise in the fields of productivity, management and entrepreneurship (Pusat Daya Pengeluaran Negara, 1986:p.1).

Specifically, among the functions that are entrusted to the NPC are as follows:

- (a). raising the standard of management, including supervision at all levels in commerce and industry;
- (b). improving the efficiency of industrial operations, sales and marketing, with particular reference to methods of increasing productivity, improving quality output, of lowering costs and giving training and advice on labour-management relations;
- (c). serving as a forum for discussing organisational, managerial and supervisory problems in commerce and



industry;

(d). undertaking and performing consultancy services and

(e). initiating training and other programmes that would best serve specific and local requirements of the country as a whole.

In line with its objectives, NPC today conducts short courses ranging from one day to three months in various management disciplines such as Work Ethics, Productivity, Motivation, Interpersonal Communication, Human Relations etc. As of 1986, it has conducted training for about 14,700 personnel in managerial courses and 18,100 in entrepreneurial development courses.

#### **3.4.5. The Malaysian Institute of Management (MIM)**

MIM was founded in 1966 by a group of senior managers from both the public and private sectors to provide managerial training and development in Malaysia. It is the national professional management organisation representing the voice of management in Malaysia. It aims to develop managers and to enhance the status of management in Malaysia (MIM Annual Report, 1986:p.1). It receives no government funding and must rely for its revenue on membership subscriptions and the income from courses it conducts. From a small organisation with a tiny office in 1972, it has now a big, permanent office building with a full-time manager and a highly qualified team of trainers.

Today, it conducts a Diploma in Management course for the currently employed middle and junior-level managers and technical supervisors as well as the Basic Management Programme specially designed for people new to management. The organisation also conducts seminars on the latest issues in management to meet the needs of the executives who wish to keep abreast of the latest developments in their fields, and the less experienced executives who wish to familiarise themselves with the fundamentals of a particular area of management.

The other functions of MIM include the following:

- (a). Managerial development through planned programmes for middle and senior manager in private and public sectors;
- (b). In-company training programmes tailored to suit an individual company's need and;
- (c). publication of Malaysian Management Review and Newsletter to update managers on current developments in the field of management.

### **3.5. Factors That Influence Management Patterns in Malaysia**

#### **3.5.1. Impact of the British Rule**

Before Independence, Malaysia was administered by the British. As had been said, most of the large tin mines and rubber estates had been run by British managers. However,

a small fraction of family-owned business organisations were owned and run by the Chinese. The management practices and policies then were not surprisingly based on the British management system. Elements of British management styles still remain to this day even though almost all of the British administrators left the country after the formation of Malaysia. An example of such practice is the top-down decision making in a typical government agency. The British tradition continues to dominate the present day managers because those who took over from the British have been inculcated into the British system in that the majority of them have been trained and educated in Britain. For example, of the four Prime Ministers since Malaysia obtained her independence, three of them were British-trained lawyers. When they returned from their studies in the UK, it was only natural for them to favour British-style management during their tenure of office. Those under them (senior government officials and heads of departments) had to follow suit.

The educational system in Malaysia has been strongly modelled on the English curricula. Only in the last decade or so were attempts vigorously carried out to make the educational policies more Malaysian. In line with the national unity objective, the English language was replaced only recently by Bahasa Malaysia (National Language) as an official language of the country but the



English language continues to be a second language. It must be stressed here that English language still remains the widely used medium of communication in business and commercial sector in Malaysia. The Bahasa Malaysia or the Malay language must be used in official written communication in public enterprises. This means all employees regardless of ethnic origins, must be proficient in Malay language. Amidst this development, the core of educationists in higher institutions of learning, such as the University of Malaya are still comprised of those who were trained in the Western institutions, especially from Britain. Only in the late 1970s when Britain increased their university' fees did Malaysia start sending their students in thousands to United States (US). As the US was at one time a British colony, some may say the education system there has some similarities with that of Britain. This perpetuates the Anglo-American influence on the way of life in Malaysia. Even though the influences of British elements have been substantially eroded among the present generation, they are nevertheless still dominant in the private sector (especially in the multinational firms), in which the majority of the top management group happens to be Western-educated.

### **3.5.2. The Top Management Group in Malaysia and their Impact on the Pattern of Management Practices.**

It has been said that Malaysia does not have any specific

management system, although most of what are presently practised reflect the characteristics of a Western Management Model. In most cases, the management practices which are adopted in Malaysia consist of a mixture of management systems which are adopted because they are considered appropriate by the chief executive and managers for the organisations. This being the case, it appears that the management styles and practices can be said to be influenced by the backgrounds of the chief executives' training and earlier education. Thus if the boss of an organisation has had his early tertiary training in say, Britain, he might be more inclined to practise a British management style in his organisation when he assumes the managerial position. If an organisation is under an American-trained chief executive, there tends to be many American elements in his management style. Likewise, if the head of an organisation has been educated at a local university, his style of management would be more likely be influenced by local values, which are mainly Islamic values if he is a devout Muslim. Thus, befitting a country which is multi-racial, the management system in Malaysia is very much 'multi-national' in nature.

It can be generally assumed that immediately after Independence, the management style seen in Malaysia was strongly British-type. With the establishment of some American giant companies in Malaysia in the 1970's, there

were some elements of American management in use. This American management system became more evident and popular in many organisations with the return of some young Malaysian graduates from American universities who mostly started as the middle-management executives. A good example was the introduction of the semester system and American-based syllabus by ITM, whose faculty members have been mostly trained in institutions in the US.

In the early 1980s, there was a strong enthusiasm for Japanese-style management as a result of the Japanese economic miracle. This is also the period when the government introduced the "Look East" policy whereby students, government officers and also technical people were sent in large numbers to Japan to study the Japanese system.

The year 1985 marked a tide of change again in which the Islamic-type of management developed. While still slowly replacing the Western management styles that are incompatible with Malaysian culture and while still experimenting with the Japanese-style management there is yet another development of management which is Islamic-oriented; this calls for the incorporation of Islamic values while at work. It is said that this latest development has been the result of the Islamic revival which had been partly brought about by those Malaysian who



had studied as ustad ( religious teachers) in the Middle East.

It is very interesting to observe the evolution of managerial development in Malaysia. If one can sum up the whole scenario, the management system in Malaysia can be likened to a ship in an open sea drifting from one direction to another in the hope of finding a suitable harbour.

### **3.5.3. The Impact of Diverse Cultures in Malaysia**

The study of management system in Malaysia will not be complete without looking at the cultural aspects of the Malaysian community. In Chapter 2, it has been shown that Malaysia has a diverse ethnic groups with rich cultural heritages.

#### **(1). The Bumiputras' Cultures**

The Bumiputras, especially the Malays have strong reverence for elders and traditional leaders. It is considered derhaka (sinful) to be rude and impolite to the elderly whose old age and wide experience are to be respected. Thus, unlike in western society, old people for instance, are never sent to senior citizen centres in the Malay or other indigenous society, but instead they would to be looked after with greatest love and affection until they die. At home, their advice on family matters is

always sought. At place of work if an elder person makes mistakes, he would not be reprimanded the way younger people would have been treated. The implication of this aspect of Malay culture is that the wisdom of the elders can sometimes unjustifiably override rational decisions and technological assertions. A Bumiputra manager for example may be soft and forgiving in dealing with his subordinates who are much older than him while he will be professional and firm with the younger subordinates. There is always a double standard in his management style and it is quite accepted by everybody in the organisation.

The Bumiputras are also said to be hospitable, accommodating, forgiving, peace-loving and charitable (Maniam, 1986:p.9). This has led many Western writers to conclude the natives would not make good managers. This follows the argument that to be a manager, one must have the qualities to be ruthless rather than hospitable; firm rather than accommodating; mean rather than forgiving; serious rather than peace-loving; and frugal rather than charitable.

It is also observed the Bumiputras of Muslim faith strongly believe that success does not lie entirely in the accumulation of wealth in this world, for life in this world is transitory. Muslims generally are not very keen to acquire material wealth believing that they have

another better and permanent world to live. For them this world is not very important being transitory as revealed in their pantun: (poem) "Dunia ini pinjam-pinjaman, Akhirat juga akan sesungguhnya" (This world is temporary, the hereafter is the real world). It is the goal of a good Muslim to lead a simple life and enjoy an honest living. Any form of worldly pursuit is to be avoided as it can corrupt the minds and therefore leads one's life astray. Such cultural philosophy towards life to a certain degree has great impact on Muslim Bumiputra managers. In fact this value has been criticised as the greatest obstacle to the success of developing modern Bumiputra managers.

Malay values give the highest priority to getting along with others, and Malay social behaviour is concerned with ways of showing mutual respect between persons according to a carefully calibrated scale of social status, with highest status given to a traditional ruling group or chief. Other indigenous races like the Dayaks of Sarawak and the Bajaus of Sabah also display similar values. Public shaming is the major form of punishment inflicted on family members or neighbours who have misbehaved. Thus executives or managers of indigenous origins would prefer to avoid confrontation with their staff that can cause 'shame' and embarrassment.



True feelings are sometimes hidden and instructions from superior to employees are transmitted through sindiran (indirect message) that are easily picked up and understood. It is for this reason that led many observers to label Bumiputra managers as soft and weak.

The Malays also believe in fate. This deters them actively from planning and directing their lives. The other indigenous ethnic groups are by nature superstitious people. The Dayaks in Sarawak for instance, observe many customs and taboos that are sometimes in conflict with modern management practices, i.e never challenging ideas of someone who is older as it is considered improper; or the tendency to keep one's knowledge or expertise to himself rather than sharing it others because of one's culture which considers it not acceptable to appear knowledgeable and show it off. So are the Kadazan and Bajau ethnic groups of Sabah. Such attitude sometimes makes it difficult to accept new management thinking because the society in which they are living in is always suspicious of unfamiliar ideas and would vehemently resist any visible attempt to practice new things that are considered contradictory to their customs and cultures. Any endeavour towards change, new ideas or modernisation have to take into account such cultural consideration. Thus many new concepts have to be modified if it is to be

accepted. Managers from this community cannot freely divorce themselves from their long-rooted traditions, customs and cultures.

(ii). The Chinese Culture

The Chinese are said to be hardworking and thrifty. These traits have led many of those poor immigrants to survive and become successful in the commerce and economic sectors of the country. Most of the business activities have been run and managed by Chinese. They like to occupy themselves by doing something worthwhile when they are free. It is their willingness to learn, inquisitiveness and initiative that reward them with additional knowledge, skill and experience which make them economically ahead of other ethnic groups. This also partly explains why most successful Malaysian managers are of Chinese origin.

Chinese values are primarily oriented towards contributing to the success and prestige of patrilineal family, with effective competition and skill at accumulating wealth receiving the greatest social reward. The Chinese believe in the pursuit of worldly material wealth because they believe money and wealth can guarantee happiness in this world. They can be very ruthless and shrewd in their quest to accumulate wealth. This accounts for their aggressive behaviour in the business field. It is the ambition of every Chinese to work hard and become wealthy.

Some even resort to gambling such as Four digit (a popular form of gambling in which a punter buys four digit numbers), Toto (an equivalent of British-bingo game), horse racing and a chinese betting game, mahjong to make it rich quick, even though the majority of the Chinese consider gambling as a pastime. In this respect, the Chinese can be considered as risk-takers.

In contrast to the Malays who hold strong values favourable to religion and religious identity, the Chinese are less concerned or less interested on matters pertaining to religion. Chinese religious tolerance often borders on indifference (Sarachek, Hamid and Ismail, 1984:p.182). At the same time, however Chinese culture harbours a healthy respect for superstitions. In this perspective, such a culture no doubt plays a very important role in moulding a progressive manager.

According to one writer, the traits associated with the chinese "are stamina, resistance, frugality, power, vitality, common sense and the will to survive" (Maniam, 1986:p.5). It has been also observed by the same writer that business acumen has always been ingrained in Chinese philosophy and culture. No wonder, on the whole, the Chinese in Malaysia are economically better off than the other ethnic groups.



(iii). The Indian Culture

The Indians especially those who live in the estates are simple people and not well-educated. They are portrayed by some writers as generally happy people as evidenced from their over-indulgence in todi (Indian alcohol drink). They are not normally concerned in world affairs for their world revolve around the estates. They work hard and if they do not get what they want in life they leave it to karma or fate to console themselves. They are also said to be generally religious and believe in mysticism, and have a fatalistic attitude toward their conditions.

Unlike the Malays, the Indians measure success in terms of material comfort and social influence they have. The poor Indian family considers and relates success with having a good job, financially stable and high education. Consequently, the majority of Indians prefer to work with the government or public sector rather than private sector in order to get job security and financial stability. The values of the Indians are based on a pleasantly joyful and spiritually pious life, thus making them more resistant to modern business values but did not stop them being successful entrepreneurs next to the chinese (Maniam, 1986:p.5). A number of Indians are successful businessmen and lawyers. They are inclined towards the earthly life, characterised by good conduct, material success, and

physical pleasure as a method of attaining the ultimate union of the soul with God (Mong, 1979:p.72).

On the whole, the Malaysians regardless of their ethnic origins, prefer harmony over confrontation in dealing with each other. Conflicts and confrontations are avoided and dignity is preserved. In case of contention which cannot be resolved by discussion, reference would be made to higher authority, who may be the ketua kampung (head) in the village.

From the above discussion, the Malaysians, true to Asian traditions, place great emphasis on group effort. This is especially true among the Malays and other Bumiputra groups who lend a helping hand to each other in task-performing like building a house in the form of gotong-royong (doing a task collectively). Individualistic gesture is being scorn at and any member who attempts to do so will be boycotted by the society in which he lives in.

The Malaysian society also places great emphasis on man as part of a larger grouping. He belongs to his family, to his kinship group, to wider regional or communal entities - all an extension of himself, based on human and natural affinities and not on superficial economic consideration. An individual who prefers to be independent is branded as

proud and arrogant, and if one prefers privacy, he is considered selfish.

The Malaysians also strongly believe in consultation. For example, a mesyuarah ( discussion or consultation-type of meeting) is held when matters of great concern to the village arise, in which everybody has the chance to voice his opinion. Even though, more often than not, it is the elder members of the community who normally make the final decision, nevertheless, the process of feedback and opinion-seeking has been carried out.

Traditionally, Malaysians view ethnic, moral, and other social values as governing behaviour within their group and inapplicable outside it. However, the urbanised Malaysians and those who had travelled abroad are to some an exception to this. in Thus, although in both Malay and Chinese societies, there are many similar ideas and values, such as high value placed on kin loyalty or friend loyalty, and a preference for settling disputes and solving problems through the use of a respected mediator rather than through formal legal means, these values are not usually applied by Malays to Chinese or by Chinese to Malays

Communal pluralism is the essential reality of Malaysian society and government (Esman, 1972:p.17). Communal



divisions appear not only on specific issues regarding the economics, social, and cultural benefits but also in many facets of Malaysian life. Each race communicates in its own language and adheres to its custom and tradition strongly. Thus the relationship tends to follow ethnic and religious lines. There is the expectation in society that one will favour members of one's ethnic group. Friendship ties across ethnic border lines are possible but more difficult and friends from different ethnic origins as a rule are not invited together to some special functions.

To conclude the scenario of the multi-racial society in Malaysia, it can be summed up like this. The Chinese are achievement-oriented, industrious, opportunistic, avaricious, and sharp businessmen. Malays are held to lack achievement orientation, to be lazy, and to show a distaste of hard labour. At the same time they are believed to be loyal, polite, and proud. Other Bumiputra ethnic groups are also found to be similar in character and culture to the Malays except that some are not practising Islam as their religion. While the Chinese are considered to be self-reliant, the Malays and other Bumiputra groups have a tendency to rely upon the government assistance and protection. The estate Indians are generally considered to be low in mental ability, lacking in self-reliance and achievement orientation. The urban commercial class of Indians, on the other hand,

share many of the characteristics of the Chinese, especially in commercial and financial matters; they are not, however, thought to be as industrious or as work-oriented as the Chinese.

The management practices that exist in Malaysia are to a certain extent, the products of diverse cultures that exist in the country. This is the unique part of the existing management practices that operate in Malaysia that may not be found elsewhere in the world.

### **3.6. The Profile of Malaysian Managers**

The Dictionary of Occupational Classification, published by the Malaysian Ministry of Labour, defines a manager as one who plans, organises and directs, on his own account or within delegated powers, activities of private or public outline, the efficient use of manpower, equipments, facilities and finances, controls the activities of the organisation in accordance with the formulated plans and policies and prescribed standards and regulations, establishes and maintains a chain of command through which undertakings can be effectively operated and controlled, develops financial policies and exercises general control over costs. The term 'manager' used in this study will adopt this definition. In this context, a Malaysian manager may be a general manager in a trading company; an executive chairman in a public enterprise; a director or

head of department in the civil service, or someone occupying a senior position (such as financial controller, marketing manager, production director etc.) who is assisted by some other junior staff in the running of his department or unit and has a substantial number of workers under his direct chain of command.

Generally, most managers in Malaysia are quite young. A survey conducted in 1977 on 30 managers revealed that 73% of them are from 31 to 40 years old (Ismail, 1979:p.73-89). Another survey of managers in Sarawak in 1989 by the author found that 64% of the managers were below 45 of age (Yasin, 1989:p.15). The young age of Malaysian managers has been mainly due to the young age of the nation and also the subsequent government's NEP which created a lot of management positions especially for those of Bumiputra origins. They are quite highly educated, with at least basic degree qualifications. While the younger managers have outstanding academic and professional qualifications, the older-generation managers, who either are the owners of their own companies or those who have worked themselves up through the ranks tend to have only high school education. The Malaysian managers in the private sector are highly mobile and on average, before reaching their present positions, have been working with at least three different companies. Better financial prospects in term of pay and perks and dissatisfaction with the previous job



are quoted as the major reasons for moving from one company to another. In the public or government sector, those who have reached the managerial level have also been widely moved to various departmental units to assume various positions before assuming their present positions. The mobility of those in this sector is more of a normal transfer exercise by those in authority for the purpose of gaining wider experience and knowledge in preparation for a more responsible position.

Typical Malaysian managers, be they Malays, Chinese or others have expressed a similar view with regard to their preference of work: they seem to prefer the kind of work that offers them a good salary; one which is challenging; and also a job which requires imagination and initiative. They have low preference for the kind of work that ties them down, but they do it if they have to, in order to earn a living; however, they will leave once they find a job to their liking (Ismail, 1978:p.75-83).

### **3.7. The Profile of Malaysian workers**

Traditionally Malaysian workers of Bumiputra origins and also Indians prefer secure government public sector jobs to private sector jobs. This is because they are attracted by the security of a pension scheme and are not subjected to layoffs which are a common occurrence in the private sector during poor business years. Such an

attitude is especially true in the Malay community who feel insecure working in private firms and would seldom think of doing their own business as it would be considered risky. By contrast, the Chinese normally avoid public sector jobs, preferring instead to work for private companies or become self-employed in small business as vendors, shopkeepers, carpenters etc.

The new generation of Malaysians is showing a new trend which indicates a preference for work in the private sector as opposed to the public sector, the reason quoted being better pay. Organisations which are most sought after by workers if they have an opportunity to get a new job are the banking and financial institutions and multinational firms like Sarawak Shell Company, all of which offer generous salaries.

Malaysian workers especially blue collar workers are not highly educated with the majority of them having completed nine years of primary and secondary education. They are not substantially skilled except those who have gone to technical and vocational schools. White collar jobs are considered prestigious and every Malaysian worker would normally go for white collar position over the blue collar job even if the latter pays better.

Malaysian workers claim the right to move freely from one job to another rather than remain with one particular organisation. They readily leave if they find their personal interests are not compatible with those of their organisations. This often happens when the organisation's goal contradicts with their religious and cultural views. In other words, personal interests supersede loyalty to the employer.

Typically, Malaysian workers are found to prefer being told what to do. They are not punctual when reporting for work. Until the recent introduction of punch card system whereby the worker has to clock in for work before 8.00 P.M. and clock out at 4.15 P.M. a typical Malaysian worker usually reported for work late and headed for home earlier than the specified closing time. For this reason, Malaysian workers are often described by foreigners to be lacking in dedication to their work. Dr. Mahathir, in many of his speeches and broadcasts, has criticised the Malaysians for this weakness and suggested that they should emulate the work ethics of the Japanese workers.

### **3.8. Some Major Features of the Management Practices in Malaysia**

#### **3.8.1. Recruitment and Job Structure**

In the public sector, academic qualifications and to a lesser extent, the earlier working experience of an



individual normally determine the type and category of the job he will be placed in. Basically there are four major categories of job ranks starting from Division One at the top to Division Four at the bottom most level. In principle, Division One covers professional and administrative work for which a university general degree in any discipline is required. A new recruit is placed on the A22 scale with a basic salary of M\$820 per month. However an individual with an honours degree qualification will be placed on the A20 scale with starting salary of M\$1000 per month. Division Two position is essentially office-management post. In order to be considered, the candidates must have at least an A level school certificate but the tendency is to recruit those with professional college diplomas, i.e Diploma in Business Studies from ITM. A Division Two officer starts on the B11 scale with a monthly salary of M\$750. A Division Three job category requires an O level certificate, and it consists of clerical, sub professional or technical jobs. A new recruit gets a salary M\$380 per month. A Division Four job category, which is the lowest paid group with a monthly starting salary of M\$215 is meant for blue collar positions and so the workers in this category perform relatively unskilled office jobs. The qualification required is a minimum of six years of school education, but those with Lower School Certificates would be given priority in their applications. This recruitment system

and job structure is the official policy of the government and also the private sector, the difference being that the private companies and corporations offer very much better remuneration. For instance a newly recruited individual with a professional accounting background, i.e. ICMA or CACA can earn as much as M\$1800 as starting salary in a private firm whereas in the government or in public corporation, he will be placed on the A19 scale with a starting salary of M1300 per month.

The recruitment pattern in some organisations in the private or commercial sector however does not follow a rigid structure, and is normally quite flexible. A person may be recruited based on his skills and experience rather than on his academic qualifications. The pay system depends on the size of the organisation and is based also on the needs of the company. An established company gives a good salary package that includes medical expenses and bonus in addition to salary while a small firm tends to underpay their staff and only gives salary increment during good business year. If the expertise of an individual is badly needed by a particular company, normally that person can command a very high starting salary.

In a family-owned business concern, members of the family usually run the company and hence management positions are

filled by them first, regardless of their academic achievements or abilities. Some may just have primary education only and yet they hold managerial positions. If there are positions that their family members and relatives cannot fill, only then would there be an opening for outsiders. Usually, an outsider has to prove he is trustworthy, loyal and valuable in order to be promoted to a managerial position.

On the whole, a Malaysian worker is recruited based on the level of education he has completed. The rationale is that a highly educated individual is considered capable of handling a more difficult job than one whose educational background is lower. Such a system has led to fierce competition among many parents to ensure that their children reach universities for a degree is considered a passport to higher paid jobs. Even a poor fisherman realises the importance of providing his children good education as a form of investment and he will make many sacrifices to see his that children do well in school by sending them for tuitions and extra classes. It is the dream of every Malaysian parent to have a son or daughter obtaining a university degree.

### **3.8.2. Employment System**

An individual can be employed if he is eighteen and above whether in public or private sector. In the government



public sector, there is a pensionable scheme which is mandatory at the age of 55 for male and 50 for female worker respectively. An employee can opt to resign and go for other job at any point of time by giving three months' notice if he is confirmed in his post and has a permanent status and one month's notice if he is still a temporary or probationary employee. The employer also can terminate their employee's job by giving similar notices on grounds of bad performance and also other reasonable reasons (i.e. criminal conduct etc.) that may tarnish the good name of the organisation. If the employee feels his dismissal is without valid reason, he can challenge the decision through his union which will refer it to industrial tribunal for settlement. All blue workers normally belong to unions representing their professions and they are normally very vocal in protecting their workers's rights. The management cadres in public sector are not allowed to become union members.

In the private sector, there is no pensionable scheme. There is always a bonus given from time to time and also when the employee reach retirement. Shell Company, a Netherlands-owned firm for example, gives a huge lump sum bonus to an employee who retires. Bank Bumiputra normally gives a two-month bonus in the month of December during a good business year, i.e. profitable year to employees as a sort of reward.

The relationship between the employer and his employees is normally similar to Western-style system where workers normally treat their jobs as a source of income. If they are unhappy with their state of affairs at their workplace, they will not hesitate to challenge the management through their unions and should they fail to achieve concessions, they will normally strike or indulge in "go-slow" activities at their workplaces to back their demand or show their displeasure. Those who prefer not to confront the employer normally option other jobs which fit their aspirations even if it means a lower position and less earnings. The loyalty that is present in Japanese firms is not clearly evident in Malaysians organisations. This is why a lot of Malaysian workers change jobs two or three times before they finally settle and retire from their present jobs. This is the case in the private sector but not so much in the public sector since quitting half-way would mean foregoing claims to a substantial amount in pension payment. It must also be noted that Malaysian managers and workers also tend to leave their jobs in search of a more conducive environments that accommodate their cultural and religious values.

### **3.8.3. Dual Career System**

Malaysia adopts both the closed career system and the open career system. The closed career system is widely practised in government-owned public enterprises and

family-owned companies. The close career system is inherited from the British colonial administrative pattern which discourages lateral entry recruitment and that promotion follows the rigid rule of 'seniority' although some lip service is paid to meritocracy. Also here, upper level positions are filled almost entirely from within. In a number of instances, the rank and files are encouraged to obtain higher qualifications and some are given scholarship and granted study leave to pursue higher education overseas or locally. When they return with the necessary qualification, they fill the managerial positions that are vacant. One common feature in this system is that the top managerial position is rarely given to young individuals since posts in the organisation are well-structured and that bypassing one's seniors is not the norm. This may not be the case in private sector, where promotion of promising young executives occurs frequently.

In family business type of organisations, the promotion system is very predictable in that top positions are the monopoly of family members and a few trusted colleagues and if there is ever a promotion exercise, the principle of merit is not strictly adhered to. Family members such as brothers, nephews, in-laws, cousins, relatives and close friends to those at the top will be the likely candidates to be promoted before others. Familialism and



nepotism seem to dictate the promotion scene in this sector.

The firms that practice an open career system are the newly formed joint ventures between local and foreign firms, multinational firms, (i.e. the American firms) and also local companies that urgently require talented manpower to run their organisations. Under this system, these organisations normally bring outsiders into middle and upper level management positions although opportunity for advancement is also afforded to the 'inside' staff with proven capabilities. Promising executives from rival companies are offered positions with a promise of better financial rewards. This process of "pinching" competitors' employees, popularly known as 'headhunting' is so rampant in the banking industry at one time a few years ago that the Bank Negara Malaysia (the Central Bank of Malaysia) was forced to make a ruling that "poaching" of staff among banking circles especially from the public sector to private sector was prohibited.

As far as promotion is concerned, family connections with someone at the top level in the organisation is very important. Because of the strong influence of Malaysian culture, there is a great expectation to help one's own circle of family members. A top executive will tend to promote those who are related to him by blood even if it

means selecting a less qualified individual. If there are job openings, his priority would normally be to fill these vacancies with his family members who are eligible for the job. This mentality has something to do with the Malaysian sense of family loyalty and is part and parcel of the Malaysian way of life. Politicians are also often used to influence promotion decision and they are sometimes very influential indeed in getting certain individuals promoted. This 'pull string' syndrome as it is often called is not only found in the private sector but also occurs in the public sector to secure jobs and secure promotion. However, the degree of such unethical practice is slowly declining as Malaysia enters the new era of modern managerial development that stresses more professionalism.

### **3.9. Malaysian-style Management Functional Areas**

It is really difficult to describe what Malaysian management is. It is a mixed bag type of management, the rojak management style as it is locally referred to. Briefly a rojak type of management is defined as a combination of many different management systems which have been brought and practised in the country. Most practices are from the West, being brought to the country by the early British administrators. Recently, the Malaysian-style management has expanded to include some management practices imported from the Middle East and the

Orient. These practices do not necessarily take the original forms of those found in the countries of origin. More often than not, they have been modified to suit the Malaysian environment. Some generalisations with regards to the execution of management functions like planning, organising, leading, communicating and control in a typical Malaysian organisation (foreign and multinational firms excluded) can be observed. They are:

### **3.9.1. Planning**

In the government agencies and public enterprises, the British-style management still dominates the planning process. This is evident from the fact that strategic planning in most organisations is the monopoly of top management group. Tactical and short-term plans are carried out at departmental or unit level.

Planning objectives of most Malaysian firms are exclusively concerned with making a profit. Quality-of-life objectives such as pollution control and safety of consumers are not yet an important issue in the Malaysian society.

### **3.9.2. Organising**

A typical Malaysian organisation is well-structured like those practised in the UK and the US. Responsibilities are spelled out clearly and each individual is made aware of



his responsibilities. As a result, Malaysian managers are fond of using organisation charts that describe in minute detail the structure of their organisations. This also explains why Malaysian executives are fond of issuing their business/name cards to others to show off their important positions.

Junior managers and even senior executives prefer to wait for instructions before they act, and it is not discreet to press seniors for instructions. Frequently, they ask for instructions, not by presenting an analysis of alternatives plus recommended decision, but by presenting raw problem and expecting their chiefs to provide the answers.

### **3.9.3. Leading**

Malaysian administrators tend not to be democrats (Esman, 1972:p.120). They are said to be strong believers in legitimacy of status differences and in the superiority of some men over others. This is also true in most instances of the Malaysian managers of the public sector corporations. Superiority is normally gained by formal qualifications and experience and is measured by the rank one holds in the official hierarchy. Rank creates formal authority and expectation of deference, which is respected. Passive obedience to the superior is one of the

core values of Malay society. It is inculcated and enforced among children at home and at school.

### 3.9.3. Communicating

Communication is bounded by hierarchical channels, so little authority is delegated, and subordinates are so disinclined to take initiative that any matter not of a routine character is delayed. Official communication rather than informal communication is the norm in the organisation. It is common to see two executives whose offices adjoin each other and who also share a stenographer communicate to each other through memos. It can be said that Malaysia is a "memo society". It is said that one's conduct of responsibilities is safeguarded from possible future problems this way since a reference can always be made if something is put in writing.

Status and official standing is closely observed in any form of communication at workplace. In a meeting for example, a junior officer is expected to talk less, and even if he has good ideas to present, he must not appear to be vocal especially in the presence of other senior members. Otherwise, he may be considered kurang ajar (bad mannered). In this respect, communication can be described as a one-way traffic, i.e. top-down communication.

Another characteristic that can be observed is that the channel of communication is often clogged both horizontally and vertically by the culturally status-conscious Malaysian society. This is easy to explain in a society that encourages young people to talk less than the elders.

#### **3.9.4 Controlling**

Management control of workers is regulated by clear-cut rules and regulations. Anybody who breaks the rule will be punished. It may be in the form of written reprimand, administrative probationary status (i.e. not a confirmed worker), suspension without pay and even termination of employment if the case is serious. This style can be said to be that of western management style.

Thus it can be seen that the Malaysian management system has evolved through many phases of development. The management system is a reflection of historical events, the result of different cultures and the impact of different backgrounds of the management elite in the country.

To summarise this chapter, it can be said that Malaysian management system is a composite of some major management practices. The Malaysians have been very good at incorporating other practices or systems namely the



Western system, the Japanese system and more recently the so-called Islamic management system and this has resulted in the Malaysian rojak-style management.

## CHAPTER FOUR

### AN OVERVIEW OF PUBLIC ENTERPRISES

#### AND SOME MAJOR ISSUES

##### 4.1. Objective of the Chapter

This chapter focuses on the discussion pertaining to: (i) public enterprises in general; (ii) Malaysian public enterprises and; (iii). Japanese public enterprises. The major part of the discussion is confined to the formation, objectives and some major problems faced by the public enterprise sector. More emphasis is given to the analysis of public enterprises in Malaysia whose senior managers and employees form the sampling units of the study's survey. This chapter aims to familiarise the reader as much as possible with the set-up of the public enterprises in Japan and in Malaysia in order to enable him to follow the subsequent discussion regarding the transferring of Japanese-style management to the Malaysian public enterprises. It is the contention here that an examination of some major issues, especially the problems concerning the inefficiencies of Malaysian public enterprises is considered very relevant in providing a framework for the main discussion of transferability issues.

## 4.2. A Typical Public Enterprise

### 4.2.1. Definition

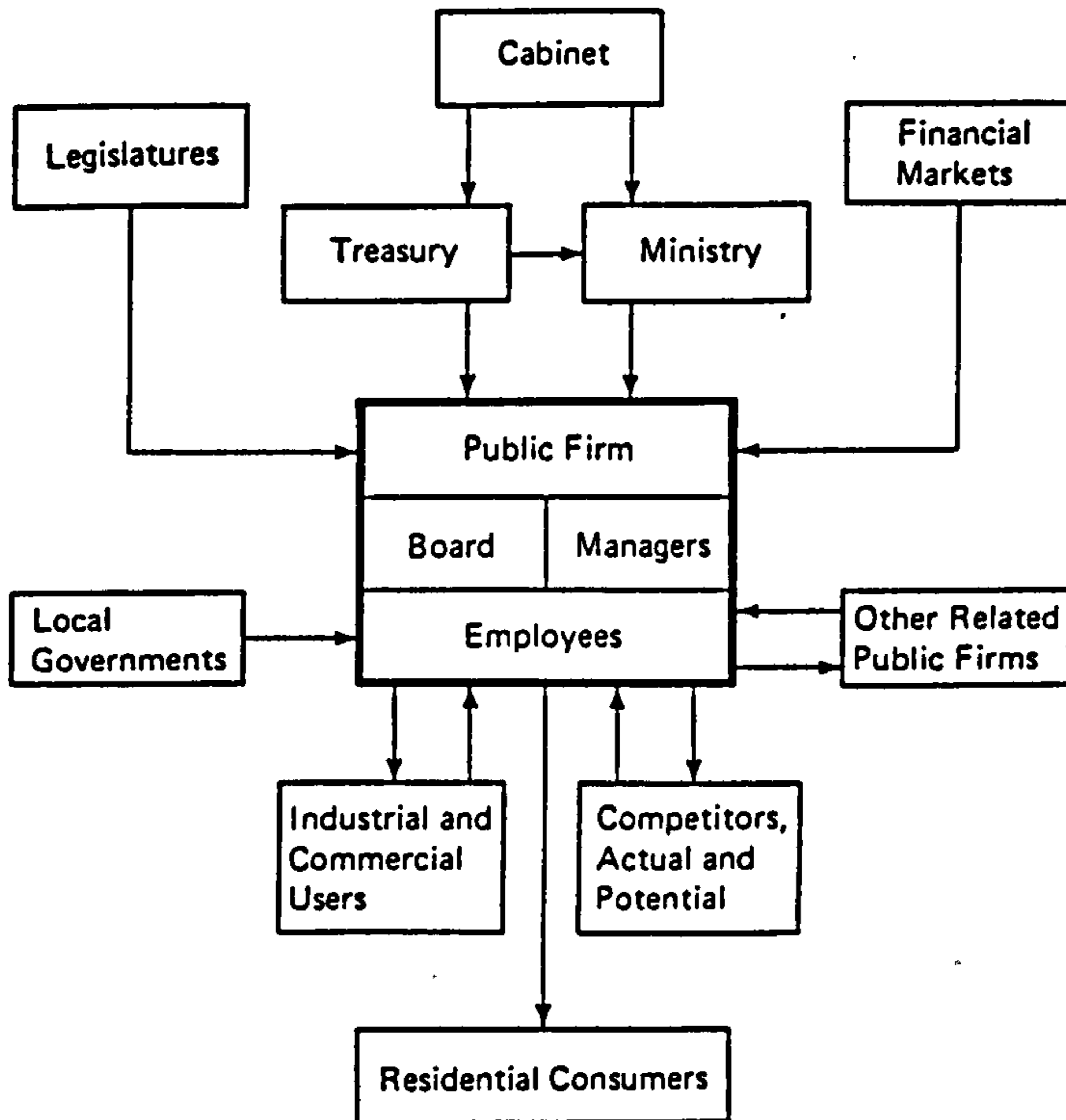
What is a public enterprise? A public enterprise can be an industrial, agricultural, financial and commercial undertaking which is owned and controlled by the central government, in a unitary state, or by the central and regional governments in a federation (Hanson, 1968:p.3). It sometimes has commercial characteristics in that it sells goods and services and is expected to finance all or part of its operations out of such sales.

A public enterprise must not be confused with an entity in the public sector such as defence forces, the police or the local authority schools for the latter derive their income from taxation rather than marketing services.

Shepherd (1976:p.41-42) described that a public enterprise is surrounded by interest groups, including various parts of the government itself (refer to Exhibit 4.1 next page). In many cases, a public enterprise has to bow reluctantly to the pressures exerted by forces around it. Consequently, this leads to the change in the form and setting of that public enterprise.



Exhibit 4.1: The Setting of a  
Typical Public Enterprise



(Source: Shepherd, 1976:p.42)

#### 4.2.2. Classification of Public Enterprises

With regards to the types of public enterprises, Shepherd also made an interesting comment by saying that:

"...the possible varieties of public enterprises are nearly infinite, and the actual cases are diverse" (Shepherd, 1976:p.37).

He identified three common versions namely (i). the conventional public corporations; (ii). the financial public enterprises and (iii). the social enterprises. The conventional public corporations are those enterprises found commonly in utility or heavy industry, with high capital intensity. The degree of public ownership and monopoly is total, or nearly so. Their capital are usually supplied directly by the Treasury, and despite a degree of formal autonomy the government does influence and control some major policies considered to be in the national interests. The financial public enterprises are public banks that range from standard deposits and clearing banks to special lending units and insurance systems. They can also be public investment banks. The social enterprises come in a wide array of purposes and conditions, often with a degree of subsidy and direct governmental control.

Parris; Pestieu; and Saynor (1987:p.23) however classified public enterprises into three main forms namely:

(i). those departmental undertakings run by government departments with finances and accounts at least partly integrated with those of the government. They are referred as state enterprises;

(ii). those public corporations that operate under special legal provisions. They are commonly called state-sponsored enterprises and;

(iii). companies created under law of the country concerned whereby the said government has a controlling interest, i.e the majority shareholder. They are popularly termed state-owned companies.

Professor Robson had distinguished five main characteristics of public enterprises as follows:

(i). Freedom from parliamentary inquiry into the management of the concern as distinct from its policy;

(ii). Disinterestedness;

(iii). Independence in finance, namely disassociation from the general budget;

(iv). Appointment of chairman and board of directors by the responsible minister for a fixed term of years (Robson, 1960:p.64-69).



The principles above regarding public enterprises are not necessarily binding and more often than not, subject to question. A close scrutiny on the present public enterprises all over the world will reveal that some of them violate some characteristics (i), (ii) and (iii) identified by Robson. This happens in a number of developing countries especially where public enterprises had been traditionally created by government to achieve certain national objectives.

#### **4.2.3. Reasons For the Creation of a Public Enterprise**

It is universally agreed that a public enterprise, in theory, operates to serve the public interest and general welfare. A public enterprise may be established for political or economic reasons or both, the purpose being the pursuit of social goals. It is for this reason that some proponents of public enterprises have suggested that public enterprises should therefore not be criticised if they incur financial losses as long as they help to meet important social objectives (Baumol, 1980:p.34). Although almost all public enterprises are formed to achieve social objectives and are deemed to be not so concerned about making profit as the private enterprises do, modern day public enterprises are in fact always geared towards making profit whenever possible.

The public enterprises are sometimes formed because of historical events. In fact the purposes of public enterprise in less developed countries are sometimes found to have little or no direct connection with the growth of national income. For the developing countries, it has been mentioned that in many cases, they have been more historical accidents than results of economic or social purposes (Sheahan, 1976:p.205). Some were formed when foreign owners fled the country after unsuccessful resistance to national independence, or because foreign-owned industries had been nationalised as a result of political conflict.

The existence of huge natural resources that require big capital investment and proper strategic planning also have led to the formation of some public enterprises in a number of countries. For example, the exploration of natural resources requires a sizable amount of capital and sophisticated technology which is beyond the capability of private investors to handle. It therefore became necessary for the governments of the said countries to form public enterprises in order to carry out the necessary projects successfully. This is true in case of PERTAMINA of Indonesia and PETRONAS of Malaysia (Tze, 1978:p.5).

It is also argued that some public enterprises such as state oil companies have been established because

governments did not consider market forces and private enterprises in the countries concerned have the appropriate instruments for solving certain problems judged to be of prime importance.

Public enterprises especially in undeveloped as well as developing countries, are often used as instruments to carry out economic programmes. For instance, in agricultural countries, they are formed to open up new lands for farmers to improve their living standards, or to provide credit for fishermen to buy boats, or provide loan as well as professional advice to petty traders who lack business capital and expertise. Very often these enterprises have been formed with the intention of helping the people to improve their economic standing as is in the case of Malaysia. In fact, Malaysia goes a step further. A number of public enterprises have been purposely created by the Malaysian government in the early 1970s to redress the economic imbalance between the racial groups namely the poor Bumiputras and the rich Chinese in the country. Public enterprises are used as a bridge to close the gap between them especially in the commercial sector (Fifth Malaysia Plan, 1986:p.253).

#### **4.2.4. The Set-up of a Public Enterprise**

A public enterprises is usually managed by a board, whose members including the chairman, are appointed by the



sponsoring Minister. Sponsorship of the public enterprises is distributed among the various ministers and their departments. In most cases, the chairman is a personal friend of the minister and normally a politician himself. The board members are always political appointees who represent a wide section of the community.

The chief executive (sometimes called managing director or general manager), upon the recommendation of his chairman, is also appointed by the Minister. The appointment of the senior management group of public enterprises, though formally appointed by boards of directors, is made upon recommendation by the chief executive. It must be made clear here that this may not be the case in some countries in which only the chairman and board of directors only are political posts.

The selection of chairman and the board members and to a lesser extent, chief executive of public enterprises therefore involves political considerations. Because of this political link, political influences and constraints on managerial decisions play an important role in public enterprises. In Italy, for example politicians asked managers of public enterprises to respond to the four main areas of concern: creating new jobs and avoiding firings; responding to labour needs in specific geographic areas; filling positions for political patronage; and financing

political campaigns (Grassini, 1981). Company managers know that, to retain their positions, to be confirmed, or to be promoted, no employees should be dismissed. On the other hand, whenever and wherever possible, managers should create new factories or expand existing ones. Thus, Grassini further observed, no large Italian company, private or public, has been able to shut down plants in the last ten years unless it was certain that its workers would be given new jobs. In an Italian case, it was observed that managers of state-owned enterprises are able to take higher risks in their investments than managers of private enterprises as a result of state laws and political and financial incentives.

One good thing about this is that since the high level managers of enterprises who are appointed or confirmed often received their appointments through political patronage, they are freer to take the risks requested by government. The economic performance of the company does not reflect substantially on its capabilities; losses are seen as the consequences of poor political choices or imposed social objectives. The only indicator of successful management is an increase in employment which, inevitably, requires an increase in investment.

#### **4.2.5. Problems Encountered in Public Enterprises**

A common problem associated with public enterprises as a

whole is their tendency to have a loosely set of defined goals. Managers according to Vernon and Aharoni (1981), find themselves struggling with generalized, vague and conflicting interests due to the generalised nature of the goals of their organisations. A good example of this is the statutes laying out the responsibilities of the British Steel Corporation and National Coal Board in the UK. This could be seen as the fault of those governments which have a tendency to formulate (maybe due to political motive) these goals in general, vague and conflicting terms thereby causing problems in the subsequent measurement of performance of the said public enterprises. Such a situation increases the possibility of managerial discretion which can result in a disastrous management blunder.

Some public enterprises are found to have a multitude of objectives which sometimes are contradictory to each other. It must be very difficult for managers to manage effectively with a diffuse set of objectives. Private enterprise managers usually have a bottom-line figure that holds them accountable to some extent. In private enterprises, the profit motive is strong and serves as a sieve through which gross incompetents are weeded out and others rewarded. If public enterprises were able to evaluate their performance in terms of a relatively few composite, measurable objectives, their efficiency could



be enhanced. A multiplicity of vague objectives serves to protect the inefficient and perhaps this has always been the dilemma of the management in many public enterprises.

A number of scholars observed that the state-owned enterprises operate in economies in which there is a great deal of managerial slack, inefficiency and oligopolistic independence. Outputs are not everywhere produced at minimum attainable costs. The ineffectiveness of public enterprises is due to bureaucratic control. This type of control is very dominant especially in the older public enterprises (Hanson, 1968). In most countries, public enterprises are controlled by more than one ministry and this causes serious management problems.

In some countries, one of the problems with the public enterprise sector has been traced to the lack of a practical workable government policy concerning the 'entry and exit' of public enterprises (Tze, 1978:p.33). An obvious case in point happened in the Philippines, where because of the economic philosophy of the country, public enterprises have been considered as a "regrettable necessity", which are to be disposed of as soon as private capital is ready to take over.

There is also a mounting criticism of the management group in public enterprises who are accused of being readily used as government puppets and because of this they cannot discharge their duties as efficiently as their counterparts in private sector. This is not wholly the fault of these managers who are in fact political appointees themselves. Rather it is the system that is at fault. Recognising that political connections are necessary to secure top managerial appointments, many managers cultivate a good relationship with the Minister responsible for the public enterprises and they are overly accommodating to other politicians. Effective ties are established by performing favours ranging from gathering data for speeches to giving helicopter or aeroplane rides in company helicopters or planes. In return, they expect to be protected should there arise any crisis involving them. This is often the root cause of mismanagement. It has been pointed by many analysts of public enterprises that, no matter how capable the management team of a public enterprise may be, there is no way the enterprise can be managed efficiently from profit point of view as long as these managers continue to remain under political pressure and are in receipt of political favours.

Because of the prevailing system surrounding the public enterprises, managers of public enterprises are able to expand into new areas without fear of losing profits or

their positions. This resulted in many state-owned enterprises losing money without a change in management as long as its losses can be attributed to the cost of responding to social objectives. (In a typical private enterprise, ineffective manager whose financial performance is poor will be fired immediately).

Some observer criticised managers of state-owned enterprises as docile and passive receivers of governmental orders and parliamentary requests. There existed a "don't rock-the-boat" syndrome (Phatak, 1969:p.347) in which managers avoid changes that may alienate any powerful groups. Redundant workers are not dismissed; erring staff are not disciplined, obsolete plants remain open and faulty organisational structures remain unchanged. Managers simply develop apathy.

Because the appointment of those entrusted to manage public enterprises is based on a political consideration, it is to be expected that the managers of public enterprises are not as competent as they should be. However, it must be pointed out that private enterprises managers are also selected on criteria other than competence, such as inheritance, nepotism, friendship and loyalty. In this respect, it is neither fair nor correct to view the management problems in public enterprises as the result of inefficiency on managers alone.



It has been suggested by proponents of public enterprises that not all managers of the public enterprises are inefficient as generally claimed. For example, in the British and American public enterprises especially in the utility industry, the motivation and performance of managers appear to be roughly the same as it is in private firms (Shepherd, 1976:p.118). It is largely the differences in incentives and surroundings that may induce firm managers to give distinct results. It may be said based on the above observation that the extent to which public enterprises are subject to specific requirements of various kinds, is extremely difficult to evaluate in relation to the performance of managers and operational efficiency.

There is yet another reason identified as the cause for public enterprises being less efficient than the private enterprises from the management point of view. One factor which affects public enterprises more than their private counterpart is the inability of management to resist labour demands. In the case of private enterprises, labour and management are opposing interests, and this normally leads to a degree of equilibrium in collective bargaining in the long-run. The management of public enterprises do not enjoy this privilege because they do not serve capitalistic interests but are answerable primarily to the government. Subsequently, the public enterprises cannot

easily check workers' demand and may have problems if the unions representing the workers become very strong.

Corruption is another factor that has been responsible for some of the problems in public enterprises, rendering them less efficient and productive than the private enterprises. Corruption can be in many forms such as misuse of fund and resources for unjustified projects by those who run the enterprise (i.e huge political contributions to ruling party in return for person gain, or lavish refurbishing of chief executive's office for self glory but made under the pretext of enhancing corporate image). The resources which should have been used for productive purposes or reinvestment to generate capital formation are thus unnecessarily diverted away from the productive process that can cause financial catastrophe. Tze (1978:p.32) bluntly exposed this nature of corruption in Indonesia where public enterprises are inefficient because they are corrupt and run by unqualified management personnel:

The problem of public enterprises has also been due to lack of qualified management personnel. This is the case in Malaysian public enterprises where the problem stems from the government's effort to achieve ethnic economic balance. Preference is given to economically disadvantaged ethnic group, i.e. the Bumiputras in managerial

appointment. Through the government's policy, the Bumiputras are placed in senior positions over sometimes more capable Non-Bumiputras and this has resulted in the said public enterprises having poor management personnel in terms of quality and quantity.

There is yet another constraint experienced by public enterprises. The managers are often handicapped in that unlike their private sector counterparts, they must recognise employment, pricing and other government policies. If they stray from the national policies of the ruling government, the government will be quick to check on them through the various processes of control. One favourite weapon used to keep the non-conforming enterprise in line would be to limit the budget of the said public enterprise when time for yearly budget request comes.

Public enterprises also face the problem of public accountability. A question often asked is to what extent should they be accountable to the public in order to be able to conduct their state of affairs efficiently? An examination of public enterprises reveals that there are two extreme schools of thoughts regarding public accountability in public enterprises (Curwen, 1986; Aharoni, 1981; Hanson, 1968; Sheahan, 1976).



Firstly there is a widespread feeling, an assumption, that public enterprises should be subjected to a degree of public accountability. They do not enjoy the independence and secrecy of decision making as private enterprises. Another school of thoughts is of opinion that the management group which has been appointed with a commercial objective needs a degree of freedom to make decisions, take risks and confront potential competitors. They should, it is felt have a wider independence than that of traditional departments of state, which owe direct obedience to a minister who himself is responsible to his political chiefs and often to the Parliament.

Regarding the control mechanism, it has been pointed by public enterprise scholars that a control system which is administered essentially by government and parliament, and relies upon qualitative standards which rest on political values, can conceivably reduce the power of the enterprises to dominate control process.

The problems relating to inefficiency in public enterprises clearly indicate that a new approach in their management system is needed. In this particular respect, it is the intention of this study to determine if Japanese-style management can be used as one of the solutions for redressing public enterprises' problems. Before this matter is dealt with, let find out what the

situation is like in Malaysian and Japanese public enterprises respectively.

### **4.3. The Malaysian Public Enterprises**

#### **4.3.1. Introduction**

In developing countries, it is a common practice for the governments to create public organisations known as either public corporations or enterprises as development instruments for carrying out governmental functions of a social and economic nature. A United Nations Research Group Report issued in 1973 observed that:

"among developing countries there is hardly a government that is not managing an expanding public enterprise sector on one scale or another, with a view to accelerating national economic development" (United Nations, 1973:p.9).

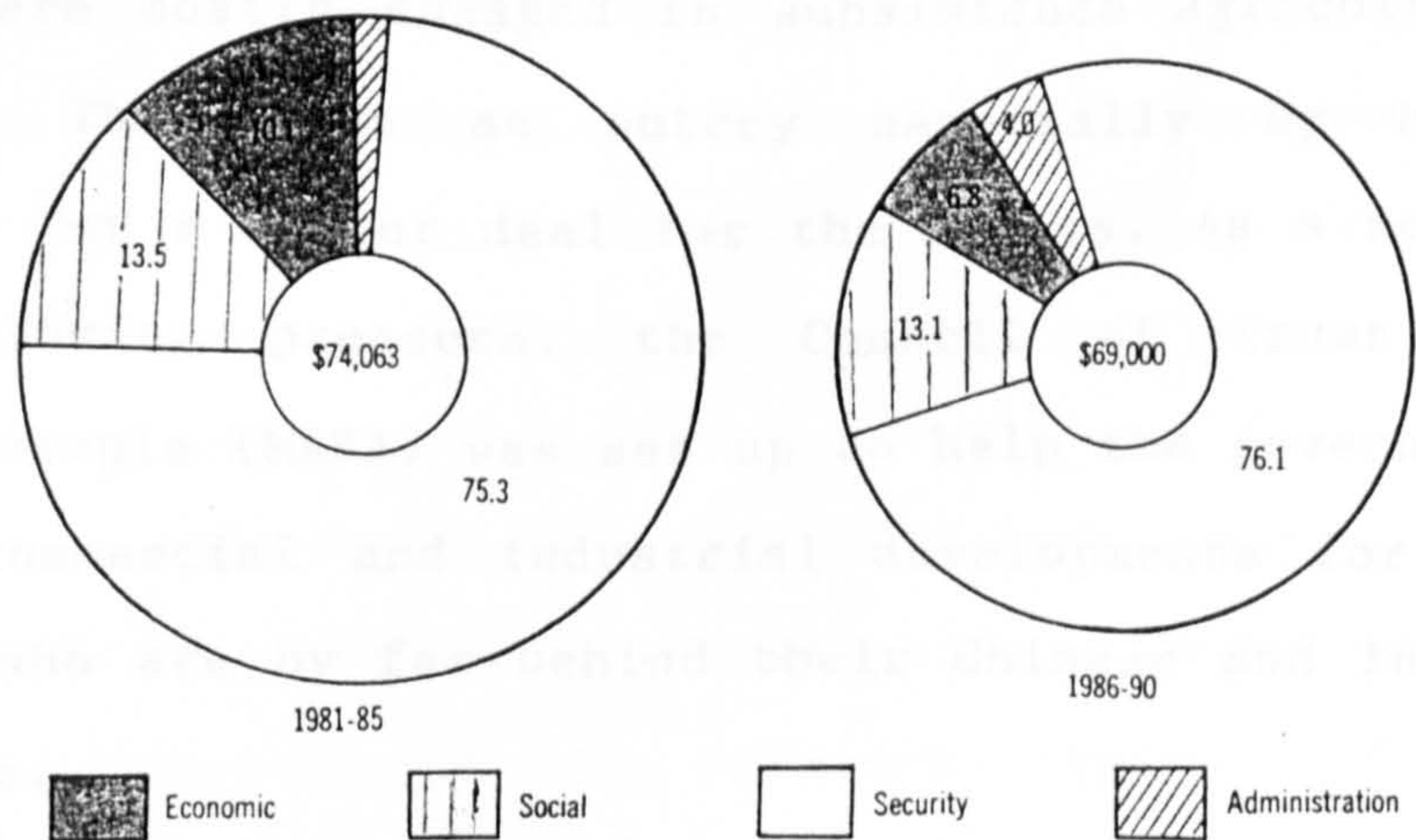
Although they are being supervised by their governments because of their public responsibilities, these enterprises are given a substantial amount of autonomy and also flexibility, not normally enjoyed by the ordinary government departments so as to carry out their operations efficiently. Malaysia, like other developing countries in the region has relied heavily on public enterprises as instruments of development programmes.

The importance of public enterprises in Malaysia in the context of nation-building and development can be seen from the country's large investment in the public sector's expenditure (refer to Table ). For example, for the Fourth Plan Period of 1980-1985, the expenditure amounted to M\$80,331 million, which is high compared to other developing countries. It accounts for 43% of Gross National Product (Fourth Malaysia Plan, 1981:p.345). Like other newly emerging nations in Southeast Asia, the Malaysian government resorts to forming public enterprises in order to accelerate the pace of various development programmes. In 1975, there was a total of 251 public enterprises, and at present the number has reached more than 300 involved in economic, social, agricultural, commercial and industrial activities. The public sector enterprises in Malaysia can be said to have been established for a multitude of reasons ranging from the provision of the basic infrastructure to the restructuring of the country's economy.



Table 4A:Malaysian Public Sector Development  
Expenditure By Sector

Sector	5th Plan		4th Plan	
	\$ mil	% of total	\$ mil	% of total
<b>ECONOMIC</b>	52,473	76.1	55,778	75.3
Agriculture and rural development	11,828	17.1	8,714	11.8
Mineral resources development	48	07	28	04
Commerce and industry	9,752	14.0	20,212	27.3
Transport	10,789	15.6	12,966	17.5
Communications	9,706	14.1	5,033	6.8
Energy and public utilities	9,895	14.3	8,644	11.7
Feasibility study	54	08	65	09
Research and development	400	58	116	16
<b>SOCIAL</b>	9,035	13.1	9,980	13.5
Education and training	5,583	8.1	4,687	6.3
Health and population	715	1.0	736	1.0
Housing	1,980	2.9	3,935	5.3
Others	757	1.1	621	0.8
<b>SECURITY</b>	4,704	6.8	7,495	10.1
<b>ADMINISTRATION</b>	2,788	4.0	811	1.1
Federal Government and NFPEs	69,000	100	74,063	100
State	5,000	-	6,268	-
<b>TOTAL for Public sector</b>	<b>74,000</b>	<b>-</b>	<b>80,331</b>	<b>-</b>



(Source:Fifth Malaysia Plan, 1986:p.478)

#### 4.3.2. Reasons for Creation of Malaysian Public Enterprises.

Traditionally, the establishment of the earlier public enterprises in Malaysia was mainly confined to public utility bodies. For example, the Malayan Railway established in 1949 was to provide transport and that the National Electricity Board was created also in the same year to provide electricity services.

After Malaysia achieved independence from Great Britain, more public corporations were formed especially to implement various development projects of the government. It was alleged that as a result of colonial rule, the Malays and other indigenous groups in the country remained poor and were mostly engaged in subsistence agricultural activities. There was an outcry especially by Malay politicians for a better deal for the Malays. As a result of this growing pressure, the Council of Trust for Indigenous People (MARA) was set up to help the government implement commercial and industrial developments for the Bumiputras who are by far behind their Chinese and Indian counterparts.

The most significant period in the growth of the public enterprise sector was in the years before and after the launching of the New Economic Policy (NEP). The two main objectives of NEP are the eradication of poverty,



irrespective of race, and restructuring Malaysian society to reduce and eventually eliminate ethnic-based poverty (for detail see the Third Malaysia Plan, 1976). Towards this end, the Plan outlined various strategies particularly the participation by the government in commerce and industry. The government used public enterprises as instruments to achieve these objectives. Large number of public corporations were formed at federal and state levels. It was observed that out of 82 public enterprises at the end of 1974, more than 88% were set up since 1965 while 35% were created since 1971 (Affandi, 1975:p.99-105). From 1969 to 1972, a total of 67 new public corporations were created (Abdul, 1979:p.50). They were mostly established to pursue commercial, financial, commercial and industrial ventures. The more recent corporations were thus formed to help achieve the government objectives in redressing racial and regional economic imbalances in the multi-racial Malaysian society.

Another reason why public corporations mushroomed in the 1970's period has been the government's effort in the planning and development of selected regions of the country. A number of underdeveloped regions have been selected for integrated development and these regions have been subjected to comprehensive master planning. Because of the enormous size of lands to be developed, it was felt that a corporation would be more capable of undertaking



the tasks that a normal agency would not be capable of handling. Thus, the Pahang Tenggara Development Authority was established to develop the underdeveloped region of 2.5 million acres in Pahang. Other corporations set up for similar purposes include Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA) and Rubber Industry Smallholders Development Authority (RISDA).

During the Fifth Malaysia Plan period, i.e. the 1986-1990 period, the objectives of public enterprises focus on growth with stability and improvement in the quality of life through the provision of basic amenities as well as the strengthening of economic base (Fifth Malaysia Plan, 1986:p.271). The establishment of public enterprises during this period therefore is the function of this objective. In addition to providing public services, public enterprises' major task continues to be as a vehicle of achieving the New Economic Policy (NEP). With the objective of NEP to transfer 30 percent of the nation's wealth to the indigenous groups by 1990 still yet to be achieved, the activities of public enterprises will be carried out with more intensity now that 1990 is nearing to an end.

#### 4.3.3. Types of Malaysian Public Enterprises

The public enterprises in Malaysia are broadly divided into three categories namely:

(i). Enterprises which are set up and managed by government departments. They are required by law to keep their accounts on commercial lines. Examples of these public enterprises include National Electricity Board (LLN), Civil Aviation and Highway Authority Malaysia. They are referred to as departmental form of public enterprises;

(ii). Public corporations which are established under the different statutes both at federal and state levels. They are commonly known as statutory bodies and examples of such corporations are the State Economic Development Corporation (SEDC), Council of Trust for Indigenous People (MARA) and Bank of Agriculture and;

(iii). Government companies which are formed under the Companies Act 1965. They are just like ordinary companies, the difference being that they are owned by government, e.g. National Corporation (PERNAS) and National Oil Corporation (PETRONAS).

In view of this, the definition of public enterprises as used in this study, will refer to government departmental

corporations; statutory bodies or corporations and government-owned companies.

Public enterprises in Malaysia are further categorised according to the nature of their activities listed below:

(i). Public utility corporations which provide utilities such as water and electricity services. The examples of such enterprises include National Electricity Board, Penang Port Commission and National Water Board;

(ii). Transportation and Communication enterprises such as Malaysian Airlines System (MAS), Malayan Railway (KTM) and Malaysian International Shipping Corporation (MISC);

(iii). Land and Regional Development bodies such as Federal Land Development Authority (FELDA), National Land Rehabilitation and Consolidation Authority (FELCRA) and Pahang Tenggara;

(iv). Social bodies and Welfare organisations such as Lembaga Tabung Haji (LUTH) and Pertubuhan Kebajikan Pekerja (SOCSO);

(v). Financial corporations and institutions such as Central Bank, Bank Bumiputra Malaysia and Public Bank of Malaysia;



(vi). Strategic enterprises such as National Oil Corporation (PETRONAS), Amanah Saham Nasional (ASN) and Malaysian Explosive Weapon Company;

(vii). Production enterprises such as Food Industries of Malaysia (FIMA), Cement Industries of Malaysia (CIMA) and Heavy Industries Corporation of Malaysia (HICOM);

(viii). Commercial and Industrial corporations such as National Corporation (PERNAS), Council of Trust for Indigenous People (MARA) etc.;

(ix). Agricultural bodies such as Rubber Industry Shareholders Development Authority (RISDA), Muda Agricultural Development Authority (MADA) and Malaysia Fisheries Development Authority (MAJUIKAN) and

(x). Educational Institutions and Research Agencies like University of Malaya (UM), Institute Technology of MARA (ITM) and Standard and Industrial Research Institute of Malaysia (SIRIM).

#### **4.3.4. Financing of Malaysian Public Enterprises**

Most of the public enterprises are either financed by government grants or loans. The government grants are provided normally to meet the administrative costs of the public corporations and also to carry out their

operations. Among the public enterprises which are financed this way are MARA, UDA and FELDA. Government loans are given to public enterprises to finance the actual 'development costs' of programmes, schemes or projects undertaken by them. A government loan provided to an enterprise can take any of the following forms:

- (i). as an interest-bearing and repayable loan;
- (ii). as an interest-bearing but non-repayable loan and;
- (iii). as a non-interest bearing but repayable loan.

In Malaysia, it normally takes the form of an interest-bearing and repayable loan with interest charged at around 6% per annum, although there can be a small variation depending on the type of enterprise to which the loan is given to (Throung, 1976:p.96-99).

The provision of loan is part of the government's Development Budget and to be considered for the loan, the respective enterprise has to submit its proposal for inclusion in the Five Year Plan and have to be justified on a project basis (Abdul, 1979:p.61). These proposals are first examined by the Economic Planning Unit and approved by the National Development Planning Committee. Funds are then released by the Treasury as and when required.

In the company-form public enterprises, the sources of financing normally take the form of government share

participation in the enterprises. This is clearly the case with PERNAS, Malayata Steel, Malayan Banking and PETRONAS. The government may later sell her shares when share ownership of the enterprises are thought to be better in the hands of the public, especially those ethnic groups which, in the government's view need to have their economic imbalance remedied.

The public enterprises also borrow from commercial banks and financial institutions, local or foreign on a short-term basis for financing their working capital requirements from time to time. Prior approval from Federal government via the Minister of Finance must be obtained before an enterprise can borrow money for its operations. MAS borrowed M\$132 million from the US Export-Import Bank, the FNCB New York and the Banca Commercial Italiana to purchase seven Boeing 737-200s. LLN borrowed 55% of its finance between 1949-1969 from financial institutions like the Commonwealth Development Bank and others.

Some public enterprises like PETRONAS and SEDC which indulge in profitable commercial activities are self-supportive. The impressive yearly profits are used to self-finance their operations.



In some instances, public corporations derive their funding from special taxes (cesses). For instance, there is a special tax on rubber exports imposed by RISDA, a corporation that administers rubber replanting in order to finance rubber replanting scheme. The Rubber Research Institute (RRI) also gets a special tax on rubber export for the purpose of financing research works on rubber.

#### **4.3.5. Financial Accountability and Control of Malaysian Public Enterprises**

The major financial rules applicable to the majority of public enterprises according to Zakaria (1984:p.242-244) are as follows:

- (a). submission of annual and supplementary budgets to the responsible Minister for approval;
- (b). duty of the Board to conserve the fund so as to ensure that its income is sufficient to meet its expenditure outlays;
- (c). establishment of reserve fund for specific purposes;
- (d). power to invest monies subject to certain conditions;
- (e). power to borrow monies for carrying out its functions with the approval of the Minister of Finance and;
- (f). submission of annual reports of activities together with audited financial statements to be responsible Minister for tabling in Parliament.

Statutory bodies and also public enterprises are required by law (i.e. the Statutory Bodies Act, 1980) to render audited statements of accounts in respect of each financial year within six months thereafter. If a particular corporation is unable to do so, it may ask for another three months' extension from the responsible Minister. The Act also empowers to the responsible Minister to make rules for the purpose of the Act, which includes providing guidelines relating to the accounting policies and procedures to be followed.

The justification for financial accountability in the Malaysian public enterprises is that it safeguards the public interests by ensuring that the accounts and other records are reliable and that all financial transactions are conducted with integrity and in accordance with applicable laws and regulations. Financial accountability means also managerial accountability and programme accountability. The former refers to that which calls for public enterprises to be efficient in the discharge of their duties and the exercise of prudence in the handling of money and other finance-related matters. The latter is concerned with the undertaking of the programmes; whether the stated objectives have been achieved and whether they are achieved by the best available alternatives in terms of costs and benefits.

Public enterprises are granted a certain degree of freedom not normally enjoyed by government departments. It is believed that these powers are necessary to carry out certain functions effectively and efficiently. But nevertheless, as government agencies, there are some regulations and rules they have to abide to. In the words of one observer:

"In some way a public corporation may be likened to an amphibian having to work in the waters of the private sector, but is expected to behave as a government agency on the land of the public sector where it belongs" (Zakaria, 1984:p.244)

Zakaria concluded that the public enterprises cannot therefore run away from the reality of the situation that they must be subjected to a certain degree of control by higher levels of authority. He went on to say that public enterprises are subject to three levels of control. They are:

(i). At the Parliament and State Assembly Level in the form of:

- Legislative process in making laws governing public enterprises;
- Parliamentary questions;



- Debates on government budget estimates pertaining to allocation of funds for public enterprises' activities
- Examination of Accounts and Reports by the Public Accounts Committee.

(ii). At the Cabinet or Minister Level in the form of:

- Appointment of Board of Management and some key executives;
- Approval of financial allocations in the five Year Development Plan;
- Approval of the corporation's annual estimates of revenue and expenditure;
- Review of audited accounts and reports;
- General or specific directions on important policy matters such as relating to programmes and projects, performance targets, terms of service of employees, purchase of goods and services, financial and accounting procedures and draft answers to Parliamentary questions.

(iii). Central Controlling Agencies Level (eg. Treasury, Economic Planning Unit, Public Service Department, Implementation and Coordination Unit) in the form of:

- Policy advice on administrative matters;
- Processing proposals for approval by higher authorities;
- Evaluation of performance against stated objectives and targets (Zakaria, 1984, p.245-6).

#### 4.3.6. Managerial Organisation Structure in Malaysian Public Enterprises

A public corporation or enterprise is managed by a board of directors which is responsible for the policy and general direction of the organisation. The board members are appointed by the Minister of relevant ministry or the Prime Minister for a fixed numbers of years. In statutory bodies, the Menteri Besar (Chief Minister) of the state in which those bodies are established, is normally appointed the chairman of the board. The Chief Minister's influence is expected to be used to speed up the development and solve whatever bureaucratic problems encountered in the state. In a company-form enterprises, a politician who is usually a party member of the ruling government, or sometimes a Minister normally is appointed as the board's chairman. In a departmental form of public enterprise, there is no board but instead the said organisation is headed by a director-general, who is normally a senior civil servant or in some cases, a political appointee who is responsible to the Minister.

The average number of board members is between 10 to 15, although there are cases where there are as few as 6 and as many as 29 members. The membership of the board normally comprises of the following:

- (a). chairman and the managing director or manager;
- (b). representatives of the Federal or State Treasury,

- (c). representatives of supervising organisation or ministry;
- (d). representatives of related organisations and shareholders;
- (e). members appointed for their special competence in certain fields;
- (f). political appointees.

Thus, in the composition of board of directors, the government is careful to create a balance based on three considerations namely control; representativeness; and competence (Affandi, 1976:p.8). To ensure control especially in financial matters, representatives from the Treasury and relevant ministry are appointed. To ensure representativeness, people from certain sectors and also politicians representing certain interests are appointed to sit on the board. To ensure competence, the government nominates professionals in relevant fields to be board members so that they can provide their expert opinions for the benefits of the organisation.

It must be noted that in Malaysia several managerial structure patterns can be observed in the different public enterprises. For example, in many of the corporations undertaking industrial activities, the chief executive is normally the general manager. Often he is also the full chairman of the board, as in the case in UDA and PERNAS.



However, in some cases, the chairman is a 'part-time' chairman while the deputy chairman or managing director is the chief executive, as in the case of MARA and most of the agricultural development corporations. (Abdul, 1979:p.64)

Below the chief executive, the organisational structure of a public enterprise is departmentalised according to the nature of the respective organisations. Each department is under the director or head of department or a manager who is responsible to the chief executive. Personnel from the departmental heads downwards are normally recruited through the normal government procedures that are specified under the jurisdiction of the Malaysian Public Services Commission. There is an exception in the company-form enterprises whereby they are given the autonomy to hire and fire their staff. The appointment of public employees in departmental corporations and statutory bodies closely resemble those of regular government departments or ministries.

A very common feature of Malaysian public enterprises is the secondment of civil servants and the retired armed forces personnel to man public sector posts especially at managerial level. Even though a common practice is to pinch senior civil servants, there are cases however where managers from the private sector have been recruited for

the public enterprises when there is no qualified persons to assume certain positions from the public sector. When a civil servant or ex-armed forces personnel so seconded to public enterprise retires, his place is taken by another colleague. Because of this practice, it has been argued that Malaysia has yet to breed new managers from within the public enterprise itself.

#### **4.3.7. Personnel Management Practices and Policies in Malaysian Public Enterprises.**

There is no uniformity in personnel policies across the Malaysian public enterprises. Flexibility in personnel management policies is at its maximum in the company-form enterprises and at its minimum in the departmental type of enterprises, with the corporation type enterprises (statutory bodies) in between. The departmental enterprises are considered an extension of government departments and therefore whatever procedures and regulations apply to the departments also apply to them. Hence, personnel matters covering recruitment, remuneration, training and promotion for government employees and public enterprises are similar

##### **4.3.7.1. Recruitment**

The Malaysian public enterprises are empowered to appoint their own staff but they have to abide by conditions of services as approved by the Minister. Unlike the

departmental enterprises, they have the power to recruit employees and do not have to depend on the Public Services Commission to select employees on their behalf. The company-form public enterprises enjoy the greatest freedom in structuring personnel policies as they are given complete power to handle their own personnel matters as deemed fit. Of the three forms of public enterprises, these so-called government companies attract the most talents as a result of their flexible personnel policies.

The junior management staff are recruited either directly from the universities and colleges or are those presently working elsewhere at the management level. To be eligible for management positions in the Division One category, the candidates must possess a minimum general degree and to be considered for junior management job of Division Two group, the candidates must have a diploma qualification, although holders of an A level Certificate can be considered for the said posts. It is to be stressed here that management positions may be given to those without diploma or tertiary qualifications as long as they are of the required calibre and possess the necessary experience.

Job mobility among managers is rampant. The reason for this is that in Malaysia it is common to recruit an individual who has worked elsewhere first. It is sometimes observed that a person has changed jobs two or three times



before finally settling in the present occupation. In fact many executives are recruited this way by their organisations who normally offer them better pay and other perks like housing allowances, company cars, free medical expenses, etc. as an incentive to lure them from their former employers. It is an open secret that a person who yearns to switch career for a better job leaves when he gets such an opportunity. In fact many Malaysians use this job-hopping strategy as a stepping stone in their career development.

For clerical and blue-collar jobs, recruits are high school leavers and also technical or vocational school graduates who normally would have finished nine to twelve years of education. There are also cases where some employees at this level being recruited from some other organisations. Like their counterparts in the management group, they change jobs mainly for better ones. Sometimes however, the change of job by these employees may be due to reasons such as dissatisfaction with former employers or former jobs or personal problems such as the awkward location of the workplace.

#### **4.3.7.2. Salaries and Wages**

Salaries and wages in public enterprises are comparatively lower than in the private enterprises. In the managerial positions, the gap is highly discernible. For example, a

newly recruited accountant with a Malaysian Chartered Public Accountant (MCPA) qualification but no working experience can command only a basic salary of M\$1,300 per month in the department form of public enterprise like the National Electricity Board and about M\$1,600 per month in the government company like PETRONAS, while in the private company like Sarawak Shell Berhad, that same individual can command a salary of about M\$2,200 to M\$2,600 per month.

There is also a disparity in salaries among the non-managerial employees between the public sector and the private sector in the favour of those in the latter. A newly recruited clerk fresh from high school normally gets about M\$800 per month in Sarawak Shell Berhad while in the departmental corporations or statutory bodies, he will earn M\$420 per month. In a company type of enterprise, he can earn about M\$500 - M\$600 per month. Thus, it can be said that there is no uniformity in salaries and wages of all levels of employment within the public enterprises themselves and that there is also an even further disparity between those in the public enterprises and their counterparts in the private enterprises.

#### **4.3.7.3. Promotion**

The promotion system in Malaysian public enterprises, especially in the departmental and corporation-form, is

more oriented towards the closed career system. No lateral entry is allowed in the departmental and corporation-form enterprises. Seniority and length of service are the most important criteria in any promotion exercise. The rank and file is encouraged to obtain higher qualifications by the provision of study leave and scholarships. When they return from their studies and have accumulated the necessary experience and competence, they are promoted to a higher, more responsible position in their organisations. Such a practice does not apply to the company-form enterprises where promotion is based more on merit and performance of the individual employees. Outsiders may be taken to assume important positions if candidates from within cannot be found for such job. This practice is possible because the government company form of enterprises, being assigned to operate like private companies, are not subjected to government civil service jurisdiction of the close career promotion system.

In order to be promoted, an employee in a Malaysian public enterprise has to pass a number of examinations within a certain period of working years and that his yearly report by his immediate superior must be satisfactory. The immediate superior normally recommends to the higher authority the names of potential candidates to be promoted. Seniority is an important criteria in each promotion exercise so that no junior worker or officer



will bypass his senior colleagues unnecessarily and without reasonable justification. However, in recent years a gradual change has occurred in this respect whereby more and more younger and promising workers are promoted over their older and senior colleagues. This suggests a recognition of merit as an equally important consideration in promoting an employee.

#### 4.3.7.4. Trade Union

There is a craft union movement in the Malaysian public sector and membership is based on the occupation of the employee. Thus employees working in the same organisation often belong to different trade unions depending on the job classifications. However, labour unions in Malaysia are strictly confined to their activities in collective bargaining due to the restrictive labour regulations in the country. The principle of workers' control or even for that matter, workers' participation in the administration of public enterprises has not been accepted. There is accordingly no trade union's or workers' representatives in the public enterprise board.

Because of the rather severe control imposed by the Malaysian labour law, the wages and conditions of service in public enterprise sector is not determined by a 'free-for-all' mechanism based on collective bargaining. An explanation for this by the government, which is

acceptable, is that public enterprises are considered public utilities (at least originally), and a volatile labour market is not in the best interests of the people.

#### **4.3.8. Major Issues and Problems Facing Malaysian Public Enterprises.**

The present Minister of Finance was highly critical during his 1990 Budget speech especially of public enterprise in Malaysia. The Minister's admission about the public enterprises' weaknesses during his 1990 Budget speech (Straits Times, 29 October, 1989) demonstrates how serious the state of affairs in Malaysian public enterprises was. The minister was quite unhappy at the performance of some of them and had misgivings about the slowness of the implementation of some projects. It seems that like the Japanese public enterprises, the inefficiency syndrome is also a major problem in Malaysian public enterprises. The minister also complained of the high rate of termination of contracts given to private tenderers to do certain jobs for these enterprises. Also, there have been a number of cases where the implementation of projects were delayed because of the inability of contractors to fulfil their obligations. It was suggested by many critics that this was been the result of some dubious or unsound decisions made by the board members in the awarding of contracts. It is not the intention of the author to highlight this issue, but suffice to say that based on the feedbacks from

the survey on the operations of public enterprises recently, there is some truth in the allegation. Indeed, an examination of 79 public enterprises by a government-appointed, private consultant found that poor performances of these enterprises were the result of management errors and financial imprudence (New Straits Times, Oct., 28, 1989). This is only one aspect of the problem and there are many other causes to be identified. The most obvious reason for the problem experienced in the public enterprises is that their objectives as defined under the instruments of their creation are often abstract and lack concrete guidelines. Throung (1976:p.121) is very critical of such problem and highlights the weakness of three public enterprises as follows:

**Example 1: MARA's Objectives**

"....to promote, stimulate, facilitate and undertake economic and social development in the Federation and more particularly in the rural areas thereof" (Section 6(1) MARA Act).

**Example 2: FELDA's Objectives**

"....to promote and assist the investigation, formulation and carrying out of projects for the development and settlement of land in the federation" (Section 3(2), Ordinance 20/1956.)



In his observation, Throung criticised the fact that there is an ambiguity of goals and a failure in quantifying these objectives in measurable term. This he added, makes it very difficult to measure the performance of these enterprises.

In the pursuit of achieving the goals of NEP and in the quest of speeding up the pace of development in the country, many public enterprises have been created to the point that some of them have the same general functions. Many intellectuals are now questioning the wisdom of creating them in the first place. They see the proliferation of public enterprises in the 1970s as unnecessary wastage of funds because of duplication of operation and activities. For example, public enterprises such as MARA, PERNAS, UDA and FIMA have the same objectives to help the Bumiputras in their commercial and industrial undertakings. Seen from this angle, it may be necessary to review their roles and functions so as to prevent further duplication and wastage of money and time.

The earlier problem associated with the loosely defined objectives of public enterprises have been blamed for having caused infighting and squabbling among public enterprises themselves. Because of similarities in their functions, there exists an unhealthy rivalry and conflict between them especially when requesting for funds, which

it was found to be at the expense of overall development for the people. In light of this, it is not possible to achieve an efficient utilisation of available resources.

A number of weaknesses is also to be found in the personnel management policies and practices presently found in Malaysia. Firstly, there is the double standard practice which pervades the public sector with regards to recruitment, remuneration and promotion policies. Departmental form and corporation-form enterprises have one system determined by the Public Services Commission on one hand, while the company-form enterprises have their own system that is independent of the Public Services Commission's jurisdiction on the other. This has been the subject of intense controversy. The proponents of the present practice justify each variation by pointing that it is necessary as a catalyst to attract the best brains to the company-form enterprises. Such concessions, they maintain, are needed to ensure company-form public enterprises would perform like private companies to bring in the necessary profits. Their employees have to be treated differently, i.e. more pay as a means of incentives and that if they do not perform satisfactorily, they would be fired. The employees from the departmental as well as corporation-form enterprises, it is argued, are just like civil service employees in that they are merely providing essential public services and are not expected

to bring profit for their organisations. They are expected, however, to discharge their duties efficiently. The employees in the company-type public enterprises therefore, are given better terms of employment in respect of wages, promotion, perks etc. From the viewpoint of management science, this practice of different personnel management policy to employees in the same sector is not wrong but can breed a lot of dissatisfaction and unhappiness amongst employees who happen to be in the enterprises which pay lower wages and give lesser perks.

Secondly, a major problem experienced by Malaysian public enterprises is one relating to the shortage of qualified and trained personnel to staff the numerous organisations. Traditionally, the shortage is alarming with many top position in the public enterprises being unfilled. But at present, with the influx of university graduates, the situation is improving although the search for professional talents with the necessary experience is still a problem in some key areas. For normal job openings, there is however, no shortage of candidates as there is a continuous supply of graduates from the seven universities and also from ITM which currently produces about 11,000 degree and 7,000 diploma graduates each year.

The crux of the problems seems to be that there is not enough effort being made towards developing a pool of



managerial talents to manage the public as well as private sectors. This may be the byproducts of the practice of seconding senior civil servants and armed forces personnel to occupy the managerial positions in public enterprises. Such practices hinder the internal development of managers in a particular organisation. Not only would this hamper the growth of a pool of professional talents, but it would also cause discontinuity in the organisation concerned. It is a good thing to bring outsiders into the organisation to inject new blood given the vast experiences the civil servant or armed forces personnel may have, but there is a real danger that their experience may not be suitable and hence applicable to public enterprises. This leads to public enterprises in Malaysia being managed by people with the wrong experiences and irrelevant expertise which renders them ineffective at their jobs. Such a system also limits promotion prospects from below in public enterprise sector. This of course can be a disincentive to those below..

There is also another related problem. It concerns the lack of suitable professionals in the public sector due to low pay and resignation resulting in a brain drain of talented executive from public enterprises to private enterprises in the country. Only in the company-form enterprises where the pay and terms of employment are relatively better is the problem not acute.

Thirdly, the industrial relations in the public enterprises leave much to be desired (Puthucheary, 1984:p.10). Because the unions are weakened by the unfavourable labour laws, the workers are not represented to protect their interests regarding their terms of employment. The state of affairs of the Malaysians at the lower echelon of the ladder according to Puthucheary's opinion, is that of hardship and day-to-day survival compared to those in the higher level employment group of the white collar workers. Unlike Japan, the pay difference between the blue collar and the white collar employees in Malaysia is very wide. For example, an employee occupying the highest grade in the public enterprise is paid 40 times more than another employee of the lowest job category in the same organisation according to the calculations based on government circular regarding salaries and wages paid to public employees (Circular No.4, 1984). It may be true to say that each of them is paid differently because of the different contribution or degree of importance of each job, but when the disparity in pay is so large, something is obviously wrong.

Fourthly, there are signs of a poor relationship between management and the employees. There are many factors that have contributed to an environment of suspicion, hatred and animosity. One of them is the disparity in pay coupled with employment terms of conditions in favour of the

management group. There is the centralised organisational structure that exists in public enterprises which in a way retards communication between the two groups. Another criticism is that the practice which bans even junior management group of employees from joining their non-managerial colleagues in unions, thus bringing about further segregation between them.

It has been observed that employees are fearful of their superiors. During coffee breaks, managerial group congregates among themselves while the non-managerial group tends to mix among themselves. In activities outside office hours, the pattern of relationship follows along the same lines. It is further noticed that even if there is outdoor activities organised for all employees to socialise, one always sees the boundary of distance that separate these two groups. Both parties are to be blamed as it is obvious that there is a lack of effort or rather initiative by them to create a warmer working relationship. It seems here that there is a serious "us vs. them" problem.

Fifthly, there is some concern for the lack of professionalism displayed at the higher levels of management. In cases where the chairman and the managing director of a public enterprise are political appointees, there is always a problem involving what might be termed



as "management conflict". Being appointed to the office because of his political affiliation, the chairman or managing director is naturally inclined to oblige to the demand of his patron or those who supported his appointment earlier. It therefore becomes almost impossible for him to become objective and independent in carrying out his duties as the chief executive of the public enterprise. This problem also applies to other members of the board and top management group who have been put in their positions directly or indirectly through political support and connections. In return for the favours received by them earlier, they sometimes have to reciprocate these favours especially of those who sponsored them. Thus policies have more often than not, have to be compromised because there is a lot of outside pressure and interference from influential figures and politicians.

Sixthly, there is another problem that always occurs when the chairman of a public enterprise is a full-time politician. In a number of Malaysian public enterprises, the chairman cannot become an effective chief executive since he is preoccupied with politics and not being a professional. He would not be familiar with the nature of the enterprise's business. He therefore will have to depend on his subordinates or other board members for the

actual running of the enterprise and has to be contented with the role of a figure head.

Seventhly, there is a trend in Malaysia to appoint someone who is already a chairman of one public enterprise, to sit as a chairman or a board member in a number of other public enterprises. Whatever the reasons given for such appointments, one consequence is obvious: that the chairman will not be able to devote his time either in his capacity as chairman or as board member of an enterprise simply because he has theoretically, to divide his time between the public enterprises of which he is chief executive and other public enterprises in which he is a member of the highest decision-making bodies. If he is a politician, it will almost amount to a disaster because how could he find enough time for the enterprise he is involved with, when he has other commitments of a political nature. But despite this problem, politicians continue to become chief executives and board members of almost all public enterprises in Malaysia.

Lastly, there is a major problem faced by public enterprise when its chairman happens to be a chief minister of a state in which the said enterprise is located. Because the chief minister is a politician, he may use the corporation to further his political ambitions. He may use the enterprise for his own personal

interests and that of his family and close friend's. There was a case involving the Public Bank of Malaysia which had to be rescued by the government from bankruptcy in 1973 as a result of misuse of power by some prominent politicians including a chief minister. One is left to wonder if the existing practices that are rampant in some Southeast Asian countries especially Malaysia of putting politicians and ministers as chairmans or board members of public enterprises is wise from the management point of view.

The problem that normally happens when the chairman's post is held by the chief minister is that the board of directors can be rendered ineffective by a strong, domineering chief minister. Being the most powerful man in his state, he can dictate terms and run the enterprise as a one-man show with nobody to check him. This was the case in the 1960s. It was found out that the rate of development that was to be carried out by one public enterprise in one state slowed down because of the chairman who was then the chief minister was very domineering and used his own political influence in distributing land. He was said to be opposed to developing lands in other areas not of political benefit to him. In cases like this, the board members cannot realise their roles as decision-makers and are at the best, rubber stamps endorsing their chairman's decisions.



However, it must be stressed here that in making this critical observation, not all past and present chief ministers in the thirteen states of Malaysia have abused their powers for political gains. One thing that can be said for sure is that public enterprises have been subjected to serious abuses in the past. Despite efforts by the government to eradicate this practice, there is still strong evidence that indicates that some public enterprises are still being used by politicians for political purposes rather than for achieving the objectives for which they have been originally created.

From the above discussion, it can be concluded that the Malaysian public enterprises have indeed a lot of management and non-management problems. What about the Japanese public enterprises? Are they more efficient and have less problems than the Malaysian public enterprises? Are there similarities or differences in problems they face?

#### **4.4. The Japanese Public Enterprise**

##### **4.4.1. Introduction**

The Public enterprise sector in Japan has not attracted as much attention of outside observers as has been accorded to the Japanese private enterprise sector. This is partly due to the fact that the Japanese public corporations and

government agencies have not performed as well as their counterparts in the private sector. Like the rest of public enterprises worldwide, public enterprises in Japan have not been spared the inefficiency problems. A number of them, especially Japan National Railway (JNR), have been found to be constantly running heavy losses in their yearly operations and some have been privatised in an effort to save them from bankruptcy.

Johnson (1978:p21) made an observation that some Japanese public enterprises do have functions similar to their equivalents in Western Europe and the US, although the majority do not. Many Japanese analysts have been of opinion that their public enterprises are much less efficient than some of those in the West. Some leading Japanese experts on Japanese public enterprises such as Professor Ueno, Professor Yoshitake and Professor Imashiro from whom the author had personally asked for opinion (through mail survey) in 1988 shared the prevailing view that public enterprises in Japan are indeed inefficient. They suggested possible reasons for this: public corporations are being used as extensions of overt bureaucracies; as lucrative retirement spots for government officials, and also as possible breeding grounds for corrupt relations between government and business. In addition, other reasons such as the creation of public enterprises to carry out social objective

regardless of profit; the use of public enterprises as an instrument to create more employment opportunities; and vagueness of goals etc. are also important factors in contributing to the inefficiency of public enterprise sector in Japan.

Johnson further found that public enterprises in Japan perform many diverse functions. They make loans available for the implementation of official policies in order to avoid low productivity or declining sectors of the economy. They also spend money to strengthen the industrial infrastructure or to develop resources. The public enterprises are also used to stabilised prices; produce revenue; do research. Public enterprises in Japan also play a role as a medium of governmental licensing and approval of private economic activities, extensive consultation between the government and the private sector, so-called administrative guidance of the economy by the government, informal public-private interconnections through retired government officials who become executives for profit-making corporations, and other old-boy networks.

#### **4.4.2. History of Public Enterprises**

Like many other countries in the world, Japan has created public enterprises to carry out governmental functions of a social and economic nature. These organisations are



called the Tokushu or special corporations. Although they are under the special supervision of the government because of their public responsibilities, they are granted autonomy and flexibility in management for the purposes of performing their operations efficiently.

The origin of the independent public organisations was in the government undertakings in the textile, steel, and shipping industries after the 1868 Meiji Restoration. They were subsequently converted into private enterprises in the early 1880's (Yoshitake, 1976:p.44).

During the first ten years after the World War II, large public corporations such as the Japanese National Railways, the Japan Tobacco & Salt Public Corporation, and the Nippon Telegraph and Telephone Public Corporation were established. Financial organisations were also established for aiding imports and exports, industrial development, small and medium businesses, agriculture, forestry, fisheries, and housing construction. Special companies such as the Electric Power Development Company, Japan Air Lines Co. Ltd., and Kokusai Denshin Denwa Co. were also established during this period.

The following ten years (1956-65) saw the establishment of the corporations in charge of public works, such as road construction, development of water resources, social and

economic programs, and research activities. As a result, the total number of public corporations increased to 104 by 1965 compared to only 21 in 1946. The number of public corporations reached a peak of 113 in 1967. Since then, there have been some reorganisation, and a policy of restraint on the establishment of public corporations has been put into effect.

Yoshitake (1976:p.69) said that the rapid growth of public enterprises in 1960s in Japan was due to the rapid economic growth at that period which caused an imbalance between the private and public sectors. Many public enterprises were established to rectify this imbalance. He also further suggested that a large number of public enterprises was created because of the government's desire to create employment opportunities during the said period.

#### **4.4.3. Classification of Japanese Public Enterprises**

Japanese Public enterprises, according to a number of writers in Japan (Tsuji, 1984; Yoshitake, 1973) can be classified by their titles namely:

##### **4.4.3.1. Kosha**

These are corporations which were once directly run by the national government and financed by special accounts. After the war, they were established as independent organisations to perform their business in the form of

private concerns. They are fully financed by the government and their budget is subject to the approval of the Diet. The final accounts must also be submitted to the Diet. The employees are granted the right of collective bargaining but not the right to strike. There are 3 public corporations in this category namely the Japanese National Railways(JNR) - now renamed Japan Railway (JR), the Japan Tobacco & Salt Public Corporation, and the Nippon Telegraph and Telephone Public Corporation. Deregulation and privatisation have occurred in Japan, as elsewhere in the world, and these three major corporations are now privatised. However, the nature of government control of these organisations, is still under discussion but it is still considerable and they might be best be regarded as hybrid corporations moving from public sector towards private sector (for a detail discussion on this, please refer to Gow, 1989).

#### 4.4.3.2. Kodan

These are corporations which carry out public works such as the construction of roads and airports and the development of water resources and forest roads. Their main source of finance is capital investment and loans by the national government. Some of these corporations receive capital investments from local public entities. Those corporations include The Japan Highway Public



Corporation and the Housing and Urban Development Public Corporation.

#### 4.4.3.3. Jigyodan

These are corporations created as instruments to implement social policy programs concerning welfare and employment, industrial policy programs for the development of agriculture, small and medium-sized enterprises, coal etc. They also implement various policy programs for technology development and technical cooperation abroad. They are smaller in size than kodan and their commercial character is weak. Their sources of capital vary: some are fully financed by the national government, while others receive capital investment from the local public entities or from private sources. Examples of such corporations are National Space Development Agency and the Japan International Cooperation Agency.

#### 4.4.3.4. Koko

Koko are financial corporations which supplement the operation of commercial finance institutions by financing special projects such as agriculture, forest and fishing industries, small and medium-sized enterprises, and housing construction at a policy-oriented rate of interest. They are fully financed by the national government. Their source for loans is capital and loans from the national government. The budget and financial

accounts of the koko are subject to the approval of the Diet, as in the case of Kosha. An example of such a corporation is the Housing Loan Corporation.

#### 4.4.3.5. Ginko

These are corporations which have much in common with Koko. They play a supplementary role to commercial financial institutions. Their capital is fully financed by the national government and also their budgets as well as final accounts are under the control of the Diet. The only feature that differentiates them from koko is that they enjoy more autonomy and operate more as enterprises than Kokos do for their business plans and operational procedures can be prepared independently without the approval of the sponsoring ministers. The Japan Development Bank and the Export-Import Bank of Japan belong to this category of public enterprise.

#### 4.4.3.6. Kinko

They are corporations set up for the purpose of financing cooperatives. They normally issue bonds to be used as sources for loans. They maintain a strong autonomy in operations due to the fact that, unlike koko and Ginko, they are free from government control in preparing their business plans and budgets. Included in this category are the Central Cooperative Bank for Agriculture and Forestry

and the Central Bank for Commercial and Industrial Cooperatives.

#### 4.4.3.7. Eidan

The Teito Rapid Transit Authority is the only corporation classified under this category.

#### 4.4.3.8. Tokushu-gaisha

They are often referred to as special companies. Japan Air Lines Co. Ltd. is one of them. They provide public services in the manner of a joint-stock corporation in fields such as international air transportation, electric power development, international electric communication, and investment for small and medium-sized enterprises. Some receive capital and loans directly from the national government, some indirectly, and some receive no aid. Although there are certain legal provisions of government control over their business management, they maintain stronger autonomy than other public corporations.

#### 4.4.3.9. Others

Corporations classified under this category have titles such as Kenkyusho (Research institute), Kumiai (association), Shinkokai (promotion society), and Kikin (foundation). These corporations carry out research, mutual benefit payments, and related services to workers in certain occupational areas, maintenance of facilities,



inspection and authorisation, management of public races, insurance of loans, etc. Their source of capital and the extent of government control vary according to the type of business.

#### **4.4.4. Reasons for the Establishment of Public Corporations**

There are a number of reasons for the establishment of public enterprises in Japan. They include the following:

(i). Like the corporations of other countries, Japan created public corporations to perform governmental functions with more flexibility in financial or personnel management compared with direct operation by the national government. The flexibility in the use of funds, self-procurement of funds, flexibility in contract procedure and autonomy in employment are some examples of the flexibility enjoyed by public corporations.

(ii). Public corporations may use the aid of local public entities or private sources in terms of finance and personnel.

(iii). Independence from the national government is assured especially in the important field of promotion of academic activities or research on labour relations.

(iv). Public corporations are necessary to provide a continuous and stable service like electricity and water utilities.

(v). The establishment of public corporations is also needed when the amount of capital required for operation is too large for a private corporation or enterprise to handle.

(vi). The creation of public corporation also takes place when operation of projects by private institutions or organisations is difficult to undertake due to high risks involved or the small prospect of profit.

(vii). The American Occupation forces's desire to break up the militant labour movement in the public sector by the splitting of of the JNR and Tobacco & Salt Public Corporation.

#### **4.4.5. Power and Government Control of Japanese Public Enterprises**

Public enterprises are given certain powers and are supervised by the national government in the conduct of their business as stipulated by law. The mode of supervision by the national government and the power of public corporation differ according to their different functions.

In general, public enterprises conduct their business in accordance with a business plan, budget, and financial plan drawn up each year under the supervision of respective Ministers. They are given exclusive rights to the business. In order to implement their business operations, they are granted land expropriation rights and coercive collection rights. In most cases, detailed business operations are prescribed in the operation procedure documents which must be approved by the Minister. Compensation for services such as fees, loan interest rates etc. must also be authorised by the Minister concerned.

The Minister responsible for the public enterprises have the power to appoint or authorise the selection of the officers of the corporations. Employees are recruited by the corporations themselves. In most cases, salaries of the officers and employees are paid according to the standards set by the minister.

Yoshitake (1973:p.257) gave a good description of the state of public enterprises in Japan. He said the management of public enterprises can be classified into three types namely the policy board type; the functional board type and the monocratic type. Of the 108 enterprises in 1973, 100 of them belonged to the last type and the rest were of the other two types. The reason for this can



be found in the multiplication of public enterprises - that is, public enterprises created as a branch office of government departments. He argued that they are "nothing but sources of re-employment for retired civil servants".

#### **4.4.6. The Present State of Japanese Enterprises and their Problems - A Case Study of the Japanese National Railway (JNR).**

##### **4.4.6.1. History and Objective of the Corporation**

JNR was established by the nationalisation of the railways in 1906 and was reformed as a Public Corporation in 1949. It has a total track length of 20300 kilometre. As of March, 1981, JNR employs 413,594 people. Since railroad has been the backbone of domestic transportation in Japan for more than a century, JNR became a very important public enterprise in the transportation industry. It carried 25 percent of the passengers and 8 percent of the freight handled by Japan's total domestic transportation in 1980 (Tsuji, 1984:p.47). However, faced by competition from the rapidly growing auto-transport in the 1960s, its dominance in transportation industry began to erode and soon it got into deep financial trouble. This led to its present restructuring. In April 1987, JNR was privatised and broken up into nine corporations, two special corporations and one foundation and renamed Japan Railway (JR) (Imashiro 1988:p.1).

The objective of the JNR is the operation of the railway transportation system on the nationally-owned railroad network. JNR Act stated that it was established as tokushu houjin (special corporation) to improve the welfare of the general public.

#### 4.4.6.2. Accounting and Financial Set-up

The accounting system of the Japanese public enterprise sector adopts a dual system of accounts. The present accounts of the JNR are made according to the trading principle, but not on a cash basis. At the same time, an additional report prepared according to the division of the national budget to which it applies. The two different kinds of reports are submitted to the Minister of Transport. The Auditing Committee which is established by JNR audits only the financial statements which is to be submitted to the Minister of Transport. Most of the enterprise's revenue is derived from the sale of passengers' tickets. Since 1964 the JNR has been operating in the red. JNR reported a loss of 1,847.8 billion yen in 1985. (refer to Exhibit 4.2).

Exhibit 4.2: Income Statement of JNR for 1985

**Overall Balance (billion yen)**

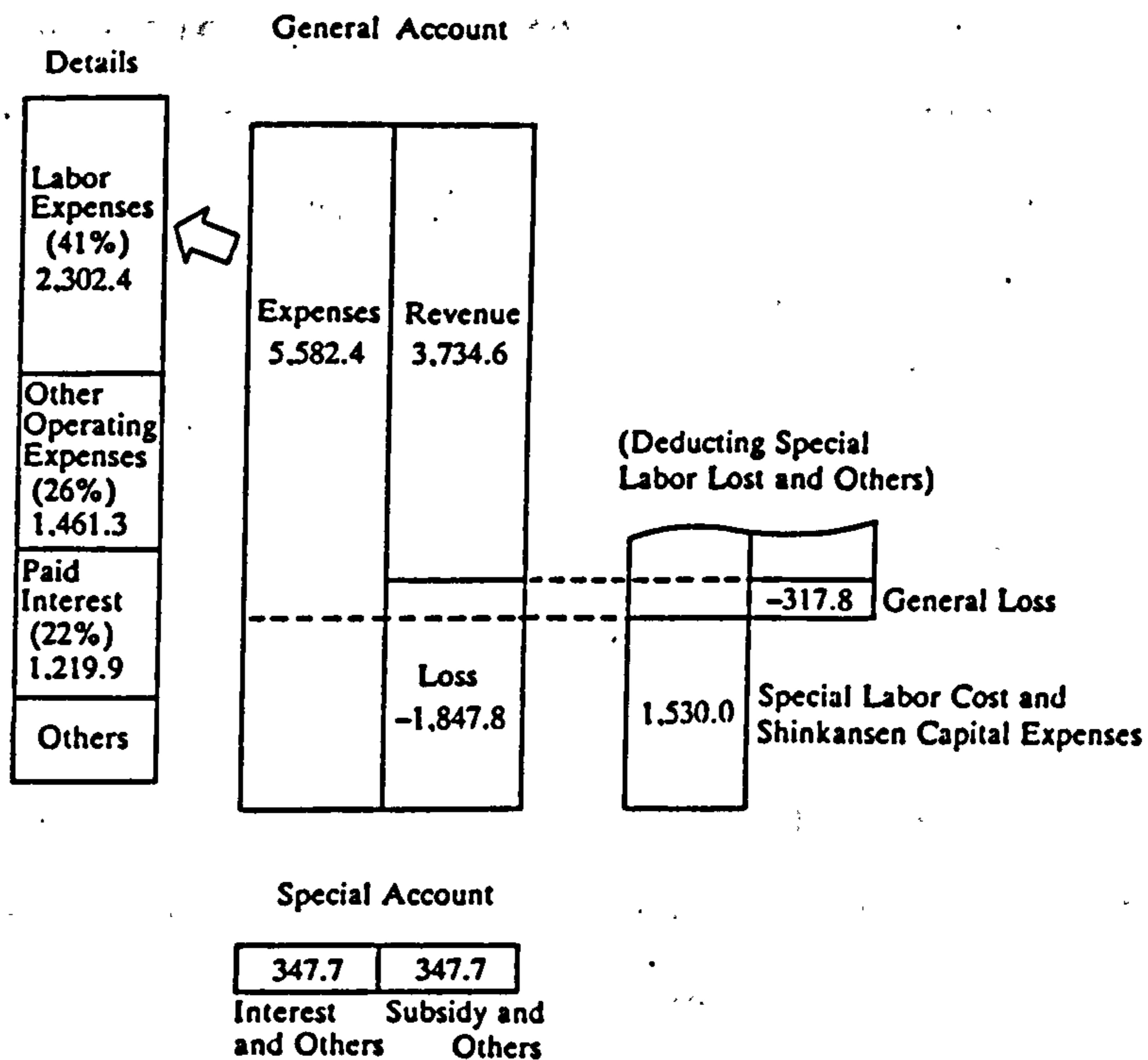
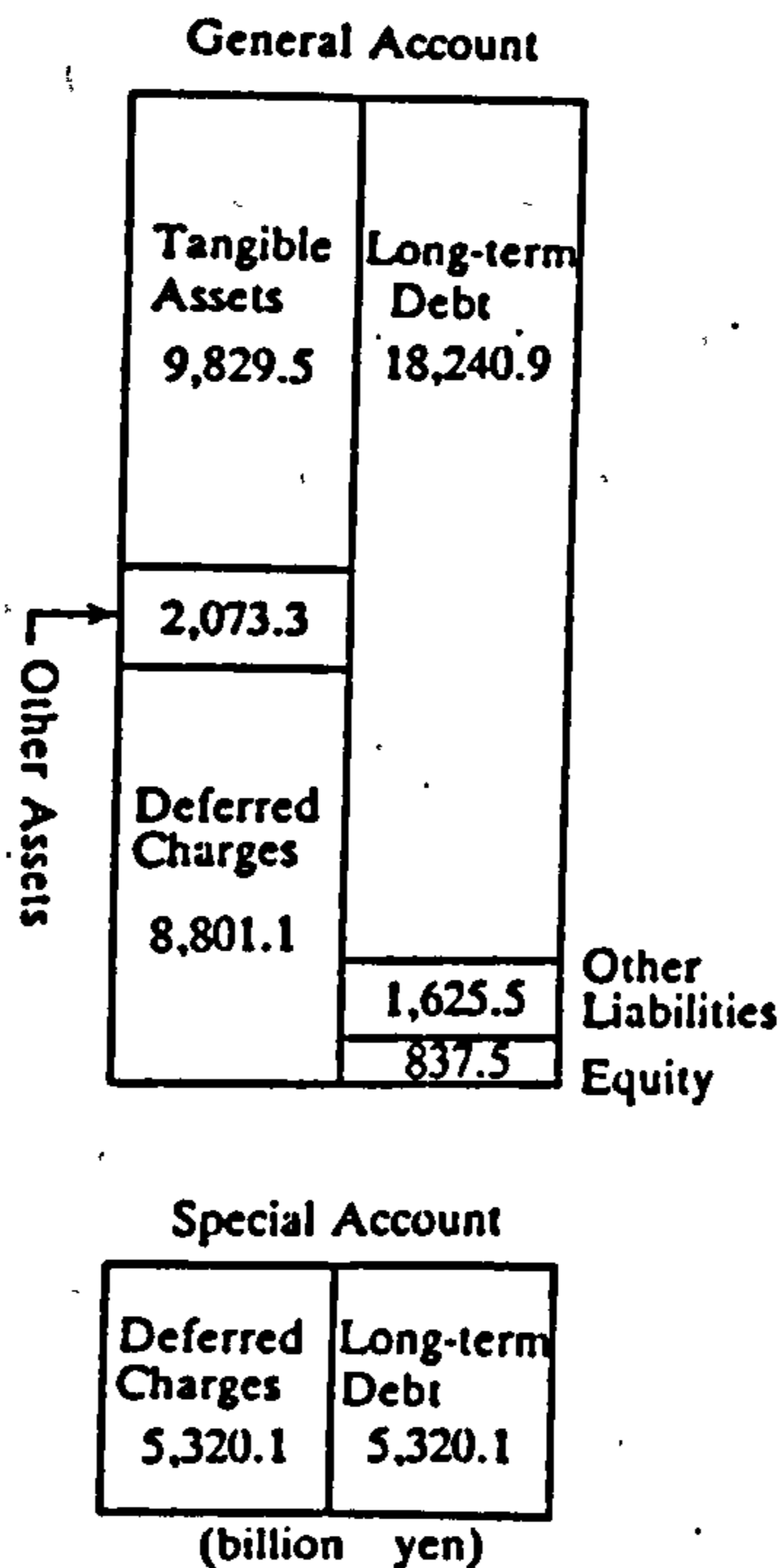


Exhibit 4.3: Balance Sheet of JNR for 1985



(Source: Report of JNR Audit 1985)



#### 4.4.6.3. Organisational Structure

The structure of organisation in public enterprises is based on the structure and relationship of the family group (Bird, 1983; Brosnan, 1982; Ozaki, 1978 and Nakane, 1973). It is no exception in the case of JNR. Families have hierarchical, interdependent relationship within relatively small and intimate groups. A strong emphasis is placed in seeing to it that all employees in one get along with each other because the group ensures both rank and survival for the individual member. That being so, the Japanese employees in public enterprises, like their counterparts in private sector, work in groups. The success of their organisation depends on each member contributing utmost in his capacity as an employee. As such, an individual who may not be able to perform adequately on certain occasion, may not be penalised for what is usually viewed as a temporary incapacity. The others in the group normally cover the neglected duties. It was infact pointed out that this type of understanding is best portrayed by the popular depiction of a Japanese festival called omikoshi (Brosnan, 1985:p.89).

As is the case in private companies, harmony among employees in public enterprises is stressed within the group. Internal bickering and disruptive competition are frowned upon so that the smooth running of jobs ensured.

Harmony is also highlighted to help ensure the necessary staff continuity.

#### **4.4.6.4. JNR in Relation to the Government**

JNR has been operating on a self-supporting basis. However, many important management matters are subject to the decision of the Diet or to the supervision by the Ministry of Transport, though the powers and responsibilities to act on all matters are entrusted to the president of JNR. Matters subject to the Diet's decision include the compilation of annual budget and the basic rates of passenger fares and freight charges

Appointment and dismissal of officers such as the president, vice president, chief engineer and other board members are under the jurisdiction of Minister of Transport. Other matters subject to the said Minister are the construction of new lines; suspension or abolishment of any of the routes under its operation; electrification and other major projects; disposal of any of its important assets; borrowing of operating funds and issuing railway bonds and investment in allied enterprises.

#### **4.4.6.5. Some Administrative Policies and Procedures**

Opinion polls in Japan revealed that the general public have a low image of the performance by JNR employees. The JNR's employees are accused of being unprofessional in

discharging their services resulting in many delays of train departures. It has been also found out that other public enterprises' employees are not highly regarded too. They have been under attack by the press and publicly berated by politicians and academics alike. Like JNR's employees, they are considered inept and inefficient and blamed for most of the shortcomings and failures of government. JNR workers do not escape such criticism because the service provided by JNR is very inefficient as compared to the private railway companies. Perhaps, an insight to the public enterprise's typical management practices would be useful to find why this has been so.

(i). **Recruitment** - In Japanese public enterprise sector, recruitment and hiring of employees are conducted as two sides of the coin. This is especially true of in the case of JNR. Japanese are recruited and hired by organisations on the basis of educational level attained, school attended, and the reputation of employing organisation. An important determinant of employment is the educational background of the applicants (Brosnan, 1985:p.90-95).

The level of education completed normally determines the placement level of the worker in the organisation as well as the track that will be followed for future advancement. Young men who complete junior high school are usually employed as clerks, assembly workers, or generally



unskilled labourers. High school and Vocational school leavers are employed as skilled craft workers, technicians, and eventually shop foreman while junior college graduate fill lower level posts in administrative operations. University graduates are hired to fill positions of management level. The government has two levels of entrance examinations for university graduates who aspire to be government managers - the Senior Class A and the Senior Class B Examination (NPA, 1981:p.11-153). The individuals who get through the Class A examination may be considered for higher management positions while those who pass the Class B examination may be eligible for junior management jobs up to the rank of section chief (NPA, 1981:p.144-153).

(ii). Training - The training program at JNR is not much different from its counterpart in the public enterprise sector. Training for specific jobs and skills required by the organisation is the responsibility of an employer. An employee usually has to undergo an initial three month orientation program consisting of classes and "boot camp" type exercise (Brosnan, 1985). Following orientation, the recruits are formally accepted into the organisation and the job-related training begins at this point and continues from time to time in the form of on the job training and job-rotation within the organisation. The job-rotation which normally occurs every two or three

years for each employee, is most frequently used as a training tool because Japanese employer believes that it helps its employee to comprehend the total system of the organisation. With this type of arrangement, an individual employee would develop a clear understanding of the importance of every department within the context of the overall organisation.

Another popular training method involves the Sempai-Kohai relationship. This procedure, which literally means "Senior-Junior", assigns a new employee to an older, more senior member who will be a patron and mentor for the young man. This relationship is quite significant in determining the employee's future career. Promotion opportunities and also post retirement employment, as well as introduction to prospective mates can all be significantly influenced by the success of this relationship.

(iii). Promotion - Promotion and wage decisions in Japanese organisations including JNR, are based primarily on seniority. Promotion is a slow process and systematic. There is no such thing as "fast rising star" in the Japanese public enterprises. Promotion through the lower ranks is automatic and accomplished by class. The class consists of all the employees who are hired in the same year. Brosnan observed that:

"seniority is as much a matter of the number of years in the organisation as it is the chronological age of the employee, although, in this system, these characteristics correlate very closely" (Brosnan, 1985:p.101).

He went on to say that as the class moves up through the organisational pyramid, higher positions would not be available to all. At this stage, criteria in addition to seniority have to be used. Merit is the criterion most frequently applied (NPA, 1981:p.144-153).

(iv). **Salary and Wages** - The amount of salary or wage paid to public enterprise employees depends on the length of service they have been with the organisation. For instance, a newly recruited employee will earn very much less than another employee who is 5 years his senior in service. Likewise, the employee who is nearing the retirement age will earn the most compared to his colleagues of the same job classification. Of course, for each job category, there is a different set of wages. In addition to the basic salary or wage, each employee is eligible for several allowances. These include family allowances, housing allowances, transportation allowances and special hardship allowance in the case where employees are sent to work places that are not convenient to them (i.e. for being transferred to non-preferred or expensive areas). Compared to the employees in private industry, the



public enterprise employees receive less compensation. For example, they do not receive a summer and winter bonus as part of their wage package like their counterparts in the private enterprises.

#### 4.4.6.6. Problems Faced by JNR?

The main problem with JNR is that it was constantly operating at a loss. It fell into the red from 1964. In 1980, its capital stood at 456 billion yen; total business revenue was 2,667.2 billion yen; the net loss was 1,008.4 billion yen, and government subsidization amounted to 676.1 billion yen. By 1985 it had accumulated debts of 23 trillion yen (about US\$130 million), with a peak single year loss of 1850 billion yen (about US\$10 billion) in 1985 (Imashiro, 1989:p.1). The financial position of JNR was obviously not in good shape as was evidenced from the JNR Audit of 1985 presented in Exhibit 4.2 and Exhibit 4.3. This led to its privatisation in 1987.

Why did JNR accumulated a large deficit? Three factors come into play according to Imashiro (1988:p.6-9). Firstly, there is a fierce competition from the growing road transport and airline industry coupled with the relatively efficient private rail lines which have taken much of the business away from JNR. This opinion is shared by Handa (1987:p.6) who observed that JNR's most serious rival is automobile industry. Secondly, the growth in

volume of transportation industry has remained lacklustre. This is made worst by the poor and unreliable services offered by JNR (i.e. suspension of service due to internal problems) which produced great public discontent and hence sped the shift of passengers away from the rail system. Lastly the effect of inflation and the increasing labour costs have constantly pushed up the total operational cost of JNR. This caused financial burden to the enterprise and require drastic measures. But this was not done until the situation became very critical in 1987. The reason for this is because, being a public enterprise with the interests of public as the most important priority, JNR could not take drastic measures such as discontinuing unprofitable lines like the private railway companies do.

JNR's problem is further complicated due to its role as a national service enterprise. JNR was established mainly to cater for the transportation needs of the Japanese public especially in the countryside regions where it has to compete with private railway companies and also other forms of land transportations. In earlier days, there is no problem because most rural people depended on railway for travel. Today, the Japanese do not depend very much on railways as they used to be. Imashiro (1989:p.3) mentioned that in rural areas of Japan, each family owns more than one car and people rely less on public transport. He reasoned out that this is one of the causes of the

decline in rail usage resulting in JNR to operate in a loss year after year.

There is also another dimension to the problem faced by JNR. As an government enterprise, JNR can be considered as the victim of bureaucracy. With it comes the normal problem such as the lax office procedure and bureaucratic management. The public also never support the institution after the the raw treatment they get from JNR. The public were unhappy with the amateurish attitude of customer service and relatively expensive fare compared to the private railway companies. This poor corporate image did not help JNR at all.

The debt situation became so bad in 1971 with a huge operating loss before depreciation of 234 billion yen that there was an urgent necessity to reestablish soundness in its management. Numerous programs to get the JNR back on its feet are being implemented, such as better management environment, reduction in number of employees (70,000 by 1985), and switching local railway services to bus transportation via the privatisation which took place in 1987. Although some management problems still remain and are yet to be ironed out, the newly revamped JR is operating profitably (Masatake and Taro, 1988:p.65-69). For instance, East JR recorded a pretax of 60 billion yen and Central JR had a pretax of 50 billion yen (Togii,



1988:p.29). It is not the intention of the author to discuss the restructuring and privatisation of JNR here for what is intended in this discussion is to provide a scenario of a typical Japanese public enterprise and some of the major problems it faces. Clearly, in the case of JNR, the problem does not lie in the inefficient management system of the organisation alone for the situation there is far more complex than the management/mismanagement issues.

#### **4.4.7. Problems Faced by Japanese Public Enterprises as a Whole**

To have a more up-to-date insights of the public present enterprises in Japan, mail questionnaires were sent June, 1989 to 50 Japanese scholars (mostly management professors, management consultants and those in senior management positions in public enterprises). Eighteen of them replied and some of their personal comments are presented below.

The Japanese management techniques and policies such as QCC, job-rotation, open office system which are used in private enterprises are also used in public enterprises. However, there are some substantial differences in approach and philosophy although the management techniques between the private and public enterprises are not that much different. While private enterprises are

operated mostly for profit, public enterprises are established with the overriding objective of providing public services. The case of JNR whose main objective is to provide rail transport service is a manifestation of this. In striving to generate profit, the private enterprises have to be continually efficient and competitive. Their management style is therefore very dynamic, systematic and flexible to volatile environment. The public enterprises do not have these elements in them because they are just instruments for the government to carry out service-oriented projects that are not profitable at all.

The management styles witnessed in public enterprises are aligned with the established procedures that have been set up in the pre-modern era. The executives are not so much concerned with profit as long as they are efficient in the discharge of public duties. In other words, unlike their counterparts in the private sector, they do not normally create initiatives to face changing situation; rather they reacted to changing environments. This is where public enterprises are very weak at because by the time they try to respond to problems that have cropped up, it will be too late.

A number of Japanese professors who participated in the author's mail survey were of opinion that Japanese public

enterprises are far from satisfactory because of two reasons namely; (i). they are initiated and controlled by bureaucracy and not by people as a whole and (ii). the people do not have enough understanding about nor the sympathy for the public enterprises. It has been the views of most Japanese scholars that the dilemma facing public enterprises in Japan has been due to the use of these corporations as extensions of overt bureaucracy, i.e as lucrative retirement spots for government officials. This leads to a possible breeding ground for corrupt relations between the government and business.

There are however some managers in Japanese public enterprises who realise that they must manage along the private line to be competitive and successful like the private enterprises, but it is difficult for them to do so with the so many restrictions, i.e. red tapes, imposed on them. Unless the bureaucratisation problem is tackled, there is not much these managers can do.

It is clear from the discussion above, the public enterprises in Japan share the same dilemmas as the typical public enterprises. It might be thought that with Japan's much vaunted management style's excellence, the Japanese public sector enterprises would in fact be efficiently run. However, the reverse is the case and they manifest many of the weaknesses to be found in public



corporations elsewhere. This might be encouraging in one way but it does cause a problem if the Japanese have failed to transfer their best management techniques into their own public sector.

In summary, it can be concluded that public enterprises, whether those in Malaysia or in Japan, face the same universal reality. They are government instruments created for achieving certain government purposes. Because these objectives more often than not, run counter to the objective of generating profit, they always face problems of low productivity, inefficiency and mismanagement. It can be concluded from the above discussion, public enterprises worldwide including those in Japan and Malaysia, face similar problems although the magnitude of these problems may not necessarily be the same.

## CHAPTER FIVE

### JAPANESE-STYLE MANAGEMENT

#### 5.1. Objectives of the Chapter

This chapter is the backbone of the thesis. It attempts to provide a literature review of Japanese-style management. The chapter begins with a brief history of Japan as a major economic power. This is followed by a discussion suggesting reasons for the recovery and success of Japan. Lastly, this study describes the various elements of Japanese management practices, the merits and demerits of these practices, based on the available current literature. This part of the discussion would be addressed as follows; firstly, the functional aspects of Japanese-style management is discussed; then, the operational aspects; and finally, the major practices of stereo-typed Japanese-style management.

What is being described here as the Japanese-style management represents the traditional Japanese management features and therefore, some may say, does not depict a true picture of Japanese-style management occurring in Japan today. The author agrees with this view. The discussion has been specifically confined to the stereo-typed Japanese-style management which came into prominence in the last two decades. For the purpose of this study,

it is referred to as the traditional or stereo-typed Management Model which had developed mostly from the early days of post-war Japan's industrialisation period. The reason for choosing these traditional Japanese practices is that it is these Japanese practices that created a lot of interest among scholars, policy-makers and practitioners throughout the world in the mid 1970s and also early 1980s.

There is also a more important reason why the author has chosen to focus on the stereo-type Japanese management practices rather than the latest Japanese-style management (for detail, refer to Okazaki, 1989). When Malaysia first attempted to import Japanese-style management into the country, what policy-makers and leading politicians in the country were particularly keen to transfer was precisely those typical or stereo-typed Japanese management practices, which at that time, were said to have been used very successfully in Japanese firms.

There will be however, some discussion throughout the chapter regarding some new trends in the development of Japanese-style management which have occurred of late. The author is well aware that like any management system, the Japanese-style management is not static and obviously it is undergoing some changes in response to a new social environment within and outside Japan to which Japan must



react. Such a development will not be given wide coverage as it constitutes a separate unit of study in itself.

The main aim of of this chapter is to highlight in a simple manner the most common Japanese-style management practices used by the Japanese corporations especially in the 1970s and mid 1980s that catapulted Japan into prominence worldwide. This discussion together with other related discussions in the remaining chapters, will be used by the author to address the transferability issues of Japanese-style management and subsequently to arrive at a conclusion regarding which of these practices would be transferable to or/and adopted by the Malaysian public enterprise sector.

## **5.2. Japan as a Superpower**

Japan is an island nation lying off the east coast of Asia. It has the general shape of a crescent and extends 1860 miles from tip to tip. The country is made up of four main lands namely Honshu, Shikoku, Kyushu and Hokaido which together with more than 4,000 small islands are collectively referred to as the Japanese Archipelago.

Japan has a land area of 146,000 sq. miles. For comparison purpose, Japan is slightly larger than the size of Malaysia, one twenty-sixth that of China and one twenty-fifth that of the United States (US). In this land of

rising sun, there lives about 120 million industrious people.

Since the Meiji Restoration in 1868, Japan has used the advanced countries of the West as its model for modernisation (Morishima, 1982:p.52). The main goal of Japanese people then was to copy the western technologies of the time. This they did very well. Now, the Western countries are beginning to realise how fast Japan has caught up with them and in fact a number of western countries which taught the Japanese advanced technologies many years ago are learning the the latest technologies and managerial practices from Japan.

The Japanese and their technology have not been highly regarded by people in the West until very recently. Hayes said that:

" twenty years ago most Americans pictured the Japanese factory as a sweatshop, teeming with legions of low-paid, low skilled workers trying to imitate by hand, with great effort and infrequent successes, what skilled American and European workers were doing with sophisticated equipments and procedures" (Hayes, 1981:p.57).

That image has long gone. Today, the Japanese have won the respect, admiration and perhaps envy of those who once

looked down on them as a result of their ability to flood the international markets with cheap but high quality products from Seiko quartz watches to Toyota cars. The idea that "Made in Japan" is synonymous with poor quality is long dead (The Star, June 26, 1982).

The pace of industrialisation in Japan during the last hundred years has been most remarkable, and this incredible achievement has attracted serious attention worldwide. In a mere two decades after the destruction caused by World War II, Japan has again emerged as one of the world's great industrial nations.

By the 1980s, Japan had become a leading economic, (especially manufacturing) industrial and also increasingly a technological, scientific and financial power. She has overtaken the US as a leading manufacturer of automobiles and consumer electronic goods. She was for sometime the leading shipbuilding country (only recently overtaken by South Korea) in the world and constructs about half of the world tonnage. She also leads the world in the production and use of microcomputer-controlled robots. Japan has long replaced West Germany as the leading manufacturer of high quality cameras and lenses. The Japanese have outstripped the Swiss as the global Titan in watch-making and are narrowly behind the Germans as the world's largest exporter of textiles.



The GDP per capita in Japan today also is higher than that of US. The Japanese balance of trade surplus was at its highest in 1986, at approximately 5% of GNP (Giraud, 1987:p.385). In recent years, Japanese productivity has increased at some 400 percent of the rate enjoyed by the United States (Cosier and Dalton, 1986:p.63). She is indeed the the new superpower. What are the key secrets for her enormity of success as a superpower?

### **5.3. Factors Contributing to Japan's Success**

Before focussing on Japanese-style management itself, there are many other factors or variables which would have to be taken into account, which underlie Japanese-style management. Many factors have been put forward explaining the reasons for the so-called Japanese miracle. The author would like to discuss some of the most important variables that have been most frequently quoted as contributing to the Japan's postwar phenomenal success.

#### **5.3.1. The Government-Business Collaboration.**

The cooperation between the government, the bureaucracy and the big business in Japan is one of the contributing factors that has helped Japan to develop into a highly successful nation. The 'conspiracy' theorists argued that the basis of Japan's success as a developed economy has been attributed to the very high degree of industrial co-ordination between producers, banks and government

(Bishop, 1981:p.43). The role of government via the Ministry of International Trade Industry (MITI) which works closely with the industrialists has been instrumental in shaping, directing and assisting Japan's industrial development. Rosenberg (1986:p.53) mentioned that the West has labelled the Japanese government-business cooperation as "Japan Incorporated" whereby the government has manifested its serious commitment to make Japanese industry competitive on the world market.

The strong commitment given especially by the early Japanese government to the industry is to be understood in view of the fact that Japan is comparatively a late starter in industrialisation. The government has not much choice but to encourage, guide and bully her industrialists into channelling their efforts into areas which the state saw as the best for the nation (Gow, 1987:p.15). However Gow did not see this as a conspiracy. Such allegations may be partially true of the 1950's. However MITI moved from the key actor in a planned developmental stage in the 1950's to the role of an indicative planner in the 1960's; but in 1970's and 1980's MITI had simply been content to provide a vision statement based on great collaboration with industries (Johnson, 1982:p.25-28). Today the Japanese government takes a more advisory role in part because of the major changes in the external environment and to some extent, in the internal

environment. It is also said that Japanese have evolved a systems approach where the joint objective of government and business has been to achieve the national and enterprise goal of economic development and higher productivity (Keegan, 1975:p.66).

### 5.3.2. Historical Factor

The success story of Japan could not have happened without the help of the historical events that she had undergone. This is what many writers called historical factors. The defeat in World War II suffered by Japan was in fact a blessing in disguise. From the debris of major conventional and atomic bombing, she was forced to start from scratch as she is poor in natural resources of her own. In order to survive, she had to devise an effective technological strategy to catch up with the West (Kassem, 1974:p.36). This was the second time that Japan has to adopt the pursuer model to catch up. Some writers believed strongly that it is this "catch-up" mentality of the Japanese which has helped to drive the Japanese to become a leading nation today. After the war, Japan was forbidden to rebuild her military strength. There is a school of thought which argues that had Japan not entered and subsequently lost the war, perhaps she would have become a strong military power today, like for instance the U.S.S.R, which is very powerful militarily but is lacking behind economically. Such a hypothesis may appear



extreme, but nevertheless, the fact remains that as a result of the imposed constitution (i.e Article 9) by the Allied Forces which prevented her from becoming a powerful military state, she was forced to chart a new course, i.e. the economic reconstruction, and has succeeded in becoming a powerful nation economically.

There is however another school of thought which claims that because of the humility suffered from the war, there has been a strong widespread feeling of anti-militarism among the new generation of the Japanese. They want nothing to do with war. However, they did not discard the old ambition of becoming a number one nation. This led some scholars to subscribe to the so-called New Co-Prosperity Sphere theory in explaining Japan's rise as an economic giant. The theory suggests that it has been the national wish of the Japanese to conquer the world by economic means which she has failed to do so by military might. Although this view is rather controversial, there are certainly some people (including the author of this study) who ascribe to being some truth in this particular interpretation.

### **5.3.3. The United States's Postwar's Role.**

Japan has every right to have been very bitter about the war she lost and would never forget the catastrophic bombing of Hiroshima and Nagasaki by the Americans. But

Japan must also have been grateful for what the United States did for her during the reconstruction period after the conclusion of the war. It was said earlier that the US had assisted greatly in providing political stability by introducing administrative reforms to the country. It was also the Americans who introduced to the Japanese some modern management techniques such as quality control and total quality control through the works of people such as Dr. W.E. Deming and Dr. J.M. Juran. The Americans also provided some economic assistance in the reconstruction of the war-torn empire from scratch. When the assistance from the American was drying up, the Korean War involving the Americans in the 1950s artificially boosted the Japanese economy as did the Vietnam War in the 1960s.

But most important of all, many observers of Japanese management claim that it was the defence arrangement provided by the United States which was to benefit Japan tremendously. As the result of the Allied Forces' imposed constitution, the Japanese has not developed a major military force. In fact the Japanese have relied heavily on the Americans on the external security (Chapman, Drifte and Gow, 1983, p.3-54). Until today, the national defence budget of Japan has been very small as compared to her prewar period (around 1 % of her GNP), thus enabling her to channel her wealth more into commercial development.

Ironically, even today when the Japanese have almost surpassed the Americans on most fronts, the Americans still help the Japanese, at least indirectly. For example, the American government has continued to allow the Japanese favourable access to their markets with Japanese goods at the expense of the former's own industries. However, recently because of trade friction, Congress passed an omnibus trade bill called Super 301 which threaten to positively discriminate against Japanese import unless the Japanese open up certain key sectors of their own industries to the American goods. The US, has until recently liberally allowed the Japanese to buy real estate, but there is growing investment friction against the Japanese buying up American properties. The fact remains that many Americans today feel that the Americans have assisted the Japanese far too much and far too long. The American government has not done enough to tip the scale in the American favour, although it has been acknowledged that it has been trying for a very long time but with very little impact in some areas.

#### **5.3.4. Political Stability**

The economic prosperity of a country cannot be sustained unless there is political stability. The same can be said of the Japanese nation which has hitherto enjoyed consistent political stability. In the initial period



after the war, the Americans took the credit for introducing a more democratic form of government in Japan which provided her with the necessary stable political environment to industrialise rapidly.

Today, Japan still enjoys that stability although there have been some political scandals leading to the resignation of two prime ministers said to be involved in corruption and sex scandals respectively. The reason for this political stability according to Kaifu (1980:p.212) is that there is only one political party, the Liberal Democratic Party, which has been in power almost continually in the post-war period (except one year in 1948). The long-term economic planning and other consistent public policies were made possible because of there was no opposition and changes in national policies were not frequently made. One can take India as an example, to realise the truth in this argument, where too much politicking and frequent changes of political parties controlling the government have caused chaos that made it impossible to establish a long-term policy.

#### **5.3.5. Japanese Culture**

It has often been said that Japan is a successful nation because of her culture. The most important cultural aspect of Japan is the homogeneity of its people. Although there exists a small number of the Ainu (original inhabitants of

the islands), Koreans and Chinese, the fact that these groups form a minority and that they have assimilated easily into the Japanese mainstream population, makes the Japanese the most homogenous people in the world. Professor Gow pointed out that:

"In terms of shared aims, shared values and shared tastes this facilitates mass communication, mass education, and even mass motivation for political or economic nationalist purposes" (Gow, 1987:p.1)

Kassem (1974:p.42) argued that Japan is a "we-oriented" culture which places a high premium on consensus and loyalty as appropriate values. The Japanese readily identify with groups, and subordinate their personal interests to the will of the whole group. Groupism, paternalism, worker's loyalty and a high level of work ethics are the variables which constitute the cornerstone of Japan's miracle. They are associated closely with the Japanese culture.

The core values of the Japanese culture (Sethi et al, 1984:p.7) are Amae, which refers to a feeling of dependence that describes a desire to be passively loved and protected from the world of objective reality; On, which is an obligation passively incurred from the point of view of the passive recipient; Giri, which means a bond

of moral obligation and debt that must be repaid and; Ninjo, which can be defined as human feelings that spontaneously occur and that include all the natural human impulses and inclinations.

Some writers (Fukuda 1987; Nakane, 1973) explained that Ninjo and Amae may give an explanation for the elaborate system of decision-making by consensus commonly adopted by Japanese companies whereas On and Giri within a group are exacting and rigorously binding. Foreigners who want to study the success of the Japanese people would have to study the culture first in order to understand the mentality of the Japanese people who have been very successful. It is not the intention here to say that Japanese culture is the most superior of all cultures in the world, but the fact of the matter is that there is a strong relationship between the success achieved by the Japanese and the cultural environment they live in.

Mathew (1989:p.175) saw the Japanese supremacy in light of the way people have been regimentated. He observed that executives and families returning to Japan from abroad must conform to the constricting Japanese norm, or face opprobrium, condemnation, or even being ostracised, until recently. He further stated that Japan's post-war tack in educational and industrial policy has given individuals little choice but to conform, mainly because of social



pressures. This is of course, the essence of a Confucian-type society.

### 5.3.6. Resource Scarcity

As had been mentioned earlier, Japan is very poor in resources. She has to find other means to feed her people and to replace resources taken from her when her empire was removed by the Allied Forces. Realising the perilous position she was in, she targeted value-added exports based on improved quality, ever increasing productivity, low prices and market share as her strategy to capture world markets.

Because the Japanese have no real natural resources except for human resources to depend upon, they are taught from an early age to work harder in order to survive. If they falter, it would surely be a disaster for the nation. It is often said that Japanese workers are the most industrious people in the world. They are always referred to as workaholics who genuinely enjoy their jobs late into the evening long after their counterparts in other parts of the world have gone home. Japanese workers work for about 2100 hours a year compared with the 1900 hours of British workers (Dore, 1985:p.10). Unlike workers in Western countries, they often do not expect to be paid overtime for all work done on behalf of the company outside working hours i.e, setting up machines, QCC etc.

Such is the mentality of Japanese workers. It must be mentioned however, the younger generation of the Japanese has often been accused by their older generation as not having the correct attitudes. The younger Japanese, probably because they have not tasted the hardship and poverty of the early post-war days, are said to be less patient with the slow promotion system and do not really identify themselves with the companies they work for, according to the older Japanese. It was further suggested that this might have been the result of an affluence society. However, despite this criticism the Japanese companies should find some comfort in that the Japanese workers of today are still the most productive people in the world; and perhaps the most creative workers too.

#### **5.3.7. 'Late Development' Hypothesis**

Japan's ascendancy to a leading industrial power is attributed to her status as a late starter, so said some scholars. Dore (1973) called this success factor the 'late development' hypothesis. He said that since Japan started to industrialise late compared with Great Britain, she was able to gain considerable advantages by learning from the earlier experiences of the already industrialised countries.

According to Dore's argument, there is a penalty for taking the lead in the path to industrialisation. Japan

escaped this penalty and evidences suggested she benefited by applications of borrowed technologies she obtained from industrialised countries in the West. Many analysts concurred with this argument by observing that Japan has the advantage of learning from industrialised countries like United States, Germany and Britain.

#### 5.3.8. Competitive Market.

The Japanese have been successful economically because they have been very competitive in business pursuit. For example, the competitiveness of the market can be seen best in the fact that Japan has 8 domestic car companies all fighting for the same market share and if one of those companies goes on strike, because it only has enterprise union, the other companies go on overtime. Also, the Japanese firms are very competitive as a result of an atmosphere which is characterised by a highly competitive market where the fittest survives. The intensity of competition can be seen from the fact that there are about 20,000 bankruptcies a year reported in Japan.

On the international front, some Japanese scholars have attributed the extra-ordinary feat of Japanese in dominating international markets not so much to the superior manufacturing techniques but rather to the superiority in her marketing strategy. Others especially



the Americans simply accused the Japanese of dumping tactics. There may be an element of truth in both claims. But what is also true is that Japanese products have proven to be of high quality when compared to products of other industrialised countries. This is what makes Japanese products attractive which in turn, entices stores in the major cities in the world to stock them. The success of Japanese goods in penetrating the world market has tremendously helped her in accumulating surpluses in the her balance of payments, thereby strengthening her economic position. Clearly, the reason for such a success enjoyed by the Japanese has been attributed to the strong competitive power of the Japanese firms, who make quality products; price them competitively; and market them extensively.

With the value of yen increasing, one may argue that the Japanese goods are no longer as cheap as they used to be, but why are Japanese goods such as Canon cameras still capturing large world markets? The answer to this is that the Japanese, after having procured an established market at international level, continue to woo consumers by concentrating more on quality. With the emergence of more educated and affluent consumers, gone are the days when people were only attracted to goods with low price. Today, it is a consumer's market and the majority of the

consumers of today are more quality conscious than ever before.

### 5.3.9. The Japanese Trading Companies

The discussion of Japan as a world economic power is incomplete if one excludes the role of her somewhat unique trading companies, the sogo shoshas. Hasegawa (1986) painted the following picture of the role of these trading companies by saying the following;

"One of the outstanding characteristics of Japanese trading companies is their wide range of products, reaching into the tens of thousands. Indeed, a common saying has it that they deal in everything from nuclear reactors to chinese noodles" (Hasegawa, 1986:p.81)

The sogo shoshas, as will be discussed in detail later in the chapter, have made many important contributions, of which the most important ones being (i). the handling of information flows for import and export transactions; (ii). financing imports and exports; and (iii). providing transportation and storage services. Suffice to say at this point that the sogo shoshas, are unique business institutions combining many features of business that facilitate trade flows and develop trade and industrial activities. They are trade specialists which had obviously

helped Japan to override the turbulent waters of world economy.

#### 5.3.10. Big Business versus Big Business Group

The success of Japan can be seen in the light of its large business group. The groupism found in Japanese society, is reflected also in the interrelationship between enterprises in Japan for it is the large corporate groupings rather than big firms per se which best reflects the unique nature of the company life (Gow, 1987:p.1-3). He observed that the pre-war companies, the zaibatsu, have been succeeded by large scale horizontal enterprise groupings, kigyo shudan, and vertically integrated enterprise groupings, the keiretsu. They provide a complexity of networks which are mystifying to most Westerners. The economic miracle of Japan have been explained by Japanologists as the result of the strong ties and cooperation of companies within the big business groups.

It has been observed that there is considerable competition between these industrial groups. However, there is almost no competition existing between companies within an industrial group. This is because each group makes it a point not to duplicate activities among member companies (Sethi, et al, 1984:p.22). The industrial group, which mainly consist of large corporations combine their



resources to help each other. For instance, when a member company has excess labour, it can transfer it, either temporarily or permanently, to another company that needs them, thereby avoiding the laying off of the affected employees.

### 5.3.11. Long-termism

The Japanese decision-makers are noted for their ability to adopt long term perspectives. Japanese companies have been noted for their preference for long-term growth (Bishop, 1981:p.87). One reason for this is because in running their companies, they are not so dependent on shareholders as is the case in the West. The long-termism of the Japanese is also clearly illustrated in the nature of the way the banks were constructed to help an industrialising state. These banking institutions provide strong support to the business community. Banks in Japan have tremendously helped towards the development of the Japanese economy by channelling the limited capital accumulation to all the sectors and companies most in need of it (Patrick, 1976: p.97). Also, the fact that shareholders in any case normally have business with the firms they buy shares in, which make them more stable, is a clear manifestation of long-termism of the Japanese. Having a "catch-up" mentality also enables Japanese to look long-term. The Japanese top management group of especially big business can be said to have far-sightness

in their planning and this is one of the reasons why Japan is very successful today.

### 5.3.12. Community-oriented Enterprises

The concept of enterprise as the community, operated under a form of managerial familialism has often been used to explain Japan's success (Kono, 1984:p.327). In the eyes of Japanese, an enterprise is considered as an assembly of people, each known as a sha-in, or member, not as an employee of the enterprise. The Japanese enterprises have certainly not suffered as much as Western enterprises in terms of strikes, sabotages, and low morale although such things are not unknown in Japan. As will be discussed later, the Japanese workers display the highest job ethics, loyalty to the company they work for, and consider their company as their family. The bond that binds the employees and the employer is one in which that the Japanese enterprises are considered as their family by the workers. The Japanese enterprise in turn look after the welfare of employees as a family head would normally treat his family members. There is no need for fear of sabotage caused by each other, or confrontation between them. Thus, a Japanese enterprise continues to maintain stability and concentrates on more important matters for the benefit of every member in the organisation. Seen in this light, it can be said that the members see the organisation as an end in itself. They perceive a shared

fate and a common bond with all members; regard it as a long term committment, and allow the complete fit between personal and work life.

### **5.3.13. Technological Advancement**

Japan's success as a superpower is of course also due to the technological transformation she has undergone during the last thirty years. At the beginning of the Meiji Restoration, 120 years ago, Japan was very backward in scientific and technical knowledge. In the earlier days, Japan had benefited from her enormous spending on foreign technology, which she perfected for commercial use. She was branded a 'copycat' nation. But that has changed now. Professor Gow warned that Japan no longer rests its manufacturing excellence on borrowed technology. He further said there is clear evidence of creativity and pioneering advance in indigenous Japanese science and technology which is obviously seen from the strong support of the government towards the technopolis concept (Gow, 1988a:p.129). Japan has indeed assumed technological leadership. Japan's technological progress is attributable to the untiring efforts made by Japanese engineers, technologists and scientists to remain in the forefront of technological advances.



It is also said that other factors such a high savings and investment, well-educated and motivated labour force, an intensely competitive domestic economy are also the driving force behind Japan's technological progress (Abbeglen, 1984:p.219).

Today Japan invests heavily in R & D to maintain her technological lead especially in civilian technology. Sato (1987) pointed out that Japan's expenditure on R & D in 1984 was US\$30 billion, which is 2.6 % of the GNP. The Japanese R & D expenditure has been expanding as her economy strengthens. The realisation by the Japanese companies that R & D must be expanded at whatever cost in order to survive the fierce competition at domestic as well as international markets also increased R & D spending in Japan in the 1980s (Hasegawa, 1986:p.103).

It is widely acknowledged that Japan is particularly strong in technologies for mass production. This is echoed by some scholars who found that Japan is in the lead in peripheral areas, but has a well-known weakness in the software sector. However, some western observers are quick to point out that Japan is quite ahead in the field of optics; electronics; miniaturization; advanced research in big-technology; fifth generation computers and composite materials.

#### 5.3.14. Educational System

The Japanese educational system is one area which is often overlooked in explaining the reasons for the success of the Japanese society as a world power. Yet, it is a very important one. Japan has about 450 four-year universities and even a larger number of two-year colleges (Okazaki, 1989). Japan is reputed to have produced the most engineers in the world. But it is not so much these universities that make Japan so successful. In terms of number, the US has the most universities in the world. In term of standard, comments by visiting professors and educationists on the standard of Japanese universities are not encouraging. The best universities are comparable to their Western counterparts, but many are much poorer. It is difficult to judge the quality of Japanese engineers that are produced by Japanese universities but in some cases, we are not so much talking about engineers being produced as graduates of engineering faculties which often include subjects such as urban planning which would not be recognised as engineering within the US. There are questions over the quality and the quantity of these engineers.

The universities and colleges in Japan also cannot be really said to be the key educational establishment underpinning in Japan's post-war success for these institutions themselves do not believe in (and hence do

not provide) the training industry needs. For instance, there is only one university (Kieo University) known to offer a Harvard-style MBA course (although an MBA qualification does not necessarily make a good manager) and so, unlike the Western universities, the business faculties of Japanese universities cannot be said to be training avenues for future managers. In fact, business faculties only exist in private universities, not in the state universities. There are other MBA programs conducted for training business studies teachers going on to DBA and they are not use to prepare people for industry. Another interesting aspect is, except for some prestigious universities such as Tokyo University, Kyoto National University, Waseda University and Kieo University to name a few, many Westerners have loudly criticised Japanese universities as unimaginative and more of honeymoon havens for courting Japanese youngsters to hibernate after having passed the so-called "examination hell".

It has been generally agreed that the educational system of Japan is particularly effective at the primary and secondary education levels. The government of Japan rightly considers education as very important and it has made considerable investment in controlling and supporting the primary and secondary education system. Over 60% of new comers to elementary school attends at least one year of kindergarten, according to a report on School Basic



Statistics 1988 of Ministry of Education. It also said almost 100% of children get lower secondary school education (up to 14 years). About 93% of Japanese children today go on after 16 years of higher secondary education making Japan the most literate nation in the world (Kato, 1985:p.577). They receive a very thorough, very traditional education in the three R's. They attend school for longer hours; do more homeworks and have shorter holidays than western school children. After school, children attend extra classes and have private tuition. The teachers are very dedicated and spend many hours on extra-curricular school activities unmatched in other parts of the world. The parents compete against each other to send their children to the best schools and provide avid encouragement and facilities for their children so that they will go to the best universities. Such regimentation lies in the attitude of parents who consider that half the battle is won by having successfully ensured that their children reach university level for there awaits a stable job upon completion of a university education.

The Japanese are well educated. The level of education among the Japanese population is perhaps the highest in the world in that the Japanese are almost one hundred percent literate. The Japanese are avid readers and Japan has probably the largest number of journals and magazines

in the world. It is said that there are about 3,500 publishers; 25,000 full-service bookstores and each publisher is said to offer 50 to 80 new titles a year (Okazaki, 1990)

It would not be inappropriate to say at this juncture the education system in Japan has been detrimental in moulding the Japanese society into a highly successful nation. Western educationists unanimously agreed that Japanese education is extremely competitive and some may consider it somewhat cruel to Japanese children. Nevertheless, this has given Japan a well-educated population. Today, the Japanese are the most well-read people in the world. The workforce found in Japan, is better educated, when compared to their counterparts elsewhere. What are the implications of this? The Japanese organisations have been placed at a much more advantageous position than organisations in other parts of the world because by having educated workers (an average of about 18 years of schooling) they can cope better at work. For example, the time required to train and retrain them would be relatively shorter than to train workers with lesser educational backgrounds.

Also, to have workers who all have completed at least high school education as is the case in Japan, is considered a great asset because these workers would be able to follow

instructions or adapt to changes regarding work relatively faster than a group of workers who are less educated.

**5.4. Japanese-style Management - An overview.** In their book entitled "The Art of Japanese Management", Pascale and Athos (1981) concluded that "the major reason for the superiority of the Japanese is their managerial skill". In the previous pages, the author has tried to show that there may be other factors other than the managerial skills. Nevertheless, managerial skills and systems have played an important role.

One of the most important reasons behind the Japanese success has to be its management style, the so-called "unique" management model. Although claiming Japanese-style management as "unique" is very subjective to many; inaccurate to some; and provocative to others, one can hardly dispute the fact that the Japanese-style management practices have played an important role in Japan so much so that many other countries have, for sometimes, been studying them seriously. When one carefully studies the impact of consensus decision-making and group participation on employee's morale; the display of high work ethics and loyalty which increase productivity; the production methods like JIT, kanban, QCC which leads to almost zero-defect, high quality products in Japanese factory; the lifetime employment and seniority-wage system



that creates a stable workforce; the aggressive marketing strategies supported by the role of sogo shosha in helping Japan to maintain dominant position in world market, all of which are among major features of the Japanese management system, it is very difficult not to conclude that Japanese management methods are an important (may be the most important) factor that has made Japan an economic superpower that it is today. Having said that, the author wishes to proceed with the discussion of what Japanese-style management is all about.

#### 5.4.1. Definition

Various terminologies such as Japanese management; Japanese-style management; and Japanese management system have been used by different scholars to describe the management practices and policies used by Japanese firms especially in Japan. It can be really confusing to readers as to whether they are referring to the same thing. The author will use the term Japanese-style management most frequently throughout this study. Japanese-style management is defined as the specific strategic and administrative process that Japanese organisations in Japan have adopted in the course of their activities (Cynthia, 1985:p.1). It will be used interchangeably with the term Japanese management. The term, Japanese management system refers to the ecological, cultural and institutional environments in which Japanese

organisations operate. It will also be used in this thesis interchangeably with the Japanese management model.

As mentioned earlier, most of the sources of references have been obtained from scholars of Japanese management whose articles or writings dated back from the period of the mid 1970s to the early 1980s. Thus the Japanese-style management practices referred to in the study will be those of the early period, commonly known as the stereotype Japanese-style management. In view of the changing environment that has taken place in Japan, some of them are perhaps considered outdated and therefore may no longer be representative of the Japanese management picture in Japan today (neo-Japanese-style management).

#### **5.4.2. Four Managerial Functions of Japanese-style Management**

The basic concepts of Japanese-style management can be best described and understood by looking at the four basic functions of management namely planning, organising, leading and controlling, as well as the major operational elements namely decision making, communication and leadership style that are carried out, typically in large Japanese organisations.

##### **5.4.2.1. Planning**

It is said that Japanese executives excel in long-term

planning and give less emphasis to the rate of return on investment in the short run (see Kagono et al, 1984). Some critics however are of opinion that the Japanese top management are not so much planners as official vision setters and facilitators. For example, the chief executive officer of a typical big firm in Japan would announce a long term vision of what the company wishes to achieve and the employees are expected to accomplish it. The stand taken by the author here is that the top executives of Japanese corporations are indeed both excellent planners and vision setters, because when they lay down the vision for their organisations, they are in fact doing a form of long-term planning.

In fact, approximately 70 to 80% of large Japanese firms have some form of long range planning (Kono, 1984:p.243). Yearly surveys carried out since 1973 by Japan's Ministry of International Trade on the capability of 540 corporations in Japan showed that 73% in 1974, 71% in 1975, 64% in 1976, 66% in 1977, 67% in 1978, and 74% in 1980 had long range plans. Kono also observed that in Japan two plans with different time horizons are becoming popular. The company has a medium range plan in addition to the long-term strategic plan. The long term plan which normally covers a five-year duration centres on the strategy of the organisation while the medium range plan, which covers two or three years, usually consists of a



detailed schedule of projects, planning by products, capital investment and financial plans. In the West, long-run planning is generally meant to be strategic in nature; and it is used to make strategic decisions based on a long-range forecast. However, in Japan, long-run planning seems to be used mainly for two purposes; namely (i). to clarify goals and policies of the company and (ii). to examine basic problems of the company.

The planning process is of three types. They can be classified as bottom-up, top-down and interactive (Kono, 1984:p.252). The bottom-up planning process is where the planning department, acting as a coordinating unit, collects information, goals, strategies of departments and presents them to the top management to be used as input in the formulation of the corporate overall goal. In the top-down planning process, basic information, goals of each department and key strategies are decided at top corporate management level who then hand them down to operating units or departments as guidelines. These departments in turn build up tactical plans in line with those predetermined guidelines. It can be seen in this case that the operative departments have less say in the corporate strategic planning formulation. The interactive process of planning refers to the combination of the two above approaches. Here, ideas are formulated by interaction between top management, planning department and operating

units or departments. The planning department collects environmental information and will submit strategic issues to the top management group, who in turn will decide the goals and broad direction of the organisation. The operating units or departments will follow the guidelines given from the top and build a strategy and operational plans specific to them.

#### 5.4.2.2. Organising

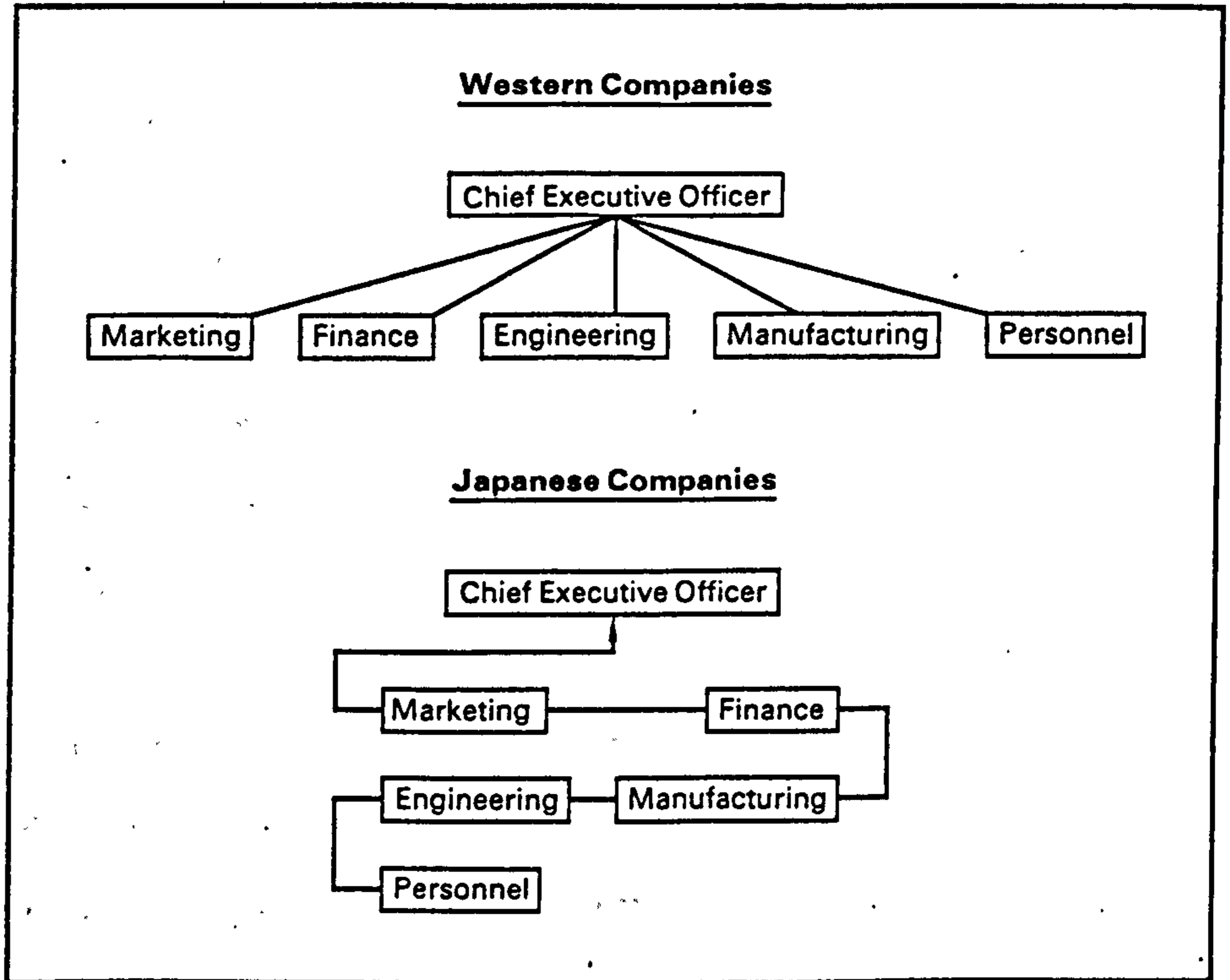
Japanese managers and workers can be considered to be very well organised when it comes to work ethics. The workers come to work early and return home late. Actually, absenteeism among workers is low and long strikes which interrupt production rarely occur. The organisational abilities of Japanese employees with regards to work methods is equally impressive. Work normally start with a daily morning meeting before actual work and in some organisations there are of course the famous morning excercises. The organisational features of a typical Japanese firm display an established communication network (i.e. quality circles, suggestion system and ringi system.

The predominant organisational structure of Japanese firms is that of an organic structure (Sato and Hoshino, 1984). An organic organisational structure refers to a structure which is characterised by a low degree of formalisation, standardisation, and centralisation (for detail, refer to Burns and Stalker, 1961). It has been maintained that this organic structure is superior in terms of its adaptability to environmental change. There is no clear-cut delineation between functions in Japanese firms (Bolwijn and Brinkman, 1987:p.33).

The Japanese organisations appear to take a decentralised approach to self-management as evidenced by the use of QCC and bottom-up management techniques. The Japanese also tend to take on McGregor's Theory Y attitude easily whereby they enjoy work and responsibilities (Riehl and Kleiner, 1987:p.4). Thus, employees have a capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organisational problems. At the same time, the overall attitudes and values of the organisation are centralised in the finely tuned synchronisation of the plant's operations. Unlike that of Western companies, the structure of Japanese companies is such that functional areas are interconnected with each other as shown in Exhibit 5.1 (refer to next page).



Exhibit 5.1: Comparison of Organisational Structure of Western and Japanese Companies



Source: Keegan, 1975: P.63

#### 5.4.2.3. Leading

The leading characteristic of the Japanese Management Model tends to be that of country club-style or democratic style whereby the managers are not really assuming the leading role, but more a facilitator role. Many management experts suggest that the Japanese are weak leaders because they do not really exercise their power and in fact, they are said to underutilise their authority. There is no justification for such a suggestion since the leadership style of Japanese managers seems to work extremely well in Japan.

A Japanese manager in a large firm is normally highly educated, with a university level qualification either in engineering or the social sciences. He is more likely to join a private company rather than a public organisation, and he is usually a generalist rather than a specialist like his counterpart in the West. He would have worked in one company for at least thirty years. He is hardworking and the primary loyalty of a Japanese male manager loyalty is first to his company and then to his family. He would have moved from one department to another, from technical designing to production, or from marketing to personnel. Because of his background, he is a man of diverse experience and has become accustomed to thinking on a long term basis.

There are reasons why a Japanese manager normally adopts a democratic style of leadership. An aggressive leader is considered inappropriate in a society like Japan because aggressiveness is very strongly linked with individualism. Also, being aggressive is not suitable in Japan where elders are highly respected for their age and position. A manager or even a plant supervisor is always accorded a father figure and he in turn treats his subordinates as his children. The manager normally knows or remembers his workers' names and if he walks past them, he will be among the first to greet them. In return, he is highly respected, if not, well-liked by his subordinates. This is, in some respect, similar to Peter's concept of "Management By Walking About".

Another quality displayed by a manager of a typical Japanese firm is the fact that he is not really a leader in the literal sense but more of a coordinator. In a comparative study of 3641 managers from 14 countries, it was found out that the Japanese managers scored highest in advocating the subordinates' participation (Haire, 1966). In the organisation, the Japanese manager sees his task as that of improving on the initiatives of others and creating an atmosphere in which subordinates are motivated to strive harder in achieving organisational goals. So the responsibility for corporation's success rests not just with him but with all employees. As such he encourages an



open-door policy, in that an employee has access to him, regardless of the chain of command. Such access is facilitated by the manager spending less time in his office and more time in the large open work area with his subordinates.

Smith (1984:p.122) summarised the characteristics of a Japanese manager as follows: he is a sensitive individual and cares for the workforce; he is open to suggestion from below; he has detailed technical expertise; he usually displays overt criticism of task failures; he possesses a sense of personal accountability for failure of subordinates and he usually seeks out a consensus from subordinates in making a decision affecting them. Such leadership qualities have been praised by Westerners because they can greatly promote harmony in an organisation.

On the other hand, the Japanese leadership style may not be appropriate at times. Because, he does not display firm and strong leadership quality, the manager would not be able to dictate the tempo and direction of the organisation that he personally desires. Giving too much freedom can diminish his already limited power and authority. Ideal as it looks, low profile type of leadership style can backfire if one cannot handle it properly. This is not really the problem in Japan yet, but

matter is that it is one of the weaknesses that is inherent in this style.

#### 5.4.2.4. Controlling

The control mechanism in a typical Japanese management model is not as clearly defined as those found in a typical management system in the West. The Japanese manager does not go to great lengths to be precise and definite in establishing controls. This is because the relationship between the workers and the management in Japanese organisations often assumes the character of a family. This makes the workers more committed, thus making a strict control system unnecessary.

Fox (1977) depicted an interesting scenario of a control system in a typical Japanese firm. He was of opinion the traditional Japanese management system depends to a large extent on internalised values and social pressure to discourage dishonesty. He said it is common for salesmen to handle bill orders and cash collection. He added further:

"...management seals may be duplicated easily, yet fidelity bonding is rarely used, for employees find it offensive. Independent audits are neither required nor made" (Fox, 1977:p.80).

In a study which compared American and Japanese organisations, it was found out that the control process in Japanese firms is characterised more by sharing of value and information and also by self-discipline, while the American control system depends more on output control, i.e. control on the basis of appraisal of performance output (Kagono, et al, 1984).

### **5.4.3. Operational Elements of Japanese-style Management**

#### **5.4.3.1. Decision-making**

One of the most prominent operational elements of Japanese-style management that has attracted worldwide attention is its decision-making. The process of decision-making consists of two systematic procedures called *nemawashi* and *ringi*.

*Nemawashi* is defined by Fukuda (1983:p.22) as "a horticultural term, which refers to the cutting of roots and the rotation of the trunk of a tree to free it for transplantation. When a tree is transplanted, there must be preparations in the form of trimming the roots, wrapping the soil, and binding the branches. This is considered a critical step, and the greatest care is required to ensure subsequent success in moving a tree from one location to another. It is a process very similar in spirit to networking. The abrupt submission of a proposal without *nemawashi* is seen as lacking in



sensitivity and this is contrary to the Japanese spirit, which is based on the preservation of a harmonious atmosphere within an organisation.

The actual decision-making which has attracted most attention in the West, is that of the ringi system.

The author wish to stress here that this type of decision making has a very limited application in Japan but very much liked by people who want to transfer Japanese management practices to their countries. In term of application, ringi is most popular in the larger, older corporations and is more used for routine decision. Rin means submitting a proposal to one's superior and receiving his approval. Gi means deliberations and decisions. In this system, the responsibility for initiating actions rests with middle and lower-level managers who submit ringisho (proposal), while formal and ultimate authority to execute remains at the top (Fukuda, 1983:p.22-24). The ringi decision making process may begin when a section chief of a department (kacho) presents an idea by calling a meeting in his section to discuss the idea. He reports it to the department head (bucho) if his ideas are well-received by his section. After consultation and meeting with other members of the department, the bucho will try to obtain an overall consensus by floating the idea in other departments. This is carried out by circulating the printed document or proposal (ringisho) to

all groups at the level where it is initiated and when it is approved (ie. by affixing one's seal), it is passed to the next higher level where the same process is repeated. Once it has been through this process, it is approved at the top.

If any middle manager or executive is not receptive or find fault with the ringi, it is returned to the person responsible, according to Hasegawa (1986:p.29). He would have to overcome the objection by persuasion or rewrite the ringi. It can be said that this Japanese decision-making process is a very thorough and systematic one. Many experts argue that it reflects a participative, circular, bottom-up and consensual type of decision-making (Iwata, 1982; Pascal and Athos, 1981; Hattori, 1978). Theoretically, no one who has seen the document and consulted it, can say he is not a party to a decision, once the decision is to be carried out.

There are however, some management experts who do not share the view which regards the decision-making process of Japanese firms (especially the successful multinational corporations) as being a bottom-up, consensus type of decision-making. Sato and Hoshino (1984) are of opinion that the practice of ringi is actually confined mainly to the occupants of low to mid-level position managers. Indeed, it is the view of some scholars that

ringi is not an important mode of decision-making in major Japanese firms. Ringi, the proponents of this group argued, is more of a low-level, routine type of decision.

Kono (1984) in his study of successful Japanese corporations found out that in these corporations, the decision-making process was clearly of the top-down model. Such sentiment is supported by Gow (1987:p.13-15) who observed that top-down decision-making is strongly the norm in the new, highly successful post-war Japanese companies especially *chuken kigyo* (dynamic medium-sized firms) which he referred to as Type I organisations. These organisations according to him, are firms managed by top executives who are either actual or *de facto* founders who take the initiatives in creating managerial strategies. These executives are noted for their ability to take risks, make strategic judgements and implement these in top-down manner. With the passage of time and in an era which demands new creative strategies in the face of a highly competitive international scene, the top executives of big Japanese firms are using more top-down decision-making, leaving bottom-up decision-making to the lower managers.

On the whole, the effectiveness of ringi system is clearly evident in getting workers' participation in providing input at work in that they give feedback regarding work



methods or in how they perceive the organisation should be run. Viewed from this perspective, ringi system can be a form of incentive, motivation and high morale for the workers in carrying out their jobs. Productivity of workers are often associated with these types of environment.

As for the junior managers, the ringi type of decision-making is a way of sharing ideas and information in the organisation. It is a form of official practice where there will be consultations and discussions between the various departmental heads carried out prior to introducing anything that affects them directly or indirectly. Unnecessary conflicts and misunderstandings are therefore avoided. This is especially true in the case of nemawashi whereby, opinion testing and behind-the-scene negotiations take place first before any decision is made so that no party is offended or loses face when that decision is finally introduced into the organisation.

On the demerit side, as was explained earlier, the problem with ringi is that it is confined to the routine type of decision-making process, and is not the main mode used in big organisations in Japan. As such, ringi is sort of confined to less important matters only. Also, because the system aims at involving almost everybody who has some interests in it there seems to be a tendency among

Japanese to be so overtly concerned with their desire for smooth relationships that important issues fail to get a full airing (Johnson and Ouchi, 1974:p.66). Managers who disagree with a proposal will in most cases, remain silent rather than upset the relationships they have so carefully cultivated. After all, the Confucian culture has always stressed the need of harmonious relationships among employees to prevail. This may have prompted some writers like Yoshino to suggest that ringi is inconsistent with the modern concept of managerial culture. It is not uncommon under the system for the group sponsoring a particular proposal to consult with others prior to preparation of ringisho. Thus a proposal may, to a degree, reflect the views and opinions of a number of managers concerned with a particular decision.

Another defect of ringi system is that it is essentially a piecemeal approach. There is no prior planning to anticipate future decisions. A proposal is prepared and submitted only after the need to make decision becomes apparent. Each proposal is examined not against an overall policy or plan, but a case-by-case basis. Indeed, under the ringi system, the enterprise is not likely to be managed according to a set of consistent goals and strategies. Lacking an overall corporate objective, the optimum allocation of resources is difficult to achieve. The ringi system lacks a control mechanism; once the final

approval is given, it is virtually impossible for the president or other members of top management to monitor how the decision will be carried out (Yoshino, 1968)

The ringi form of decision-making avoids individual assumption of responsibility for mistakes, just as it denies credit for bold decisions. For Japanese companies, this is not considered a problem but for a normal non-Japanese organisation this could bring chaos. This is because mistakes made by some people may be shifted to others, and likewise, credit for good performance goes to the wrong group or person.

Lastly, the process of reaching a decision by this approach is cumbersome and time consuming. By the time it is reached and implemented, that particular decision is out-dated and of no valuable use any more. This perhaps explains why top-down decision-making rather than bottom-up decision-making is the norm of major Japanese organisations today.

#### **5.4.3.2. Communication Networks**

The second operational element of the Japanese management system that also attracts attention is the communication network process. In any Japanese organisation, whether big or small, communication among workers and between workers and their superiors is very extensive and multi-



directional. Regarding communication, Japanese managers do not believe in writing a lot of memos but instead prefer face-to-face meetings and discussions with their subordinates. Japanese managers in fact find it amusing to see American and British managers exchanging memos even when they have adjacent offices and share a secretary. The Japanese are accustomed to extensive verbal consultation before a memorandum is drawn up outlining the agreed-on consensus (Tsurumi, 1978:p.56-61). A Japanese manager or supervisor always shows a sincere willingness to accept his subordinates' ideas and he discusses matters related to work which can improve job performance.

The most striking difference between the Japanese and Western mode of communication in issuing directives is that the Japanese manager's style is covert and indirect. The less important the proposal or directive, the less clearly the superior makes his intention known to subordinates so that they can derive more satisfaction from taking the initiative. For important matters, however the superior becomes more direct. The American or British manager on the other hand tends to communicate directly by order and command.

Open communication is also an inherent part of the Japanese work setting. Work spaces are open and crowded with individuals from different levels in the hierarchy. A

supervisor does not normally have a separate room and if he does, he will always work together with his subordinates rather than confine himself to his room as is the case in the Western world. Even high ranking office managers seldom have separate offices (Hatvany and Pucik, 1981:p.469-480). Such work setting is deliberately done to cultivate a good relationship and communication networks which are in line with the Japanese management philosophy which stresses harmony and groupism orientation. The workers are encouraged to give their ideas and comments to the management group to help their organisation to improve existing work methods. This is bolstered by a continuing interaction between the plant's management and the workers via suggestions, bulletin board announcements, letters to employees and their families and candid interpersonal conversations (Torrence, 1984:p.27)

In so far as the communication process that exists in the Japanese management system is concerned, the greatest strength has to be that managers as well as workers communicate frequently and extensively among themselves. The atmosphere at work is naturally more lively and friendly because people do not keep to themselves when problems and doubts relating to their work surface. A strong tendency towards understanding and cooperation normally occurs. The high degree of immersion of Japanese to communicate quickly and easily up and down the

hierarchy is one reason why the Japanese workers' morale is very high. This is also the very reason why the Japanese workers are believed to be productive people too. In management there is a motto which says 'A happy worker is a productive worker'.

The suggestion box system which is popular among Japanese organisations also helps create participation of employees in contributing ideas to the company regarding their works or the running of their organisation. This is a positive thing because once the employees are involved with the state of affairs in running the organisation, they would go at pain to make them succeed. They will be the first to come to company's aid should something go wrong because they are also party to those decisions or activities.

The open door policy by the superior of the Japanese organisation is also a big plus to Japanese management. Problems that need immediate attention can go straight to the top level without the hassle of being scrutinised at the middle managerial level. What normally happens with the management style in the West is that problems at the lower level are always concealed by junior managers from the knowledge of those top people; only when they become unmanageable would they be brought to their attention, only to find it is too late to rectify. Obviously, this



syndrome is not happening in Japan because their communication network is very well-established.

There are of course, some problems to be found in the communication system of the Japanese-style management. An employee must know how to read between the lines what is communicated to him because in a Japanese organisation, no clear-cut instruction or manual is given. It does not pose serious problem in the relatively homogenous Japanese society but in a non-Japanese environment where the work force consists of multi-ethnic groups (with different cultures) it can become a real big problem. The loosely defined job description of an individual worker, in the opinion of the author, provides too much ambiguity as to one's role, and may not be practical for non-Japanese firms.

#### **5.4.3.3. Paternalism**

Another popular operational element of Japanese-style management that is admired by scholars of management worldwide is the paternalistic relationship between the employer and regular employees. The employer takes care of the welfare of the employees and their families well, like a father who takes care of his own children's needs. A Japanese employee in return, is said to be very loyal to his company. He is always willing to sacrifice personal interests in order to keep the company prospers. He is

highly committed to his work; always maintains highest standard of work ethics; displays a willingness to accept reassignments; gives his fullest support and cooperation to his colleagues; volunteers overtime working when necessary and participates in after hours socialising with workmates. These attributes seem to justify conventional view of Japanese being called an industrious people.

It has been said that the Japanese worker is a workaholic and one who considers his job the most important thing in his life. In one survey which asked what Japanese workers would first do upon surviving an earthquake outburst in Japan, most of them said they would call their offices first for further instructions rather than call their families (Watanabe, 1982). If a Japanese man were to be asked what he does for a living, the typical reply would be that he works for such-and-such company. If the same question were asked in the West, the typical answer would be "I am an accountant" or "I am an engineer", etc. (Takayanagi, 1985). In other words, a Japanese worker identifies primary loyalty with that of the company he works for.

Regarding the relationship of a superior and his subordinates, both at workplace and outside, the boss assumes the role of a mentor who would teach his subordinate through subtle cues rather than blunt feedback and will try to exercise great patience while the subordinate learns how to interpret the cues and develops his own skills, and reinforcing the basic company philosophy as a conceptual source that helps subordinate to decide what to do in a given situation (Schein, 1981:p.61). The paternal role displayed by a Japanese manager has to be a plus factor. It promotes an atmosphere of family environment which results in familial love and affection among workers at workplace.

#### **5.4.3.4. Groupism**

Another interesting feature of Japanese-style management is the tendency of Japanese workers for group work. An individual worker displays a high degree of cooperation in working with others and at the department level, harmonious relationships exist, each department or division supporting each other when and where necessary.

One writer observed the strong presence of the groupism found among the Japanese workers by saying:



"In a Japanese organisations where everybody thinks together and member of a section or department cooperates and makes efforts for his group, harmonious relations based on mutual goodwill and trust are considered the ideal and that requires each member to show cooperativeness, if not wholeheartedly, at least on the surface" (Iwata, 1984:p.69).

In Japan, groupism has been a powerful tool of control mechanism. The fear that an individual will be shun by the group acts as a form control on member's behaviour in the group. Each individual therefore has to conform to the group's expectation. This explains why Japanese organisations do not rely heavily on formal rules and regulations as a form of control as Western organisations do.

## **5.5. Major Japanese-style Management Practices**

### **5.5.1. Personnel Management**

#### **5.5.1.1. Lifetime Employment**

One of the most popular topics regarding Japanese-style management concerns the practice of lifetime employment whereby a worker will join a firm and only leave upon retirement. This practice however has no legal basis because the Japanese employment philosophy is based upon familial model rather than on individualistic model. It is a moral or psychological contract entered into between the

core employee and the employer at the time of recruitment (Cole, 1981; Iwata, 1982; Dore, 1973).

Under the lifetime employment philosophy, the Japanese worker is seen as a permanent part of the company and his total loyalty is assumed. The members are expected to prosper or falter along with the company (Alston, 1982:p.47). Lifetime employment is thus to be considered as the mutual expectation by companies and employees because the employees once recruited into the company will remain there until retirement.

Regarding the number of people in the lifetime employment in Japan, estimates vary, but it is said to have covered 30% of the work force in Japan namely the core employees of the large private sector firms and possibly in the public sector and local government (Maher, 1985a:p.23). In reality, there exists what is known as a core and peripheral work force in Japan.

#### **5.5.4.1.1. Core Workforce**

The core work force consists of the elite labour workers who represent the regular workers that have been specially selected and this is the main reason they stay with their company until retirement. They are given a lot of additional welfare benefits such as better basic salary or bonus, subsidised housing etc. They are protected by the

companies and unions from being dismissed during hard times; they would rather be relocated to sister companies, or retrained for new jobs. Because they receive so many privileges, they are to some extent, controlled (i.e they cannot easily leave their companies as their Western counterparts)

The degree of welfare benefits given to core workers varies from company to company, with bigger companies being more generous than smaller ones. Three categories of benefits usually provided have been identified. The first category covers benefits to assist employees in situations such as sickness, accident, or death. For example, financial compensation (besides insurance coverage) will be given to the family members of an employee who have accident at work. There are some Japanese firms which even send gifts to their employees who just married or have had a newly born child. In the second category is the educational type of benefit given to the employee who wish to further his studies through correspondence or night classes. He may be given some subsidies to buy text books or may be given leave prior to sitting for the examination. The last category of company benefits is the provision of company facilities for the use of employees and sometimes their family members too. These include holiday homes, subsidised housing, etc. (Hirschmeirer and Yui, 1981). The ratio of enterprises



with various types of welfare facilities provided by Japanese companies are tabulated in Table 5A below:

Table 5A: Ratio of Enterprises with Various Welfare Facilities System for Employees, 1983

Welfare Facilities	Size of enterprise (number of employees)				
	5000 and more	1000-4999	300-999	100-299	30-99
Home ownership paid system	98.1	88.8	65.2	43.5	20.1
Loan system	88.3	78.3	51.5	38.2	20.4
Supplied house	97.7	94.5	84.2	67.6	44.5
Health facilities	95.5	83.0	61.5	46.0	27.2
Facilities for physical training (gymnasium)	95.1	86.2	64.6	55.0	28.0
Leisure facilities (recreation center)	98.9	86.8	61.4	40.9	15.6

Source: Japan, Ministry of Labor: "Year Book of Labor Statistics", 1983, pp.173-175.

#### 5.5.1.1.2. Peripheral Workforce

This group of the labour force is made of the temporary workers, part-time workers, seasonal workers, day labourers. The longest legal contract for temporary workers is one year. Women workers in Japan are included

in the peripheral work force and they are expected to leave jobs when they get married to raise families. They work for the company on an on and off basis depending on the needs and seasonal demand of the company. They are paid a lesser basic salary and bonus and may not enjoy perks as the regular workers. They do not belong to any union. This employment arrangement is very common in the automobile, electric, machine and construction industries.

The other peripheral group consists of the sub-contract workers. It is necessary to distinguish the two major categories of sub-contract workers. The first group consists of individuals working on contract within the firm. This sub-contract labour force is normally provided by labour firms where semi-skilled and skilled workers are provided to supplement the core workers. The other group comprises of workers in sub-contracting firms. Regarding sub-contract workers, they are normally better trained than the temporary workers and are often former regular employee status workers transferred from elsewhere. The use of peripheral worker system provides a lot of flexibility to the company which may use them during good time and likewise stop employing them during bad economic situation. Since there exists core and peripheral workers in Japan, the so-called Japanese lifetime employment is a misnomer and somewhat misleading as it does not represent the entire labour market.

What are the strengths and weaknesses of the so-called lifetime system in Japan? Western experts have not reached a consensus opinion on whether it is a good or bad system. Nevertheless, a number of them agree that the system is the factor responsible for explaining why employee's motivation is high in Japan. In addition, lifetime employment, although limited to the minority of workforce, i.e. 30%, has been successful to a large extent in moulding workforce's loyalty. According to Brown (1987:p.22), this is because lifetime employees have a stake in the company's success. If the company is making profits, their jobs will be secured. They will work hard to ensure the company's success which will also bring security to their jobs.

Lifetime employment is credited with being responsible for the manner in which new technologies, particularly those that are labour saving, can be introduced to the manufacturing process with relative ease. Employees have no fear that the new process will result in job loss or a reduction in pay because they will be retained for other technical, management, or sales positions, since the Japanese workforce is noted for its flexibility. If necessary, retraining will be given. This is made possible because the average Japanese worker is highly educated and hence, relatively open to retraining.



Limited inter-firm labour mobility among companies that results from lifetime employment practice also leads to lower costs of recruiting, screening and retaining employees. Under the lifetime employment system, the company will not hesitate to invest in its employees since it knows that the employees will stay with the company until retirement. The company is naturally willing to spend large amounts of money and time on worker's education and training programs because the benefits of that investment will eventually go to the company itself. A continually educated/trained worker is regarded by many as the explanation for worker productivity in Japan.

The lifetime employment practices in Japan have contributed to low job mobility among career staff because of the reluctance of well-established companies to take in people who have previously worked for another firm. This is good for the employer because employees do not come and go as they please. The employees will tend to endure whatever job assignments the company gives them, even though it may entail temporary hardship and self sacrifice (Tung, 1982:p.48). Lifetime employment therefore acts as a major employee motivator since it creates the atmosphere in which all feel a mutual commitment to continued corporate success.

Lifetime employment in Japan is frequently cited as an example of the respect and consideration that the Japanese have for each other. Maher, in one of his articles, wrote:

"certainly, the Japanese have a sensitivity in human relationships and an indirection and deference in dealing with each other that are unique to their society" (Maher, 1985a:p.24).

In a Confucian-oriented society like Japan, human feelings are very important and lifetime employment recognises this. Perhaps, this explains why members of trade unions are not aggressive in their pursuit of claims for benefits and rights from the employer. In this respect, the system could be considered in a positive light.

The use of peripheral employees, especially in the subcontracting system helps the firm to meet the cyclical demand and at the same time acts as a cushion during the period of economic decline. The companies which use this arrangement are relieved of the burden of having to keep redundant workers during slack periods. This explains the Japanese success in the automobile industries where they are able to cut cost in the manufacture of automobile components by subcontracting them out to other smaller companies.

To many Western analysts, however, the lifetime employment has a lot of shortcomings. It is not a legal obligation. It is beginning to show sign of breaking up in Japan. Some have suggested that the Japanese firms practising this system must manage their affairs with a relatively unflexible workforce in the short-term. This could be very costly to them especially in times of recession when under normal employment legislations, some workers would be made redundant and laid off. A lifetime system also creates problem for the firms with regards to termination of unsatisfactory employees. Brown (1987:p.23) pointed out that many managers in Japanese organisations have expressed unhappiness with the system's inability to rid itself of workers whose performance is below the acceptable standard.

The impression that Japanese workers are happy under the lifetime employment system is far from the truth. The feeling among the new generation of the Japanese workforce towards lifetime employment is that if they could, they would do away with it. There are reasons for such resentment towards the system. The Japanese are aware of what their counterparts are getting in the West, i.e. opportunities to choose jobs of their preference and the freedom to change careers, etc. The present employment system seriously hinders the Japanese employee who finds himself in the wrong company but cannot leave and join



another one. This causes frustration and undermines productivity.

Many Japanese workers and even managers, especially those at the middle level, privately view lifetime employment as a form of imprisonment. If one is dissatisfied with a job assignment, or wants a faster promotion, or disagrees with a decision, one has no choice but to acquiesce. The system makes it almost impossible to change careers midway. (Cole, 1981; Tung, 1984).

The fact that only 30% of the total work force in Japan enjoys lifetime employment means that the majority of the Japanese labour force is being left out of whatever the benefits this system provides. Those worst hit are the employees of small and medium companies. So, here is a situation where on one hand, there are elite workers who are well-treated because they happen to be in the employment of big and successful companies, and on the other hand there are ordinary workers who are paid less and given less financial perks. It has been found that even for those regular lifetime workers, most of them are forced into retirement at age 55 with only modest company pensions and public social security that does not begin until the age 60.

The use of temporary workers (women and sub-contract labour) in Japan tends to benefit the big firms only. The workers are at the mercy of those firms as they can be recalled and reemployed during good times and laid off during poor periods. It may be considered a waste of manpower to exclude female labour especially when most of them are highly educated. In the West, such practices would surely cause a stir in the the woman's rights movement for it would be seen as being sexist discrimination. A Japanese lady teacher, who played host to the author during the latter's visit to Japan vehemently condemned this practice of employment as 'unfair, out of time and weird'.

#### 5.5.1.2. Recruitment Policy

Recruitment is done yearly by large companies whereby fresh employees are hired after graduation from high schools or universities. Entry into a managerial career with a large corporation is highly competitive. A university education constitutes, with few exceptions, the single most important prerequisite to qualifying for the managerial ranks.

The selection process of new recruits begins during the summer when companies distribute recruitment materials to college or high school seniors. The selection process

depends on the student's areas of specialization (Pucik, 1984:p.265). Students who major in the social sciences, law or the humanities will enter jimukei (administrative jobs). Students majoring in technical disciplines will enter gijutsukei (technical jobs). The basic criteria for hiring, besides an employee potential or abilities, are "balanced" personality and moderate views. The evaluation of candidates is often supplemented by background checks assigned to private investigators who interview the candidates's neighbours and acquaintances, check local police records, and examine family histories. Those who pass the final round of interviews are invited to sit for the company entrance examination to determine who is best qualified for the jobs.

Aspiring administrators are expected to apply directly to employers while the prospective technical employees are normally approached through their professors and universities or schools. The reason why technical students are given different, if not special treatment, is due to the fact that prospective employers prefer to have the top technical talents. College grades are not an important selection criteria for either occupational class. What matters is the prestige of the school or university from which the student is graduating. The preference in favour of graduates from the more prestigious universities (i.e. Tokyo University) reinforces the competition to enter the



appropriate college. It must also be emphasised at this juncture that an MBA qualification, which is considered necessary and prestigious for aspiring managers in Western societies in order to succeed in business and managerial level career, does not carry much weight in the recruitment system of the Japanese organisations (except in the International Division and sogo shoshas).

The manner in which the Japanese recruiters select employees for their companies suggests they have been very careful and extraordinarily meticulous in selecting the right candidates, reflecting the "get it right for first time" policy. This is not difficult to understand in a system where a firm hires an employee for life.

After the selection process has been completed, Japanese companies usually place a tremendous amount of emphasis on induction training in order to achieve a homogenous workforce. Induction training lasts anything between one or two weeks to more than a year (Okazaki, 1989). The content of the induction course varies but mainly it consists of the philosophy, objectives, corporate strategy, organisational structure and commercial and industrial operations of the company.

Japanese workers at early stages of their careers are underpaid relative to what they contribute (Cole, 1979).

They are compensated for this at a later stages in their tenure with the firm, in that the wages of the most senior class of workers may surpass the pay of new employees by 200-400%, depending on the company concerned (Haitani, 1978). Upon reaching the age of fifty-five, all employees except the top few who are the managing directors of the firm must retire. The company pays each retiree a lump sum money amounting to five or six years' salary (Ouchi, 1981).

A caveat must be applied regarding some recruitment features of traditional Japanese-style management that have been portrayed by a number of scholars. The recruitment pattern in Japan has undergone significant changes of late and a number of recruitment practices are discarded in some companies. Okazaki (1989) in her recent study pointed that Japanese firms no longer favour graduates of prestigious universities who are thought to possess higher level of analytical ability but lack imagination and creativity. Also she observed that recruiters are more interested in the personal qualities of potential candidates. Recruitment of fresh graduates is no longer the norm today. 'Headhunting' by some firms especially in the banking sector is on the increase. This is marked by the changing of jobs in mid-career, suggesting that the traditional recruitment system is breaking up. For instance some 2.5 million Japanese in

1987 changed jobs, something unheard of in Japan a decade ago. The reason for this was partly because of the economic boom in Japan during that period which saw many firms expanding, while the number of university graduates entering the market remained static. It was also found that from 1985 to 1986, Sumitomo Trust Bank recruited 40 mid-career members as permanent staff and the reason for this was the shortage of specialised manpower it faced then.

The recruitment policy which is practised in Japanese firms has merits and demerits. Accordingly, a recruitment practice that only selects fresh graduates from high schools and universities once a year is good, so said a number of writers (Pucik, 1984; Cole, 1971; Ouchi, 1981). In the first place, it is more economical to conduct interviews and recruit many employees at one time. Secondly, it is easier to train them all at the same time rather than having to train a handful of new employees 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 at the same time to the company. Also, the hiring of recruits fresh from schools or universities enables the company to develop their workers much easier because a 'virgin' workforce can be readily assimilated into the company's environment. The



process of assimilation is considered the cornerstone of career development in Japanese development.

The special relationships that have been cultivated between some companies and certain universities is a good way of getting at the best talents. Getting the recommendation from professors in recruiting the right candidates is advantageous because the professors usually know which students have the best brains, the correct attitudes and the right personalities required for certain jobs. Most professors would surely recommend students whom they feel are suitable so as to enhance the status and preserve the good name of their respective universities.

The rigorous screening and selection process has to be one of the major strengths of the Japanese recruitment system. Japanese recruiters tend to select candidates with qualities that can fit into their company's philosophy rather than look for specialised skills. This is understandable because Japanese workers are meant to be generalists rather than specialists. Therefore, the correct type has to be identified because once they join in the company, they are going to remain there until retirement.

On the negative side, the practice of some big firms in going only for graduates of certain universities or high

schools is unhealthy and unfair. This system results in an unnecessary tendency for students to enrol at these so-called elite universities. Thus only those prestigious universities will gain while other institutes of higher learning, whose curriculum and students may be equally good are excluded. Unless of course, those 'favourite' institutions really produce extremely good quality students, staffed by renowned faculty members, have exceptional educational facilities and maintain the highest admission standards, this practice of recruiting graduates is not justifiable. If all or the majority of employees come from one institution only, it leads to inbreeding.

The Japanese recruitment system has been blamed for causing a rat race which causes many Japanese parents to become so obsessed about sending their children to prestigious schools and later to institutions of higher learning at all cost. From a tender age, the Japanese children are drilled many hours in studying at school and then at tuition sessions so that they achieve good grades that would enable them to eventually enter the famous universities. Japanese parents consider this a passport for their children in securing work in big firms upon graduation. There is nothing wrong with this type of attitude, but if not properly controlled, can prove to be destructive.

### 5.5.1.3. Seniority-wage and Seniority-promotion Systems

A salient feature of the lifetime employment scheme is the unwritten rule that as an employee grows older, he commands a higher income. Age and seniority command respect, higher salaries and perks in the seniority-wage system in Japan. It has been said earlier that new employees start at the bottom and are comparatively underpaid even though they may have more potential than their senior colleagues. According to the Ministry of Labour, a newly recruited employee in the 18-19 age group earns a monthly wage of 118,900 yen while an employee who is in the 55-59 age bracket and has worked for over 30 years receives a monthly wage of 310,800 yen (the detail of monthly earnings of typical Japanese employees is presented in Table 5E).

What happens in large companies in Japan is that the Japanese managers are promoted according to a rigid seniority system until the age of 35, when merit becomes a deciding factor as well. Those not promoted for the keiei (top management) may then look to retiring at the age of 55. The upper-level executives, however will continue in office as long as they are physically and mentally able to do so. There is no mandatory retirement age for top management (Long and Seo, 1977).



Table 5A(i): Average Monthly Earnings According to Age and Length of Service (1000 yen), 1983 (Male Workers)

Age	Length of service (in manufacturing industry)							
	1-2	3-4	5-9	10-14	15-19	20-24	25-29	30 years or more
18-19	118.9	113.0	-	-	-	-	-	-
20-24	134.7	136.3	145.0	-	-	-	-	-
25-29	158.3	168.3	173.6	180.9	-	-	-	-
30-34	184.1	192.9	209.7	215.4	217.2	-	-	-
35-39	197.8	209.8	219.9	248.2	254.3	253.9	-	-
40-44	206.1	212.7	224.5	244.6	290.3	290.2	284.2	-
45-49	199.4	209.1	222.1	237.6	261.2	317.0	319.8	301.5
50-54	192.7	205.4	210.7	225.5	248.1	284.9	339.7	322.6
55-59	184.6	192.0	197.9	212.0	229.7	256.8	281.9	310.8

Source: Japan, Ministry of Labor: "Year Book of Labor Statistics", 1983,p.115.

Promotion under the seniority-wage system at the junior levels is largely a matter of advancement by age, but at senior levels, proven ability on the part of employees

becomes increasingly important. Subordinate members are expected to display a high degree of commitment in their work, to consciously monitor and ensure the quality of what they do, to accept willingly reassignment to other tasks, to display full cooperation to fellow workers in working methods, to accept direction of working overtime works, and to participate in a certain amount of after hours socialising with their work colleagues (Smith, 1984:p.122).

Another feature in the seniority-wage system in Japan is that executives hold ranks and titles based upon education and length of service rather than upon importance of their respective functions. If by virtue of education and length of service, an executive is promoted into a position that he is not capable of handling, he may be quietly shifted to an innocuous position. His title and status in the hierarchy are not affected by this change, and in due time he may be promoted again. If a young employee were to try to push himself ahead of others in his class, he would be severely criticised and may be rejected by his peers.

The most positive element is the fact that it theoretically takes away the often destructive competition between employees and promotes a more harmonious group relationship in which each employee works for the benefit of the entire group, secure in the belief that he will

prosper with the group and that, in due time, he will acquire the benefits that accrue for long and faithful service. The seniority-based system assumes that longer experience makes an employee more valuable.

There is also a sense of security that develops within the seniority-wage system, according to Japanese employers. For example, the worker knows that he is taken care of as long as the company survives. This knowledge gives the worker security and inspires the worker to ensure the survival of the company so as to, in turn, ensure his security.

The obvious attractiveness of the seniority-wage system is that no young and inexperienced person, even how talented he may be, will bypass the more senior and experienced colleagues as is the case in the West. Sometimes there is a lot of unhappiness caused to workers who have to accept an individual who is younger in age and junior in service as their boss. The promotion system that uses rapid advancement as a reward can result in backbiting, office politicking, nepotism, and bribery. These problems will not easily arise should an orderly promotion system be implemented like the one in Japan. Such things as 'superman' or 'blue-eyed boy' or 'rising star' will normally not occur in such a setting.



There are however several weaknesses that come along with the seniority and slow promotion practices. The seniority-wage system no longer provides the same motivation for young employees and as a result, more companies are forced to promote according to talent, whilst at the same time, having overcome demoralisation among the older employees (Foot, 1986:p.23). This is indeed the most significant weakness of the seniority-wage system. While the younger workers feel it unfair to ignore their abilities and not to reward (i.e. early promotion) their contribution, older workers believe it is justifiable to reward and promote senior workers first. It can be said that to a certain degree it is not practical to promote a person to a higher position just because he happens to be older and was recruited earlier. It is bad business to promote "dead wood". Young and talented people can easily be demoralised and this is said to be happening in Japan today. Problems of this nature could be a catastrophe to the organisation's survival.

The drawback of the seniority-based system also is associated with the difficulty in rewarding individual's creativity and excellence, thereby possibly reducing motivation among the employees. And since compensation is based primarily on seniority and not performance, companies may be paying higher wages to those who are not capable or competent.

A strict adherence to promotion based on seniority has resulted in an organisation with many job titles as is the case in many Japanese organisations. In one firm, Kanebo, the fashion division has six sub-division managers. Throughout the organisation, such titles as acting manager, assistant manager, and manager equivalent are used at division and other levels (Yang, 1984). This obstructs and slows down decision-making process, and also causes diffusion of accountability and responsibility.

The fact that the promotion of an individual employee is relatively slow in Japan and can be very frustrating to the employees is proof of this system's weakness. It is not difficult to imagine the misery of waiting for at least 20 years for a fresh graduate to become a bucho (department head) in Japan. In the US, a university graduate can easily assume managerial position after 5 years if he works hard and shows great leadership potential. The reason for this difference is that in Japan, age is the function of promotion while in the latter, promotion is based on capability and performance of an individual worker. Seen from this perspective, seniority-wage and promotion systems in Japan do not appear to be appealing after all.

### 5.5.2. Industrial Training and Human Resource Management

In Japan, unlike other countries, few organisations reveal their human resources development policy (Kishi, 1986:p.126). However, the education and training system charts clearly reveal the top management's basic policy on training. It shows the manner in which the organisation conducts human resource development and the themes and contents of training according to one ranking in the organisation and in one's specialised field. The chart reveals at a glance the type of training which the organisation expects its members to acquire through self-development.

The Japanese concept of industrial training is interesting to study. It may be described as "horizontal training", for it encourages the acquisition of a variety of task skills at the expense of skill specialisation. The individual is trained in most, if not all, tasks at entry level; not within a single department, but throughout the organisation. This type of training system develops generalists, not specialists. Generalists are preferred by Japanese employers because they are more flexible and are in a position to undertake different assignments as compared to the specialists.

Trainees can be classified under three headings namely; (i) the newly hired employees, (ii) the general employees,



and (iii) managers. Training for the newly recruited employees is mainly in the form of lectures and on-the-job-training. At this stage, the employees are indoctrinated with company philosophy and taught basic technical skills by the senior members of the company's staff. The length of training varies from company to company, but normally it lasts about three to eight months.

General employees are trained in functional technical skills and also in human skills. They normally undergo a number of training programs namely; On-the-Job Training (OJT), Off-the Job Training (Off OJT), Self-development, In-company Group Training and Pre-promotion Training.

#### **5.5.2.1. On-the-Job Training**

On-the-Job training (OJT) is the most emphasised, and this is done with planned instruction by supervisors. It consists of educational guidance provided at the workplace to enhance skills and knowledge needed in work. Essentially, said Gow (1988b:p.32), OJT involves someone who possesses knowledge teaching one who lack that knowledge. It also includes personal coaching by supervisors and old-timers, although not necessarily one's immediate superior. Gow hypothesised that one possible way this form of training is popular with Japanese managers is because of the high esteem in which teachers are held in

the Confucian-oriented society of Japan. He went on to say that OJT is also popular especially with those who pass on the knowledge, because it made them more secure sensing that their students will seldom be promoted ahead of them. OJT is a very powerful training tool for new employees as it forms the nucleus of early training programmes, and for existing employees and retraining on new jobs (i.e. job rotation) within the organisation.

A key element of OJT is job rotation. It is a form of training in personnel management in Japanese corporations where employees are moved from department to department so that they are made knowledgeable and skilful in the various jobs in their company. It can be said that this training system is a good system since it maximises the use of human resources. It also results in a more flexible workforce, as the employee is better able to handle tasks within the organisation. However to implement OJT successfully, certain procedures must be carried out. These include (i). the identification of the specific need for instruction; (ii). the setting of target or objectives for instruction; (iii). the development of an Instruction plan; and (iv). the evaluation of the result .

#### 5.5.2.2. Off-the-Job-Training (Off-OJT)

The use of Off-OJT in Japan is increasing, according to the recent studies carried out by Okazaki (1989). In

terms of the total amount spent on Off-OJT, the budget for 1988 represented a 21% increase on the actual amount spent in 1987. This increased emphasis in such training may be the result of buoyancy of the economy and progress in technology, information and diversification, so it was claimed.

Off-OJT is conducted in company training centres and in outside institutions and consists of, for example, technical training classes and language classes. Such training is sponsored both by the divisions and by the head offices. Manager training consists mostly of the off-OJT in the company's training centres and its purpose is to improve conceptual skills and human skills.

#### 5.5.2.3. Self-Development

Self-development is another important aspect of training. Self-development runs parallel with OJT and is increasingly growing in popularity at all levels in Japanese firms. Miyoshi(1986) has in fact defined self-development as efforts manifested in the individual's educational and development activities which are targeted towards the smooth realization of an objective. The setting of the objective comes from self-knowledge, and the knowledge of one's ability.



A form of self-development which is increasingly popular and given the support by Japanese companies in Japan today, includes the supply of specialist knowledge and technology information, and assistance with obtaining official certifications. Professor Gow was of opinion that the increased importance of the latter category may indicate an acceleration towards a 'credential society' and 'portability' of qualifications (Gow, 1988b:p.37). Some of the most popular forms of self-development at the moment are the seminars and courses run by outside organisers; distribution of book lists and the provision of subsidies for the purchase of the recommended reading materials; and assistance given for expenses in undertaking correspondent courses mainly aimed at obtaining recognised qualifications.

An important element in self-development Japanese society is the reading habits of the Japanese. There are four daily, twenty-four page Industrial Newspapers as well as the equivalent of the Financial Times called Nihon Keizai Shimbun. In addition, there are masses of books about business often getting into the Best Seller's List in English or in Japanese. The Japanese do read voraciously at all levels of management; so the phenomenon of "give me everything on one side of a sheet of paper" is absent. The higher up the Japanese individuals go up the management the more they read.

Correspondence courses are also extremely popular and they are normally approved by the Ministry of Education. It is estimated that there are as many as 3000 providers of business-related courses in Japan but the main ones are the professional associations such as the Japan Management Association, the Nippon Administrative Management Association, the Japan Management School and Sanno University's Management Institute.

Self-development training is quite successful in Japan for two reasons. Firstly, opportunities for frequent promotion and wages increases that usually come after the training have helped to stimulate the desire among employees for self-development. Secondly, the company, realising that a knowledgeable workforce would be an asset to it, has gone out of its way to provide the necessary support in the form of financial assistance. The third reason is the Confucian attitude of lifelong learning.

#### **5.5.5.4. Pre-Promotion Training**

Pre-promotion training is normally given to an employee who is about to be promoted to a more senior position. The training can be in the form of OJT, i.e. or Off-OJT. Pre-promotion can be considered a preparation for someone who will eventually assume a more responsible job. From the viewpoint of its purpose, it is similar to the one found in Western organisation.

#### 5.5.5.5. In-Company Group Training

In-Company Group training can be said to complement other forms of training. This form of training refers to the group discussion-type training where a group of employees (i.e. the section chiefs) are drawn together to highlight common problems or share information vital for improving their jobs. The emphasis tends to be on the 'in basket/case studies' type, especially the studying of actual examples of problems. Methods of assessing the efficacy of such training naturally vary but there is growing evidence of a shift to written, detailed reports. The most popular teaching staff at all levels of company for In-company Group training are the specialists from external specialist organisations. The companies also use their own executives who are experts in certain areas to do the training. University lecturers and visiting celebrities are also used although such method are on the decline.

Based on the available literature review on Japanese Management Model, the industrial training and human resource development practices in Japan are quite highly rated, especially the On-the-Job training (OJT). The OJT schemes in Japan are meant to equip employees with broad knowledge about the mechanism in the organisation by focussing the training on practical knowledge of the various functional areas. This benefits the workers in



the long run because familiarisation with the various activities of the different departments helps the employees see the overall operation of the organisation.

Besides OJT, one aspect of human resource development that also receives a lot of attention as well as admiration, is job rotation of all Japanese workers. The intra-departmental and inter-departmental rotation provide useful training, making workers broad-sighted and flexible. This is because the rotation enables workers to comprehend the entire overall working system in the organisation. It also allows an individual worker to see and understand other people's job situation given the fact that he has done the job before. As Near and Olshavsky stated:

"...rotation among jobs serves not only to train managers in needed skills, but also to socialize them in the norms and culture of the firm" (Near and Olshavsky, 1985, p.16).

Job rotation also cultivates the feeling of collective responsibility. Since each person is able to fill all jobs, he can and is willing to help others and he feels obligated to do so.

### 5.5.3. Enterprise Unionism

Japanese unions are characterised by enterprise unionism as opposed to craft or industry-wide unions. It has been said that an enterprise union gives both management and workers an identity of purpose and provides an environment in which there is greater cooperation for the achievement of common goals (Sethi et al, 1984:p.47). The membership extends to both blue-collar and white collar workers with regular or core employee status. White-collar employees up to the level of section chief are included. Union officials normally consist solely of the company employees.

Clarification should be made regarding trade union scenario in Japan. There are such thing as federations which are loose coalition of enterprise unions in the same industrial sector. Also, there are national confederations, but these although important in organisations such as the ILO (International Labour Organisation), and therefore quite well-known internationally, do not have the major influence within Japan, except in such thing as spring wage offensive.

As of 1983, it was reported that Japan has a total of 34,539 unions with about 42 million members (refer to

Table 5C) and that Japanese labour unions comprise of six major groups as depicted in Table 5B below:

Table 5B: Members of Labour Unions  
by Major Organisation as of 1983

Labor Organization	No. of Members (1000)
General Council of Trade Unions of Japan(Sohyo)	4508
Japanese Confederation of Labor(Domei)	2193
National Federation of Industrial Organizations (ShinSanbetsu)	64
Federation of Independent Unions	1480
Other National Federations	3784
Others	1054

Table 5C: No. of Unions and Union  
Membership from 1975 to 1983

	1975	1978	1980	1983
No. of Unions	33424	34163	34232	34539
No. of Union Members(1000)	12590	12383	12369	12520
No. of Employees(10000)	3662	3796	4012	4209
Unionization Rate(%)	34.4	32.6	30.8	29.7

Source: Japan, Ministry of Labor: "Nihon no Rodo Kumiai no Genjo - Rodo Kumiai Kiso Chosa Hokoku"(The Situation of Labor Union in Japan - Basic Survey on Trade Unions),1984,p.13, (in Japanese).



The key elements of this enterprise union are as follows:

(a) Each company runs its own union and elects office-bearers from within the company, the company providing leave of absence and premises for union officials. National Confederations and industry wide federations do exist but negotiating powers regarding wages, working conditions, job design, etc rest almost solely with those at enterprise level;

(b) The membership extends to both blue-collar and white-collar workers with regular status. White-collar employees up to the level of section chief are included (Gow, 1987).

Like unions in the West, enterprise unions in Japan are consulted on matters pertaining to job responsibilities and design, training and promotions of workers. The public sector unions do not have the right to strike, although strikes are not uncommon. In fact, the unions in Japanese public sector have been in the early post-war period, very militant. In contrast to those in the West however, the duration of strikes is usually very short.

Private sector employees in Japan have the full legal right to strike, but there the strike is more a demonstration than a prolonged test of economic strength (Patrick and Rosovsky, 1976). Japanese strikes rarely last beyond a day, and they come mainly during the spring

offensive. There are occasional longer strikes in Japan, but they are carried out mainly by a few strong national unions, the seamen's union in particular. Many national unions would like to mount more serious strike threats as a bargaining weapon, but they are sometimes faced with the reluctance of the local community to act against their companies.

On the positive side, union-company relations tend to develop according to the realities of the enterprise. The participation of white-collar employees in particular, increases union knowledge about the actual financial situation of the firm. The possibility is thereby increased that there will be cooperation between the union and the company based on mutual trust.

Another strength of this system of company-oriented unionisation is the stability it creates in the Japanese labour market. There is hardly any serious, long strike launched in Japanese firms for the workers know that any interruption to work will mean a loss of revenue to the company, which in turn will adversely affect them financially. Workers in Japan are already attuned to the belief that if the company prospers, they will also benefit and if the company loses, they will also suffer. Depending on how one looks at it, such philosophy can be very good or very destructive. In Japan, it has proven to

be very good: it results in a positive relationship developing between the employer and the employees.

A serious weakness of this company-wide union system is that members have shown a strong tendency towards becoming over dependent on the fortunes of the company. This strong identification with the interests of the company makes union members susceptible to company manipulation with such slogan as: 'Productivity Increase Movement' (Seisansei Kojo); 'Protect the Enterprise' (Kigyo Boei); or 'Higher Wages Will Bankrupt the Firm'. Under these circumstances, it becomes difficult for the union to effectively represent the interests of its members.

An enterprise union often lacks the interest in problems outside the enterprise. They are indifferent to the plight of other workers in the same profession. This naturally weakens the bargaining position of the workers nationwide.

Another weakness of Japanese-style enterprise unionism is the fact that union leaders continue to maintain their status as company employees and that their term of office are quite short. They therefore are not union leaders in the real sense and not as professional as their counterparts in the West. The Japanese union leaders tend to see their union activities as an opportunity to provide



a service to the company as means of enhancing their promotion opportunities.

#### 5.5.4. Performance Evaluation

Japanese organisations generally have a fairly complex and detailed set of procedures for evaluating employees performance. The criteria used in assessing performance vary, depending on the employee's position. Employees below the level of president are normally grouped into three categories namely the junior employees; the senior employees and the managers. Personnel in each category are evaluated twice a year by a group of supervisors (including one's immediate supervisor) on a set criteria specific to that level.

At the junior employee level, the emphasis is on the ability to obey orders from the superior, team spirit or cooperation, and general aptitudes. Evaluation of volume of output is defined not in quantitative terms but subjectively as to whether the output is "efficient and punctual". The employee receives a score on each of these criteria based on a four-point scale ranging from superior to inferior. Thus the junior employee is evaluated on work attitudes, including obedience, cooperation and responsibility; basic and conceptual abilities; and performance of work as measured by quality, volume, originality and leadership. The senior employees are

evaluated along the same line, with perhaps some additional criteria such as responsibility and leadership quality added.

The evaluation of managers have four major components namely a single achievement score; a six scores measuring job-related abilities such as human relation skills, business judgement, coordination, and planning; a two outstanding job-related attributes (selected from a list of eight such as creativity, leadership, reliability etc); and a two outstanding personality-related attributes from a list of twelve such as sociability, flexibility, confidence etc (Pucik, 1984:p.270). These items are first evaluated by the employees' direct boss, then by at least two other higher-level managers or executives.

The Appraisal system of a typical big firm in Japan does not provide feedback to employees of what had been evaluated. In one survey made on the personnel managers of 34 of the 100 top Japanese corporations in Japan, it was reported that only two of the firms had a formal policy recommending explicit performance feedback (Tawara, 1980).

The components of the performance evaluation system of Japanese-style management are well-designed but its weakest spot is to be found in its feedback system. The

almost negligible feedback regarding the employee's previous performance contradicts modern management principles and could be viewed as the root cause of uncertainty and confusion. This may have something to do with Japanese culture, but even so, the advantages of having constant feedback will outweigh its disadvantages in any management system. It is a well-known fact that regular direct feedback about subordinates' performances by superior is the cornerstone of an appraisal and career development process in any organisation.

In the author's opinion, if an employee is not performing up to the expectation required of him under normal circumstances, he needs to be told of his deficiency so that remedial action can be taken accordingly. Likewise, if his performance is satisfactory or superb, he ought also to be also informed (i.e. a compliment) so that he feels good and strives to work more harder to maintain his good performance. A person who is not given feedback will become confused or even worse, complacent, because he does not know whether he is doing well or otherwise.

#### **5.5.5. Production Management**

The production management system used by the Japanese has been widely admired in the West. For example, the production planning of a typical Japanese firm is very comprehensive in which sub-systems of the organisation are



all linked to each other. The effect of this planning system is the reduction of material costs as well as other costs related to the manufacturing of the products. The production system used by Japanese firms has been proven to be effective in reducing costs significantly. Among other things, one also observes that in Japan production workers have a high level of education and technical training. Also, the technicians and engineers are available on the shopfloor to support the production workers. Wheelwright (1981:p.69) said that in Japan, the integrity of the production system and strategic purpose come first. Waste reduction policies and energy efficiency are more prominent in Japanese plants. Cleanliness on plant sites is very strongly stressed. Cleaning the floor is not the responsibility of the cleaning staff, but of the site workers and foremen. Clean workplaces are considered important both for improving quality and improving morale.

Production management in Japan has been often said to be responsible to a large extent for the high level of productivity of Japanese employees. As stated earlier, Japanese productivity is comparatively very high, i.e. it has increased at about 400% of the rate enjoyed by the US. The average annual percentage change in productivity during 1950-1970 for Japan was 7% compared to 1.7% for the US during the same period (Bolling and Bowles, 1982:p.97).

Its national income had made a 50% increase in real terms over pre-war years. Similarly, its industrial production had increased two-fold over pre-war years.

The productivity movement was launched in Japan in 1955. It is directed by the Japanese Productivity Centre which has a number of regional branches. The principal activities of the Japanese Productivity Centre are management education and modernisation of labour-management relations. Today, it arranges more than sixty seminars every year in which many thousands of managers participate (Parkinson; Rustomji and Sapre, 1984). Japanese industrialists, supported by the government have been constantly seeking ways and means of improving their productivity. As a result, the Japanese are said to be the most productive workforce in the world. It is a basic proposition in economics that productivity depends primarily upon knowledge and its application. Many Western analysts strongly believe the secret of Japan's productivity lies in the efficient production line of her factories. It has been observed there is a strong emphasis on marketing which is linked to production and design. Product design and production layout is made simple and detailed attention is paid to engineering excellent.

However, the success of the Japanese firms and the productivity of the labour force could not have been

achieved without the advanced, systematic production management practices that exist in Japan. Among the most important of these practices are the innovative production methods, investment on modern equipments, quality control circle, total control circle, suggestion system, just-in-time and kanban system.

#### 5.5.5.1. Use of Innovative Production Methods

The Japanese have been successful in areas of production management, said to be responsible for the high productivity of the workforce. According to Kono (1984), one of the reasons for this success is the use of innovation in production methods namely; (a). the computerised production planning, (b). the module construction system, and (c). automation. For example, at Mitsui Shipping, computers are intensively used to help it perform tasks ranging from calculating and ordering the necessary parts to the construction of a ship's design. Instead of using the conventional construction system which is not only dangerous but involves a slow welding process, Mitsui Shipping uses the module construction method and it applies mass-production principles, thereby enabling the company to achieve welding precision and operating efficiency. The use of automation is also evident from the widespread use of programmable robots in operations such as drilling, burning and furnishing.



Because robots can be developed and produced relatively inexpensively and are considered by Japanese industrialists to be an important tool of future technology, many independent small companies as well as large machine-tool and electrical equipment manufacturers have begun producing them. Japan's first industrial robot was produced by Kawazaki Heavy Industries Ltd. under license from the American firm, Unimation Inc. Since then, Japan has become the robot capital of the world, with as many as 150 companies being engaged in robot production by 1980. It is also estimated that in the same year about 76,000 robots were in operation in Japan (although some writers have correctly pointed out that the figure may be misleading since robots are defined differently in Japan and the US). Nevertheless, it is said that 70 % of the industrial robots now in operation in the world are to be found in Japanese factories (Sato, 1985). The real impact of robotics is the revolutionary change it has brought about in line production, where it has the potential to introduce mass assembly production cost savings to small lot production runs.

Some scholars reasoned out that the high usage of industrial robots by the Japanese is due to their traditional emphasis on production, and the potential to rationalise operations in the face of specific challenges like labour shortages, ageing population and also

behavioural problems in job design (Kono, 1984; Monden, et al, 1985). The increasing use of robots in Japanese organisations is claimed to have reduced labour cost of between 5 to 10% (Near and Olshavsky, 1985:p.17).

#### 5.5.5.2. Modernisation of Equipment

Another characteristic of the successful Japanese firms in Japan is their aggressive investment in modernising and expanding facilities. A survey by MITI found out that the average age of facilities of Japanese steel manufacturers in 1980 was about nine and half years, while those of U.S. manufacturers in 1979 was about seventeen years (Nikkei Newspaper, November 3, 1981). The level of modernisation and automation can be measured indirectly by the ratio of fixed assets per employee whereby the successful Japanese firms have higher fixed assets per employee ratio than the US companies (as shown in the Table 5D).

The survey showed that the ratio of fixed assets per employee of Japanese selected companies is more than twice, and up to five times, as high as that of some selected American or European companies. As a result, the turnover ratio of net fixed assets of Japanese companies is lower than that of their counterparts.

**TABLE 5D: NET FIXED ASSETS PER EMPLOYEE AND TURNOVER**  
**OF FIXED ASSETS IN SELECTED COMPANIES**

	N.F.A.P.E	T.R.F.A.
	(1000 yen/person)	(sales net f.assets)
Nippon Steel	20596	1.33
U.S. Steel	7379	1.76
British Steel	5044	1.15
Hitachi	2625	3.39
GE	1996	3.76
GE (U.K.)	773	4.23
Toyota	7617	4.51
GM	2234	5.50
Ford	2831	4.88
BL Car (U.K.)	1015	6.14

(Source: MITI, 1980)

### 5.5.5.3. Quality Control System

The Japanese realised that during the post-war period, without major resources, they would have to go for value-added manufacturing exports. One major barrier to this was the pre-war image of Japanese goods being cheap but of poor quality. Therefore, they were very enthusiastic to develop goods which were both cheap and of high quality. This was part of a domestically inspired revolution in quality control management. However, meeting the needs of the US Occupation



Forces, in term of the Department of Defence contract etc. was also a factor pushing the Japanese to improve their quality in order to get works from the Occupation Forces. Japan is a world leader in maintaining product quality. The Japanese prefer to measure reject rates in parts per million (pmm) rather than in percentage (JETRO, 1984). The Japanese strategy in quality control is analogous to community medicine whose motto is: 'prevention is better than cure'. The idea is to prevent defects occurring first because it is very difficult as well as very costly to rectify mistakes once they occurred.

The modern concept of statistical quality control was introduced in Japan before World War II, but it was only the preserve of a few specialist academics. Statistical quality control in Japan took off in a widespread sense within the industry during occupation of Japan. The Japanese perfected, modified and blended the western-oriented quality control concepts to suit their own organisational environments. The quality control activities in Japan started within General Command Headquarters of Supreme Commander in telecommunication. It was then taken up by Dr. W.E. Deming, Dr. J.M. Juran and others after 1947 when they wanted to build up Japan. They made many visits to Japan giving lectures on managerial aspects of quality control to Japanese executives. To encourage the development of quality control activities, the Union of Japanese Scientists and Engineers (JUSE), a private organisation, took the initiative in instituting the

Deming Prize in Japan in 1951. The Japanese Industrial Standards (JIS) define quality control as:

"a system of production methods that economically produces quality goods or services meeting the requirements of consumers" (Ishikawa, 1985:p.44).

Today, the two important concepts of quality control system widely used in Japan are quality total quality control and quality control circle.

#### 5.5.5.3.1. Total Quality Control

Related to the QCC concept is the total quality control (TQC) or sometimes known as company-wide quality control (CWQC). On that basis, the goal has been to broaden TQC, namely quality control upstream and downstream of the enterprise itself (Kobayashi, 1981). Upstream, TQC involves the parts and component suppliers, who, in close cooperation with assembler, are expected to deliver their goods "just-in-time" and thus without inspection upon delivery. Downstream, TQC involves the distribution channels, equally on the basis of interdependence.

The concept of TQC is actually 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. The main themes of TQC (Reilker, 1983) 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). it stresses the responsibility for quality is to be shared by all employees; and (iv). it requires that top management must understand and support the concept especially in the development and then in implementation parts of the exercise.

#### 5.5.5.3.2. Quality Control Circle

Quality control circle (QCC) has been considered a major factor in the Japanese success in increasing productivity while reducing expenditure and waste. It has been so successful with the Japanese that it has created a tremendous amount of interest in management literature. The success of QCC in Japan may be related to three factors namely: the scarcity of natural resources, contributing to a greater concern with waste; the Confucian culture which calls for harmony and; the emphasis on groupism, according to Shenkar (1988:p,26). He added further that education plays a role in the effectiveness of QCC in Japan, since the technique requires rudimentary knowledge in quantitative analysis.

However the number of QCCs in Japan may be grossly exaggerated because there is no widely available data on failed QCCs



being produced by JUSE and other organisations. Indeed QCCs in Japan generally tend to be successful companies which have already a good quality system. They are therefore not so much something which causes quality but which gets even more quality out of a system which has already gone a long way along the line to get good quality.

The practice of is very popular in Japanese companies. As of 1980, it was reported that there are a total of 115,254 circles involving over a million participants in Japan. Table 5E below shows the number of QCC and people involved in the circles since 1962.

Table 5E: No. of QCCs and Participants  
in Japan 1962 - 1980

Year	No. of QC Circles	No. of Participants
1962	23	-
1964	1,051	-
1966	7,307	90,829
1968	17,416	212,134
1970	33,499	388,543
1972	51,615	551,643
1974	65,477	664,458
1976	78,395	774,012
1978	94,787	903,471
1980	115,254	1,062,759

Note: The number of QC Circles and participants includes all of those registered at the QC Circle headquarters of JUSE.

What is meant by QCC? It can be defined as a comprehensive program for improving productivity through improved methods of human resource management that stress employee development and employee involvement in work area decision-making. It normally consists of a small group of employees under one supervisor and they meet regularly to identify, analyse, and solve product quality problems. The ideal size of a circle is eight to ten people (Reiker, 1977).

The entire concept of QCC is based on trust, respect and care. The individual worker is recognised as a human being with the intellect and desire to participate in solving work-related problems. To the benefit of both the employees and the organisation, QCC provides participants with an opportunity for taking on greater responsibilities, utilising their capabilities more fully, doing interesting and challenging work.

The following steps outline and summarise the QCC process:

- (a). to determine what problem is to be solved, and why that problem needs to be solved;
- (b). if it is a general problem, to choose a specific part of that problem and find out as much as possible about it;
- (c). to analyse the data gathered about the problem to sort out the true cause from the non-contributory factors;
- (d). to develop a plan for initiating those actions;

- (e). carry out the plan; that is to take corrective action (if authorised to do so);
- (f). to check to see if the problem is really solved;
- (g). to set a system to ensure the problem remains solved and lastly;
- (h). to investigate and resolve other aspects of the problems if they are significant.

What is central to the QCC concept as a practical tool is the set of techniques available for analysis, discussion and feedback. Among the techniques used are a variety of charts and diagrams which display statistical results of actual production. The mathematics involved is not very sophisticated although the impact of the statistical analysis can be quite pronounced but circle members must be able to use and analyse them (Bolwijn and Brinkmen, 1987). Professor Kaoru, who is often called the father of QCC, insists that in order to implement the circle successfully, the group leaders must be trained in the eight tools of QCC namely structured brainstorming, check sheet, pareto chart, histogram, scatter diagram, graph and control charts and stratification (Arbose, 1980).

The attitude of top management in ensuring detailed production planning system must be commented. Also, the fact that they are aggressive (growth and future-oriented) in introducing large scale production systems and in putting huge amounts of money in the modernisation of equipment has to the most



important step taken by the Japanese in their quest for industrial supremacy.

There are a number of benefits that can be obtained by implementing a well-planned and properly executed QCC. According to one writer;

"the quality circle improves the quality of products or services by enabling employees to state their observations and recommend changes in an organized way" (Boissoneau 1987:p.32).

QCC enables people at the lowest levels of the organisation to influence decisions. These are the people who know the product or service best and can, unlike some managers, observe the impact of the service firsthand.

Also, employees who have never taken the opportunity to communicate with others in either a lateral or hierarchical direction can do so through quality circles. In addition by using quality circles, the organisation gains from better management-labour relations. Perhaps for the first time, workers can see, hear and understand that management wants to produce a good product or service and treat employees fairly. Viewing the organisation in such a positive light motivates workers to perform at high level of effectiveness. The problem of absenteeism, tardiness and employee pilferage does not

normally arise with the introduction of control circles because the system itself enables employees to improve themselves by engaging in personnel development.

QCCs had been not always that useful, according to many analysts. Many disasters have been reported in American and British companies that try to implement QCC without considering other factors necessary for its success. Some writers such as Cole has low opinion of QCC. QCC requires many requirements, namely the willingness or readiness of workers and management group for such practice; strong commitment of the company to it; the relevant of the practice to the overall organisation structure and system etc.

The weaknesses are also numerous. For instance, the introduction of QCC can be very costly to the organisation. Time away from the job for meetings and the preparation time needed for the quality circle leaders, facilitators, steering committee; and top management add up to substantial amount of institutional resources devoted to the program.

It must be remembered that in order to participate in the QCC successfully, the workers have to be able to read and willing to do a little bit of homework to prepare for discussion with members in the group. Knowledge of the various tools such as histograms and pareto charts etc. is mandatory for group

members of QCC. A workforce in which literacy levels are low would not be able to cope with the demand of QCC.

Another problem with the circles is the amount of time necessary to be devoted to the program. It is time consuming for those involved especially if everybody is new to the system as they have to learn what it is about before they can participate in it. Associated with this problem is the fact that not all workers are happy with the quality circle because it upsets their old ways of doing things which they have been used to for so long. People are normally not receptive to new thing especially if this change inconveniences them.

Some people feel that QCC reduces productivity instead of increasing the productivity level. Critics are of opinion that the amount of time required for meetings and preparation by the people involved, takes too much time away from actual work. In their view, the amount of investment is not justified by the outcome.

#### 5.5.5.4 Suggestion System

When talking about suggestion system, one must not confuse individual suggestion with suggestion emanating from QCCs. The Japanese employees are encouraged to give suggestions. In this way, they help their companies to give ideas or constructive comments to the management as how to improve their jobs and the company's performance. It is said that the suggestion



system dates back before the World War II, and became widespread in Japanese firms in the later half of the 1950s (Takeshi, 1983). The importance of the system was recognised as early as 1958 when the Nihon Teian Seido Kenkyukai (Japan Research Association for Suggestion Systems) was formally established to coordinate suggestion system activities. Today, this suggestion system is the cornerstone of innovative work methods at many Japanese production plants and it has brought about many new ideas to the benefit of Japanese firms. With the encouragement of the management, suggestions by employees in Japanese enterprises have been growing tremendously. In Toyota for example, the suggestions received from employees as of 1980 amounted to 1,600,000. In Nissan Motor Company the number of suggestions received as of 1980 was 1,100,000 and the number problems solved exceeded 160,000. This resulted in savings of .8.1 billion yen (Nissan Motor Company Annual Report, 1980). The extent of the suggestion system in Japan was tabulated by Inagami (1983) in Table 5F below:

Table 5F: Suggestion System in Japan 1977-80

	1977	1978	1979	1980
No. of participants	355851	389128	485498	597519
Participation rate (%)	56.6	63.9	59.7	69.3
Total number of suggestions (million)	5748	8868	13499	23532
Average number of suggestions/employee	5.6	8.3	7.2	12.8
Adoption rate (%)	69.3	63.2	70.0	72.0
Yearly total amount of economic benefits (one million yen)	49476	81705	92560	225380
Yearly total amount of compensation (one million yen)	2614	3646	4912	8180

Source: Takeshi Inagami 1983, pp.65-68

In 1981, the Japan Human Relations Association and the Japan Suggestion Activities Cooperative Association jointly conducted a survey regarding the extent of suggestion system in which 1.83 million employees from 464 firms participated. It was interesting to see that an estimated 23.53 million suggestions had been submitted. What can be inferred from this? It indicates that the Japanese employees are a suggestion-oriented group. They are very creative too. This brings the author to ask, "Are the Japanese employees rewarded with attractive financial rewards for the ideas they contribute?" The answer is obviously "no". According to the same survey, the Japanese worker was awarded only an average of 44 yen per suggestion. It is very clear that the monetary reward was very small in this case. However, an indium who makes a suggestion is highly commended by his company. For instance, the company normally mentions his name in newspaper for his contribution and in turn gives him prize or award (i.e. Man of the Week etc.). It is deduced here that the Japanese workers have been rightly given the encouragement from the management to participate in matters concerning their work which resulted in employees giving suggestions at every available opportunity. The suggestion system has indeed been very useful as far as the production management system is concerned because it has been used to solicit ideas for improvement and innovation at the plants. The system, however, need not be confined to the production line only.

#### 5.5.5.5. Just-in-Time Production

Kono (1984) said that Just-in-Time (JIT) simply means, for example, that when a car is being constructed on an assembly line, the parts needed for assembly arrive beside the line at precisely the right time and in the right amount. Consequently, the assembly plant stock, which is a physical and financial burden to the firm, is reduced to zero. This system of production has been possible due to the quasi-vertical integration of the Japanese firms in Japan. It is obvious then that the ultimate goal of JIT is to strive for one piece lot size in production. This will enable the manufacturer to have the flexibility to meet any order to serve more customers with minimal effort and costs.

Abbeglen and Stalk said that:

"The key elements of the Just-in-Time system are small batch sizes, reduced material handling, level scheduling, low inventory levels, and production control by kanban cards. These elements combine in subtle but powerful ways to enhance the performance of a factory" (Abbeglen and Stalk, 1985:p.104).

JIT is an approach in production management which emphasises the manufacturer's proximity to customers (Riehl and Kleiner, 1987:p.4). Accordingly, Japanese manufacturers run their machines only at the market rate of what is demanded rather



than at the machine's capacity. The JIT system is aimed at achieving greater flexibility and efficiency in manufacturing by reducing size lot. In doing so, a variety of customer's manufacturing needs are better served. Riehl and Kleiner further explained:

"JIT focusses on efficiency by eliminating waste. In order to minimise excess production and high costs associated with maintaining excess inventory, JIT uses level production quantities. Reliable suppliers with frequent deliveries and consistent high quality are necessary for JIT. There is no margin for contingencies, so suppliers play a key role in its effectiveness" (Riehl and Kleiner, 1987:p.5).

For a clearer understanding of JIT concept, the components and potential benefits of JIT is shown in Exhibit 5.2 and the some requirements for implementing JIT is shown in Exhibit 5.3 below:

Exhibit 5.2: Some Requirements for Implementing JIT

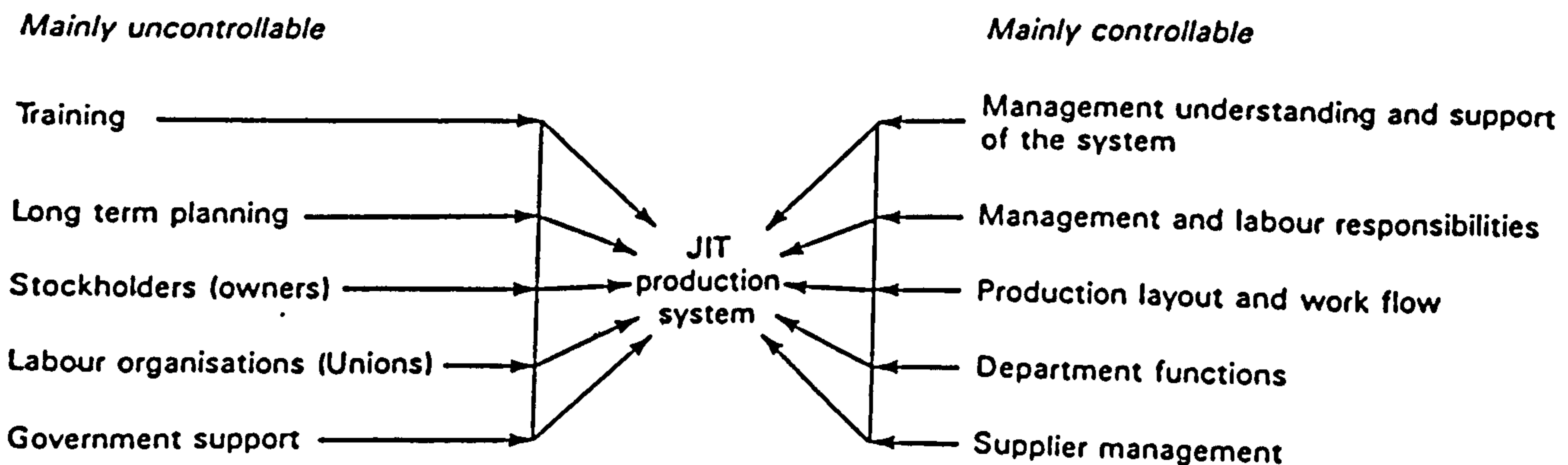
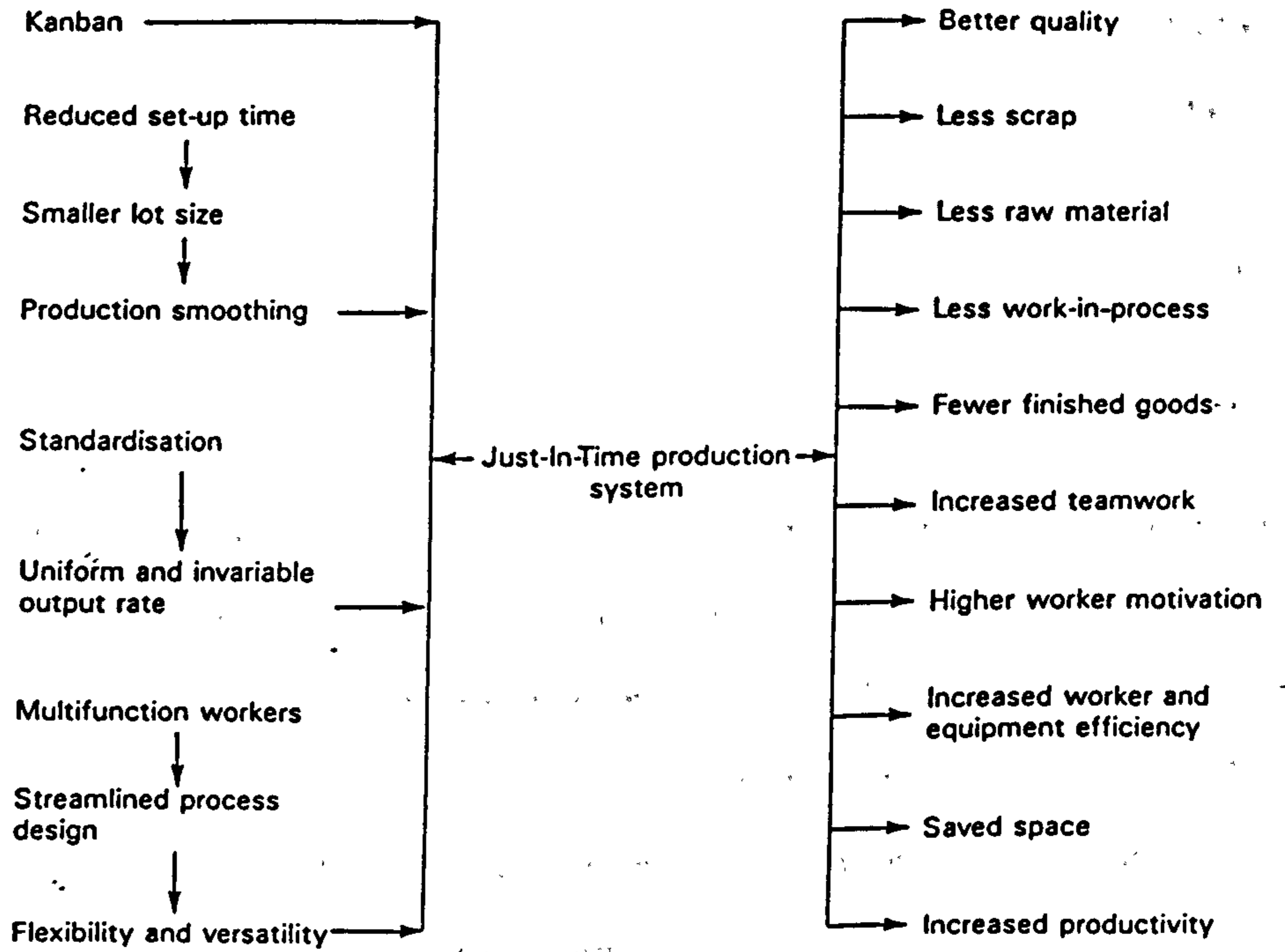


Exhibit 5.3: Components and Potentials Benefits of JIT



In evaluating the effectiveness of the JIT management practice, the most important merit has been the reduction of cost in the manufacturing of products as a result of superior inventory management. In Japan, it is estimated that the Japanese auto manufacturer holds a cost advantage of about US\$2,200 per car (William et al, 1980). It is also claimed that Japanese firms which have used JIT for 5 years reported a 30% increase in productivity, a 60% reduction in inventories, a 90% improvement in quality rejection rates and a 15% reduction in floorspace use (Aggarwal, 1985).

JIT manufacturing appears to be a good system because it advocates the production of the necessary units in the necessary quantities at the necessary time. Toyota Car company showed a huge profit using their JIT and kanban system. For example, in 1980 they turned over their inventory every four days and reduced their break-even point to 64% of sales (Philipoom, 1986). Because the rationale of the JIT management is for the organisation to have no more material than it is absolutely necessary at its disposal, this system is a very valuable and practical approach to increasing production efficiency. The problems of space for inventory storage; inventory theft, fire occurrences, insurance charges etc. are eliminated by this system. The same is true of the kanban system where the most benefit would be elimination of huge inventory.



The danger of JIT management system on the other hand, is the vulnerability on the part of the manufacturer with regards to the supply of inventories. What happens if the supplier suddenly cannot supply in time? Or what happens if the supplier tries to sabotage the manufacturer by giving an inferior inventory which have to be rejected? The whole operational process will be affected and the manufacturer who has no sufficient inventory of his own could lose substantially. The point here is that for it to be really successful, a strong relationship between the supplier and the manufacturer must first exist.

The danger of JIT (and also the kanban) system lies in the delay of stock delivery due to acts of God like heavy snow, flood or transportation problems due to landslides. There is no solution for these types of problems.

#### 5.5.5.6. Kanban System

An extension of the JIT process is the kanban manufacturing system which also extends greater efficiencies in the manufacturing process. The concept was originally developed in Japan by Taiichi Ohno, a Toyota's vice president, who named the system as kanban, after the cards that production workers find in their parts bin and use to call for fresh supply (Main, 1984).

Monden described the kanban system that operates in Toyota company as follows:

"A kanban is usually a card put in a rectangular vinyl envelope. Two kinds are common: withdrawal kanban and production-ordering kanban. A withdrawal kanban details the quantity that subsequently process should withdraw, while a production-ordering kanban shows the quantity that the preceding process must be produced. These cards circulate within Toyota factories, between Toyota and its cooperative companies, and within the factories of affiliated companies. In this manner, the kanban can contribute information on withdrawal and production quantities to achieve JIT production" (Monden, 1985:p.76)

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 practice, the kanban manufacturing system uses special devices to indicate when a new batch of parts or materials is needed on the line. Voss and Robinson (1987:p.52) define kanban as a pull system of managing material movement comprising a mechanism which triggers the movement of material from one operation through to the next, as contrasted with the push system such as MRP (Material Required Planning) and MRP2. It goes hand in hand with JIT and like JIT, it improves production efficiency, reduces costs and therefore provides a better product at a

better price for the customer. This 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 be interrupted. The kanban system is often referred to as zero inventory movement.

In the case of kanban, the greatest strength lies in it being a "pull" rather than "push" system. Like the JIT, kanban system eliminates fat inventories, thereby cutting costs. By this method, planning, information-handling and supervision activities are lessened too. Unlike the material required planning system (MRP) which is widely adopted in the West, the possibility of material-ordering error which causes a 'pile-up' is eliminated too.

#### **5.5.6. Management of Supplier and Sub-contracting System**

Sub-contracting or the shitauke system is widespread in Japan. According to Survey of Medium and Small Business by MITI in 1979 of 1974, 60.7% of all firms in manufacturing with less than 300 employees participate in sub-contracting (Sato, 1984:p.3). It has been estimated by some writers that the percentage of manufacturing enterprises employing 300 or more which use sub-contractors was 85%. Some Western commentators have hinted the sub-contracting system is the major reason for Japan's high efficiency.

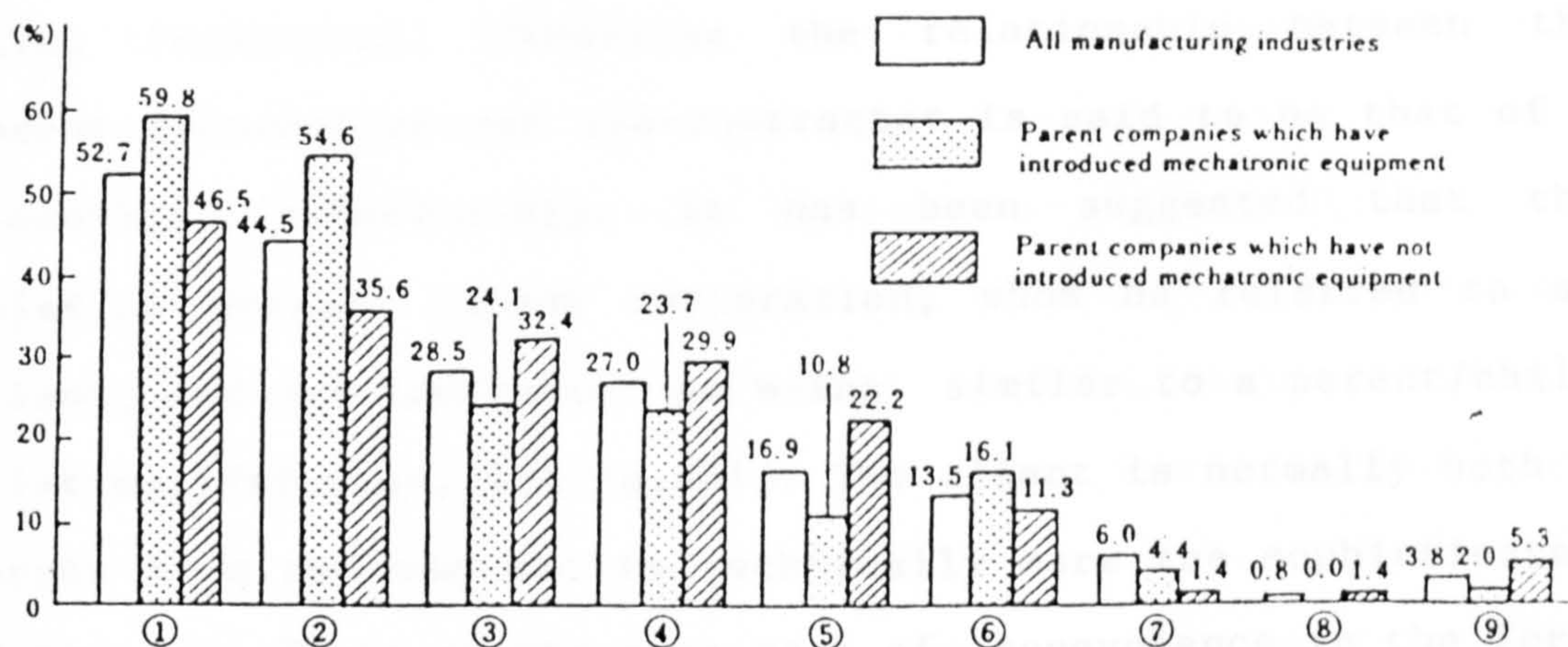


Freidman (1987:p.360) described sub-contracting management practice in Japan as a long-term supply relations between suppliers of parts or firms with specialised processes, and large assemblers. There are many types of inter-firm relationships involved in sub-contracting in Japanese. The most common type of arrangement is in the form of a master company investing directly in the smaller company. The former therefore controls and regulates the former's management. The other type of sub-contracting system is the arrangement where the independent smaller companies deliver almost all of its output to the master company for a specific period of time which had been agreed upon by them.

It has also been observed that sub-contract relationships are often more than simple two-level arrangements. The process often involves a pyramidal chain of relationships with a larger master firm at the top sub-contracting with a group of smaller firms who may in turn sub-contract to a group of even smaller firms (Oh, 1976:p.23). For example manufacturers of electrical parts in Japan contract out much of their their minor cutting and initial assembly work to small firms and these small firms in turn, sub-contract some of their work to household enterprises.

A survey in 1981 found that parent companies used sub-contracting enterprises for many reasons as shown in Exhibit 5.4 below:

Exhibit 5.4: Reasons Why Parent Companies Use Sub-contracting Enterprise



- ① Subcontracting enterprises have specialized technology and specialized equipment
- ② Parent company's production capacity is insufficient
- ③ Production lot is small and outside orders would be more Efficient
- ④ Reduction of personnel costs and the unit price of products
- ⑤ Use of subcontracting enterprises enables more flexibility toward fluctuations in lot size
- ⑥ Enables saving of capital for plant and equipment investment, etc.
- ⑦ Strong capital and personal ties with subcontracting enterprises
- ⑧ Parent company does not have to hold excess inventories
- ⑨ Others

Source : Small and Medium Enterprise Agency, "Skitauke Kigyo Jittai Chosa" (Survey of State of Subcontracting Enterprises) December 1981.

Note : Total exceeds 100 due to some respondents giving more than one response. cited from "Small Business in Japan", 1982 (Small and Medium Enterprise Agency, MITI)



Sub-contractors began rallying around major corporations in the late 1950s and this activity spread rapidly in the early 1960s (Tsuda, 1979:p.10). The parent corporations base their relationship on economic motives and they therefore do not hesitate to sever relations with the later during bad times (i.e. recession). Otherwise the relationship between the parent corporation and sub-contractor is said to be that of a close-knit relationship. It has been suggested that the relation between parent corporation, whom he referred to as client, and sub-contractor as being similar to a parent/child relation (Friedman, 1987:p.361). The client is normally both a larger firm and one who is technically more the sophisticated of the two. There exists some sort of benevolence in the form of finance or technical know-how or security of orders; and loyalty in the form of priority treatment for more important client's work between the parent company and sub-contracting company. It is also not uncommon for staff interchange between client and sub-contractor to occur normally where employees of a big company (client) are moved temporarily to work for the sub-contractor but their wages are paid by the former. This is usually done to assist the sub-contractor in management or technical know-how and to promote production or sales. This arrangement is called shukko(Inagami, 1983).



The sub-contracting system works very well in Japan mainly because it is an important aspect of vertical technology transfer (and becomes a standardised system for technology transfer) as employees of large firms with advanced technical knowledge, as well as employees of sub-contracting firms, branch out and form their own companies (Yoshino, 1984). It must be remembered that Japan is an industrial country and the development of machinery technology takes place through the initiative of large companies; and as is often the case, these technologies are transferred vertically to medium and small enterprises. Yoshino further that Japanese society is a vertical society and as such is characterised by group behaviour, paternalism and transference of main reference group from extended family to company, all of which have allowed tyrannical actions by parent firms, drastic competition as well as co-existence and co-prosperity.

The sub-contracting system that has been very successfully used in Japan is also the result of Japan being a land of limited physical space, but with an excellent road system, the combination of which has allowed the geographical expansion of the of sub-contracting system.

The most obvious benefit of this sub-contracting management system is the cost factor. The farming out of

work to sub-contractors means the parent company can reduce considerable costs in its operation (Bolwijn and Brinkman, 1987:p.25). This is due to three reasons; firstly the companies in Japan become specialised and over time they become very efficient in mass production, thereby reducing overall production cost; secondly, the labour cost of the parent company is reduced when using the sub-contractor system since the wages of the sub-contractors's employees are lower by 30-50% and thirdly, the material cost is lower because the volume of stock and size of storage facilities incurred by the parent firm are smaller as stock is held by sub-contractors and suppliers.

In addition to that, the parent company also gains in that payment periods are long. It is said that sometimes sub-contractors would only be paid for their work until the final product is eventually sold by the main company.

Also the relationship that is developed between parent company and the sub-contractors is beneficial to the former because the later provides various information and data on the market.

However, the system in itself can be said to be not favourable to sub-contractors, who are always at the mercy of the big and strong parent companies who dictate the terms of business transaction to be carried out. Thus more

often than not They are always at the receiving end when the going get tough especially during economic downturn. This has to be the ugly side of the system.

### **5.5.7. Marketing Management**

Kono (1984) said the marketing philosophy in Japan is well-developed, well-understood, widely accepted and effectively applied. Japanese marketing management has been described as a 'classic textbook case' of applying the marketing philosophy - carefully studying consumer wants and needs in international markets, developing products incorporating desired features; and putting effective marketing programs into practice to support them (Morita, 1983). Some important features of marketing management of the Japanese that are of interest include the various strategies in identification of market opportunities, market entry, market development, pricing, promotion and sales channels.

#### **5.5.7.1. Identifying Market Opportunities**

Japanese firms have been very good in identifying market segments that are ignored or poorly served by other international firms. What the Japanese would do is to go for the larger part of the market once they have established themselves in the particular target market. For example, the Japanese identify market opportunities in small cars and small powered motorcycles; cheap and



portable radios or TV sets; or suitable copiers for small business (Kotler; Fahey; and Jatusripitak, 1985:p.13). The Japanese participate in motorcycle market by selecting the ignored market segment; i.e. the small lightweight motorcycle as their target while other competitors such as Harley Davidson, BSA, Triumph and Norton of the UK focus on the higher price and bigger motorbikes. This marketing approach is called "provided opportunity", and the Japanese use it well.

Another type of market opportunity is "created opportunity", which the Japanese have invented through their own research and technology development. Kotler says that "created opportunity" involves competing in existing product-market where competition can be expected to appear quite quickly. The essence of created opportunity consists of searching and establishing new product-market niches in the face of competition. A good illustration of created opportunity is the watch industry. The major breakthrough by the Japanese watch-maker was in the early 1970s when Japanese quartz oscillation watches and clocks powered by small electric cells began to upgrade precision watch-making technologies and replace conventional mechanical watches with longer-lasting and more accurate watches. Due to this technology as well as the slowness of the Swiss watch makers to respond to new challenges, the Japanese created market opportunities and swept to the top of the

world market. Citizen, one of the leading Japanese watch-makers, invented its own market niche by offering a highly accurate and sophisticated quartz crystal wristwatch. As a result of this innovation, it became one of the top market leaders in watch industry. (Baranson, 1981).

#### 5.5.7.2. Market Entry

To enter the international market, the strategy adopted by Japanese firms is to manufacture and export: (i). lower-cost products; (ii). innovative-featured products; and (iii). high-quality product (Kotler et al, 1985:p.58). In the lower-cost product category, Honda and Yamaha entered foreign markets by introducing smaller, cheaper and easier to operate motorbikes. In the innovative-featured product group, Japanese firms like Sony and Matsushita have been successful in flooding international markets with multi-functional and remote-controlled hifi sets and video players which their competitors could hardly match. This product strategy is frequently applied in the case of technical products that have short life cycles and where new product development is the key to success. For example, Casio offers various features in the hand-held calculators market - such as calculators with clocks, with melodies etc. (Ohmae, 1982). More often than not the main purpose is to accelerate and shorten the product life cycle to discourage competitors from following with similar products. The high-quality products of the

Japanese can be found in cameras with famous brand names like Canon, Nikon, Minolta etc,

### 5.5.7.3. Market Development

The market development strategies used by successful Japanese firms have a common characteristic. The Japanese develop and modify their products with particular markets in mind (Business Week, June, 1981). Initially, they try to penetrate into the market that has been neglected but has promising potential. Once established in this particular market, they expand into the larger segment of the market by spreading its presence both in lower and upper segments of the markets. For example, in the watch industry during the late 1970s, the Hattori group under the Seiko brand name began to stretch its product line by moving into both the upper and lower market ends. In the late 1970s, a market niche for lower cost but highly accurate digital watches began to evolve. Seiko penetrated downward to this lower market end by introducing a series of lower-priced watches under the name Pulsar. A set of higher-priced watches, produced by Jean La Salle, a Hattori-acquired Swiss subsidiary, was introduced. Later, a razor-thin watch costing around US\$5,000 was launched to compete on the high end of the market, which had long been dominated by Swiss watch-makers (Business Week, June, 1981).



#### 5.5.7.4. Predatory Pricing, Dumping and Market Share

The Japanese are always said to adopt a market share strategy in international market especially when selling a new product. This strategy basically means putting all effort into obtaining and commanding portion of the market by low cost, even if it means losing money and then when the competitor has been wiped out, the price is put up. During the early stages, i.e. in the 1970s, Japanese firms in their quest for market-control in international market, deliberately used a low entry price. For this reason, they were accused by their competitors of "dumping" their products, especially in the U.S. market. For example, as a result of the advanced production technology that resulted in cost efficiency, the price of steel from Nippon Corporation in 1980 was about 90% that of US Steel and 80% that of the price of ATH Steel of West Germany (Kono, 1984:p.198). But with increasing competition, especially from the 4 newly Industrialised Economies (NIEs), Japan realised that she had to review her low-pricing pricing strategy. So, she embarked on a strategy of offering products of high quality at a very competitive price and also establishing a network of after sales services centres within all areas where they sold their products. Today, it is an open secret that Japanese products exported to the world market are of very high quality and yet competitively priced. A good case in

point are Canon cameras which are among, if not, the best in the world in terms of quality and value for money.

#### **5.5.7.5. Sales Channels**

The large and successful companies have strong sales departments or sales companies. They have local sales offices, and exclusive sales channels. Where durable consumer goods are concerned, an exclusive policy is commonly used by Japanese firms. In Japan, Toyota for instance has 320 dealers with 2600 selling outlets which sell only Toyota cars. They are legally independent but are controlled by the sales department of Toyota (Kono, 1984:p.201).

At the international level, it has been observed that in line with the aggressive marketing strategy, a massive distribution system also has become the norm. Initially, Japanese entered the markets through large distributors and large retail chains that would give them the largest initial coverage. Then they would go down through the next level of retail outlets until finally reaching the small independent stores (Kotler et al, 1985:p.59-60).

#### **5.5.7.6. Product Development**

Once the Japanese had gained an initial foothold in the international market, they concentrated on filling out their product lines in order to reach a broader segment of

the total market (Kotler, et al, 1985:p.60). Toyota's penetration into the US's market is sometimes used as an example whereby the said company launched a sequence of product introductions, many of which represented product line extension.

The Japanese also have been using a product proliferation strategy where it introduced a multiplicity of product types or models at each point in the product line. The rationale for product proliferation is to allow the company to appeal to a large number of market niches for as the products proliferate, they appeal to different tastes, preferences, and income groups. Casio is a good example of a Japanese company which is highly successful in this product development strategy where it introduces a wide array of models of hand calculators with different styles, functions and features. In a year, many models appear sequentially.

Japanese firms are also noted for making product improvements. They continue to improve on the performance, function, style, feature and of course quality by reacting quickly to the consumers' complaints and feedback regarding existing products.

#### 5.5.7.7. Trading Company (Sogo Shosha)

A discussion of Japan's marketing system will be not



complete without the the study of the the Japanese trading firms, sogo shosha. As mentioned earlier, sogo shoshas have contributed significantly to the rise of Japan as an economic superpower. They handle a large volume of business transactions domestically and internationally. The nine sogo shoshas had a total sales of 91.23 trillion yen for the fiscal year of 1987. The sales and profits of the 9 trading companies for 1987 was tabulated in the table below:

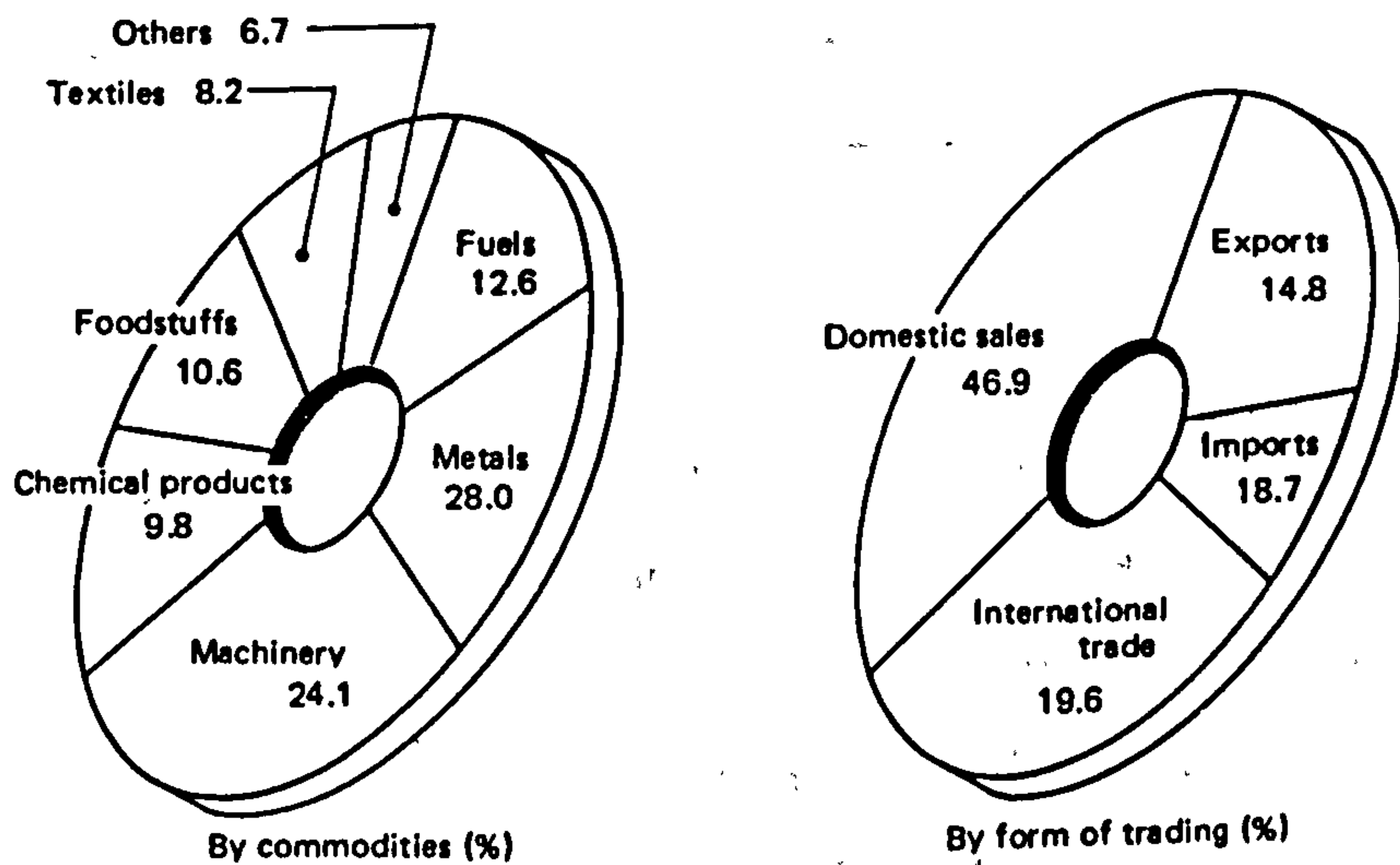
Table 5G: Sales and Profit of Sogo Shoshas of Japan for FY 1987

Ranking	Sales (¥bil.)	Gross operating profits (¥bil.)	Pretax recurring profits (¥bil.)
1. C. Itoh	14,922.0 (+ 4.7)	189.0 (+ 6.4)	42.4 (+21.1)
2. Mitsui & Co.	14,131.2 (+11.9)	222.7 (+ 3.3)	75.6 (+38.4)
3. Sumitomo	13,693.1 (+ 6.0)	164.8 (+ 8.3)	49.1 (+ 6.6)
4. Marubeni	13,209.4 (+ 2.7)	164.6 (+11.2)	38.0 (+23.0)
5. Mitsubishi	12,281.7 (+ 3.6)	209.1 (+ 6.2)	69.8 (-12.2)
6. Nissho Iwai	10,139.0 (+38.5)	113.5 (+12.9)	30.6 (+ 3.0)
7. Toyo Menka	4,625.2 (+11.2)	64.1 (+ 0.7)	13.4 (+ 6.7)
8. Nichimen	4,291.6 (+22.8)	52.7 (+ 8.9)	15.7 (+39.2)
9. Kanematsu-Gosho	3,888.5 (+20.1)	53.4 ( 0.0)	10.7 (+35.1)

Note: The figures in parentheses are % changes from FY1986.

The importance of sogo shosha is further seen in their sales by commodities and form of trading as depicted in Exhibit 5.5. below:

Exhibit 5.5: Sales by Commodities and Form of Trading of the 9 Sogo Shoshas of Japan for FY 1987



Note: The data is based on the half-year settlement to September 1988.

Source: Suzuki, 1989;p.233

The history of the sogo shosha dates back to the early years of the Meiji Restoration in the 1870s.. Mitsui's origin, for instance goes back to 1673 (Roberts, 1973). These trading companies were known as zaibatsu in the early days. Because of their involvement in the Second World War efforts, they were disbanded by the Allied Occupation authorities following Japan's defeat. In the 1950s, the former member firms of zaibatsus were once

again reorganised into the present day form sogo shosha; the only difference is that in the former zaibatsus, the majority ownership of shares was held by a few well-known families whereas in present day sogo shosha most shares are publicly owned.

Japan can be said to owe its rapid economic development to the promoting functions of sogo shosha (Hiramatsu, 1982). Sogo shoshas play an important role in commodity transactions in the Japanese economy, which serves an international clientele. A typical sogo shosha handles more than 20,000 items, ranging from industrial material to petroleum, consumer goods to fruits. The nine sogo shoshas handle more than 50% of Japan's total foreign trade and 60% of domestic trade (Malay Mail, October 25, 1982). They have four basic functions - trading, financing, providing information and organising.

Hiramatsu also pointed out that besides acting as trade intermediaries, sogo shoshas provide access to major distribution networks internationally and domestically. Acting as buffers between banks and credit-takers is another responsibility undertaken by them. The companies also have a superb credit history and an ability to handle risks. The communication network of sogo shoshas acts as a central nervous system, which extends to the far corner of the globe. By handling exports and imports, they increase



the flow of information and contacts - thereby enhancing their ability to minimise foreign exchange risks of trading activities. Consequently, they are able to deal with huge volumes of items and this permits them to operate with thin margins of profits.

Japan's meteoric ascendancy within the world market is testimony to her superiority in Japanese marketing management system. The low pricing strategy that is used to penetrate the new market has been highly successful in making Japanese products accepted worldwide and this ought to be its strongest point. The strength of Japanese marketing management can also be deduced from the fact that Japanese are selling quality products at a reasonable cost.

The very reason why Japanese car manufacturers have been more successful than their Western counterparts is simply because the former sell a much better car (i.e. better fuel economy) at a lesser price than their competitors.

The use of sogo shoshas, has without a doubt has placed the Japanese in an advantageous position in the competitive world market. Sogo shoshas are well-established and financially strong and are in a position to lend support in the marketing (i.e. distribution) as well as financing of domestic and overseas markets.

### 5.5.7. The Future of Japanese-style Management

The exalted status that Japanese-style management has enjoyed may have come to an end. As more is known about Japanese-style management, the intensity of interest regarding Japanese-style management begins to dwindle. Many scholars can be said to have lost interest in Japanese-style management. It may be that to them, Japanese-style management is not unique after all. If outsiders are beginning to express doubts about Japanese-style management as a model, the problem is also beginning to manifest itself on the home front. Japanese companies are finding it increasingly difficult to maintain some management practices that used to work well for them. This has come about as a result of a rapidly changing environment that has recently developed in Japanese society and it poses a real threat, which has a far-reaching effect on the survival and future direction of Japanese-style management at home and abroad. What are these challenges?

The first challenge facing Japanese companies which has had some effect on their management system is Japan's new position as a leader in invention and innovation (Abegglen, 1984:p.157-161). Japan has in the past done very well as a pursuer nation by taking advantage of Western technological development, perfecting it to

produce world class, quality goods. Now that Japan is on equal footing or is even slightly ahead of Western industrial nations, a new era is beginning in which she must become a source of scientific discovery and invention if she is to maintain her economic growth. It is doubtful if such management practices like groupism are healthy or appropriate any longer in the light of new developments. Abegglen warned that creative (scientists) are often of a type that do not fit well into large, group-oriented organisations. In view of this, questions pertaining to the future of stereo-type Japanese management practices in the new era of technological discovery and invention are bound to be raised.

It is a well-known fact that Japan does not have natural resources. She depends on other countries and to ensure regular supplies, the Japanese cement their relationships with a number of countries by undertaking joint-ventures in some selected industries. There may come a day when these countries, after having adequate technologies will sever their ties with the Japanese. Such prospect may not be likely in the near future, but if and when it comes, Japan will face a serious problem. What is implied here is that there will have to be a reevaluation of her business/management strategies.



There was indeed a strong anti-Japanese sentiment in a number of Southeast Asian countries in the 1970s but the Japanese have managed to improve strained relationships by providing economic aid and establishing fairer trading practices with these countries. The Japanese have been strongly resented because of the ungentlemanly business tactics they used in these countries. Resentment against the exploitive 'ugly Japanese', as they were then called, may appear again and this time it could be of bigger magnitude. Top management groups in Japan have to acknowledge that time has come to start reassessing their management system. There are scholars who are of opinion that Japanese-style management is only effective in the economic boom, as evidenced by the 1955-1970 era of high economic growth period (about 11%). When economic instability sets in, as was evidenced by the brief period of oil embargo in the 1970s, it starts to crumble.

The intense competition for world markets has in recent years forced Japanese companies to invest aggressively in foreign countries. The globalisation of Japanese companies has also some effects on some management practices. For example, it has been found that not all Japanese management techniques can be applied in foreign soils without taking into account local culture, political and economic backgrounds. In fact the Japanese are quick to

realise the benefits of adopting a hybrid of Japanese and local management practices. There is yet another more important aspect of globalisation of Japanese companies. It has been suggested that if Japanese companies are to become international and integrated into the world economic system, then Japanese companies must learn how to recruit, train and promote foreign employees - not as foreigners but as integral members of the parent organisations.

Based on statistics provided by the Ministry of Welfare in 1985, more than 25 percent of the Japanese population will be over 65 years old by the year 2000. It means Japan will be a rapidly ageing industrial nation and this has serious implications. From the management point of view, there will be initial problems of shortage of managerial posts as more and more old-timers become eligible, by virtue of age and years of service, for these positions. The company cannot rationally give all eligible employees managerial positions, for to do so would be disastrous. The feasibility of continuing the practice of promotion based on seniority, for instance, is going to be seriously tested and lifetime employment and recruitment of fresh graduates, to name a few, may have to come to an end soon.

From the financial point of view, mounting pressures will continue to affect the operation of Japanese companies

with a growing number of ageing workforce since they will have to pay the employees more because the average wage will go up now that the average age of the workers increases (Iwata, 1982:p.109). And yet, some scholars observed that corporate vitality may slacken due to the ageing of the workforce. The problem of an old society does not stop here; the side effects from structural changes in the workforce will cost more money. When older employees are retired off it means that the retraining of workers for early retirement or secondment, redeployment to other firms in enterprise groups etc. will sap companies' resources considerably (Gow, 1988b:p.49).

As the result of her economic prosperity, Japan's population enjoys a high standard of living. They have become arrogant, said many older Japanese. Compared to the older Japanese whose propensity to save is among the highest in the world, the younger Japanese is easy-going, careless and spends lavishly (the use of credit card in Japan is gaining a new height popularity!). To maintain comfortable lifestyles, Japanese workers demand more pay and other perks like their western counterparts. Traditional values are under threat. Traditional management practices will have to adjust to new developments.



Women have always played second fiddle in the labour market. This is because they are considered only good as part-time workers and their career usually end when they marry. As such they are among the most neglected lot in the workforce of Japan, despite the fact that they are a highly educated group. The time has come for this group to be accorded the role it rightly deserves. Today, Japanese companies cannot afford to ignore them. One reason is that Japan will soon face an acute shortage of workers as its society ages. Secondly, Japanese women, like their counterparts in the West, are no longer contented to take the traditional role which confines them to the kitchen. They have shown that they are increasingly willing to work and raise families as well. Such developments will add a new dimension to Japanese-style management, which all this while has considered women only fit to work as temporary workers and hence has given them less important responsibilities. The sub-contracting practice that uses a lot of temporary workers, for example, may have to be dispensed with.

As is the case in the West, Japanese workers are beginning to spend more time in leisure and with their families. It is claimed that Japanese workers are among the most dissatisfied workers in the world. For instance, one Gallop survey stated that only 15% of Japanese population are happy with their lives versus 37% of Britain

(McCallum, 1986). It is obvious that like other workers throughout the world, Japanese workers at present are demanding better working hours and privileges. This is a change that every Japanese employer will have to face and perhaps realise that the era of the docile and subdued workforce is about to be over. A new approach to management must take place.

In summary, it can be said that Japanese-style management practices, together with other factors, have contributed quite significantly to the ascendancy of Japan as a world leading economic and industrial power. Like any other management system, there are strengths and weaknesses found in the Japanese management system. Some features which are outstandingly beneficial are clearly worthy of emulation by outsiders while those which are problematic should not be considered at all. However, the fact that Japanese management system is currently facing new challenges and having problems within and outside Japan as a result of the changing internal and external environments to which it must react surely has caused some concern or doubt among foreign countries which had intention to import some Japanese management practices.

**CHAPTER SIX**  
**TRANSFERABILITY ISSUES OF JAPANESE-STYLE**  
**MANAGEMENT TO SELECTED FOREIGN COUNTRIES**

**6.1. Objective of the Chapter**

This chapter aims to examine the transferability issues of Japanese-style management to a number of countries. Besides Malaysia, the other countries selected for discussion are the US and the UK representing the advanced countries of the West; and Taiwan, South Korea, Hong Kong and Singapore, commonly called the four dragons or the 4 NIEs (Newly Industrialised Economies) representing the "mini-superpowers" of the East. The experiences of some countries selected for the discussion here is considered relevant to the effort by Malaysia to transfer Japanese management techniques to the country. Perhaps, there are lessons that Malaysia could learn from them as to how best to transfer some of the Japanese management practices into the country.

There does not appear to be any significant research study made yet on the transferability of Japanese techniques into the public enterprise sector, resulting in very little material on the subject matter available. There is however, an abundance of literature concerning the efforts by Japanese-owned firms as well as Japanese joint-venture



companies operating in foreign countries to introduce Japanese management practices to their employees. There is also a modest amount of research studies and journalistic articles on non-Japanese organisations in the private sector especially in the US and the UK experimenting with some Japanese management techniques. The discussion in this chapter will therefore be more based from the experiences of those firms in private enterprise sector (both Japanese-owned companies as well as non-Japanese firms) rather than those in the public sector. The author recognises that this imposes a limitation on the discussion. Nevertheless, the discussion is considered very relevant and useful to the reader prior to the eventual discussion on the transferability issues of Japanese-style management in the Malaysian public enterprise sector. After careful consideration, it was decided that the subject of joint-ventures and takeovers of firms by Japanese would not be dealt with in any depth whatsoever in term of transferability, given that they present really a much more complex cultural confrontation between two cultures. Although a worthy subject of research study, it is best, in the author's opinion, that they are dealt as a separate unit by themselves.

## **6.2. Introduction**

Before introducing an analysis of the issues involved in transferability as reflected in the literature, a number

of important areas have to be effectively delineated. The first is the paucity of real studies on the transferability from the private to public sector even within the Japanese context and language. The second is the distinction between advanced and newly industrialising economies. The group that have been selected here include both the US and the UK partly because Malaysia is hoping eventually to compete with them and any new advances in management such as taking on Japanised ideas should be important and also Malaysian management has been extremely influenced as the author has discussed earlier, by British and American management techniques and systems. Thirdly, on the other hand Malaysia is hoping to become a direct competitor to the existing NIEs. The fact that NIEs are regarded by Malaysia as her direct competitors and themselves have a major Japanese presence, and at the same time experimenting with Japanese-style methodology, is clearly important. Lastly, there is the fact that they are in fact Asian countries and have considerable elements in common with Japan and to some extent, with Malaysia. Therefore, we will move on a spectrum from Taiwan through South Korea to Hong Kong and Singapore.

In the literature review on Japanese-style management, there are two major schools of thought on transferability of Japanese-style management to other countries. One school contends that Japanese-style management can be

transplanted to other countries. In this school, the overwhelming opinion is that selected features of Japanese-style management are culture-free and transferable although they may have to be modified in view of the differences in environmental settings involved. The other school maintains that Japanese-style management is culture-bound and this being so, Japanese-style management cannot be successfully transferred to other countries.

In the last two decades, the transplantation of Japanese-style management to other countries has been attempted via two modes; namely: (i). through Japanese-owned companies or subsidiaries (or joint-ventures) with Japanese interests that operate abroad where, as much as possible, try to introduce some practices of their parent companies in Japan; and (ii). through the initiatives of locally-owned organisations (either private firms or government agencies) of foreign countries as in Malaysia which endeavour to run their operations along the lines of Japanese firms in the hope of achieving the so-called Japanese economic "success". Let us begin with experiments with Japanese-style management in the UK.

### **6.3. Japanese-style management in the United States (US)**

The US is among the first superpower to recognise the great potential to be found in Japanese management techniques and immediately attempts to learn more about



them. The adoption of Japanese-style management in America, like the pattern observed in the UK, has been disseminated mainly through two vehicles namely the Japanese firms operating there, and the American firms. Like their counterparts elsewhere they began to experiment with only some selected features of Japanese-style management.

The mushrooming of Japanese firms that began in the mid 70's in the US was mainly been due to the fear of the Japanese that their products in the American market would be subject to tariff etc. In order to remedy the prevailing tense trade relation and appease the Americans, who were becoming increasingly anti-Japanese, and in order not to lose their very strong position in the lucrative American market, the Japanese began direct investment era by setting up manufacturing plants there and also forming business joint ventures with established American firms. It is these firms that first introduced Japanese-style management. The success of the Japanese firms and joint-venture companies began to attract the attention of the American firms and some began to incorporate Japanese work approaches in their operations. The popularity and subsequent adoption of a selected features of Japanese-style management in the American firms therefore can be said to be the result of their

desire to emulate the success enjoyed by the Japanese firms and those firms that have Japanese interests.

The literature on the Japanese-style management and the feasibility of adopting such practices in the US is very extensive. The views and comments expressed by distinguished scholars and researchers on the subject matter are varied and divided; but one view seems to unite them all - that is, some Japanese management features are suitable and therefore transferable (Johnson, 1977; Johnson and Ouchi, 1974; Takamiya, 1979; Amano, 1979) and some other Japanese practices are not compatible with the American system and therefore not possible to transplant in the country ( Cole, 1983; Sethi et al, 1984)).

### **6.3.1. Japanese Subsidiaries**

Johnson (1977:p.32) commented on the staffing policy of Japanese subsidiaries in the US where he said the typical arrangement seems to be that a Japanese national occupies the top position. The Japanese fill the middle management positions of accounting and industrial engineering the remaining staff comprising the managers, supervisors and ordinary employees with Americans. There are also few Japanese technicians who are brought from parent companies in Japan. It has been also observed that the top management structure of Japanese organisations is layered with Japanese and American managers. The typical

setting is one that 'sandwiches' local managers between a Japanese assistant to the department. The local division manager is part of the next sandwich consisting of his own Japanese assistant, himself, and assistant to the local vice president. This is one way perhaps to effectively promote Japanese management practices among the locals who may need to be familiarised with the style of working of their Japanese counterparts. Tsurumi (1976) has described such an arrangement as an integrator between Japanese and locals.

Johnson and Ouchi (1974:p.66) remarked that Japanese companies in the US have a "bottom-up" approach in which information would flow from the lower echelons to their superiors (and vice-versa) and that Japanese managers appear to believe that changes in the organisation should be initiated from those who were most likely affected by the changes. It is specifically not mentioned if this amounts to the ringi system but nevertheless, there is evidently some evidence for a significant input into the decision-making process on a participative basis by those in the lower echelon.

It is also found that Japanese subsidiaries in the US have often stressed the development of the "wa" spirit and worker's loyalty among employees (Takitani, 1973). This attitude has been clearly observed, according to Takitani



at Hitachi plant in Michigan and at the Sanyo plant at Forest City, Arkansas. He observed that this attitude has not been consciously imposed, but instead has evolved as business and personal relationships become closer.

Decision-making by consensus has been adopted in some of the subsidiaries. At the Sanyo plant for example, committees were formed to ensure that the lower-level managers can channel their ideas to top management group (Business Week, December 12, 1977). It was stated however that the ringi system per se has not appeared.

The policy of not laying off workers is to a great extent, being implemented in Japanese subsidiaries as is observed at Kikkoman Foods in Wisconsin (Ishida, 1977:p.37) and also at United Motor Manufacturing Inc (NUMMI), a Toyota/General Motor joint venture (Brown, 1987:p.24). However, it has been agreed upon by the management and their employees that layoffs will be carried out only as a last resort and only when the company is compelled to do so by severe economic conditions that threaten the long-range financial viability of the company.

There is also a study of Japanese subsidiaries abroad that supports the 'can transfer' phenomenon of Japanese management practices with regards to long-term profit and

growth, aggressive capital investment, modernisation of plants, emphasis on quality control, job enlargement, job rotation, participation on many levels and respect for people (Kono, 1982:p.90-102). Japanese-style management has also been introduced with considerable success at Sony where it is mentioned that the company is treated as a 'whole person' rather than as so many productive units and as a result of this wholistic approach to the employees, not only is productivity high but also absenteeism and labour turnover are low (Johnson and Ouchi, 1974:p.63).

Even on the industrial relations front, Japanese-style management has indeed made some progress in America. This is clearly seen in the team concept that is manifested at NUMMI (Brown, 1987:p.24-25). The collective bargaining between the management of NUMMI and the union body, UAW provides that employees will work in teams, and as far as practical, rotate jobs within the team. This has led Brown to comment that Japanese methods can work in the American unionised setting.

Torrence (1983:p.3-7) in his study of the Kawasaki plant in Nebraska has singled out three main elements of Japanese-style management that have been implemented successfully namely the non-laying off of employees, the just-in-time system and seniority-wage system. He also

found that there is good communication among the workers and the management and morale is said to be high among employees.

### 6.3.2. American Organisations

In the case of American companies (i.e. those with no Japanese interests), there are a number of success stories in trying to implant Japanese-style management, although the degree of such successes are confined to limited firms, i.e. the Type Z organisations (Fukuda, 1986). Ouchi (1981), in his interesting book entitled Theory Z, refers to Type Z organisations as successful American companies which have many characteristics similar to companies in Japan (however he has not shown if these companies had actually consciously learned from the Japanese). The most widely practised one is QCC. A study in 1982 by the New York Exchange showed that 44% of all companies with more than 500 employees have quality circle programmes (Lawler and Mohrman, 1985:p.66). It was also observed that over 90% of the Fortune "500" companies have such programmes in their structure. The popularity of QCC is attributed to the success of high quality Japanese products at competitive prices in the US and the Americans see this concept of management as a way for their companies to achieve competitiveness. It has been also suggested by some observers that QCC has been successful in the US perhaps because QCC was invented there.



### 6.3.2. American Organisations.

The recruitment system of the Japanese has been tried at a number of American companies. Hiring very selectively to get an elite force is said to have been experimented at Hewlett-Packard where it maintains stringent standard in hiring production workers and yet avoid discriminations by following carefully guidelines on the percentage of minority employees it will recruit (Weiss, 1984:p.119)

A growing number of organisations in the United States are now switching to JIT management. A few go a step further by developing and implementing their own version of JIT under a different names such as ZIPS (zero inventory production system), MAN (material-as-needed), NIT (nick of time (Walters, 1984). The success of JIT technique in America was clearly seen at Harley Davidson (Philipoom, 1986). Using JIT technique, the company had reduced its break-even point by 32% and in-progress inventory from US\$23 million to just over US\$8.5 million. Ansari (1984) conclusively found that the JIT philosophy can be successfully implemented in US companies "given the significant time, resources, support, management commitment and leadership.

According to a study made by JETRO (US) (1981), on Japanese companies (i.e. subsidiaries), it is common for Americans to be in charge of production, industrial

relations and wage negotiations, and marketing; while Japanese expatriates were given the responsibilities of decision-making, liaison with Japanese parent companies in Japan and finance and accounting. The study also revealed that most Japanese subsidiaries particularly those which originated through mergers with, or purchase of established US firms or those combined ventures with US firms, in which Americans held management leadership, follow 'top-down' pattern of decision-making rather than the collective pattern, based on consensus, favoured by the Japanese. A similar study conducted a year later (JETRO (US) 1982) concluded that there is some evidence to suggest that localisation of management practices in Japanese subsidiaries has taken place.

There are many problems in the process of adopting Japanese-management practices in the US environment faced either by Japanese firms as well as in Japanese-American joint venture firms or by American firms. Johnson and Ouchi (1974:p.68) were of opinion that in Japanese subsidiaries, the Japanese have problems managing American workers because of the culture. For example, authority in American context, is always equated with hierarchical positioning and as one climbs higher, one is expected to have more say in decision-making. They added that while Japanese are concerned about people, the Americans just care about the product and results. The American values

the obstacles facing the Japanese managers in the process of introducing their brand of management system to their American staff. A number of scholars on Japanese management are in agreement that there are problems in trying to transfer the true form of Japanese management to Japanese companies in the US (Tsurumi, 1978; Peterson and Shimada, 1978; Takeuchi, 1981). Examples of some specific problems are communication problems resulting from a different way of thinking and interacting, inadequacy of non-financial rewards, high turnover among middle managers lack of involvement on the part of employees with company activities. Tsurumi (1978) lamented the fact that the various problems mainly come from American managers rather than employees. He concluded by saying American managers are not eager to accept the Japanese style of management because they feel deprived of the prerogatives like private offices, private secretaries, executive dining rooms and executive wash rooms etc.

Attempts to introduce some Japanese-style management such as lifetime employment and seniority-wage systems faced a lot of problems because of cultural differences between the Japanese and the Americans, according to Torrence who explained that:

"Japan is, relatively speaking, a highly disciplined, closed, mono-religious, and homogeneous culture while the



United States is a heterogeneous, multi-religious, non-confirming, litigious society" (Torrence, 1983:p.10)

This comment is obviously true in general, although of course, one should be aware that the Japanese are not mono-religious but actually are pantheistic. As such, the concept of family and group in Japan is most valued while the concept of 'self' and 'self-fulfilment' predominate in American culture. A professor of Management at California State University cautioned that imitating Japanese-style management without taking into account of their cultural and demographic consideration can be disastrous (Maher, 1985b:p.34).

The 'cultural difference' hypothesis was also highlighted by Weinshall (1986:p.40). Because of the different cultural setting in America, Weinshall argued that ringi and lifelong employment systems are not transferable to the Americans. He supported his argument by saying that the Western structure is not used to the luxury of time that ringi system requires in decision making. Nor do most companies in the US think they have the required normal and informal structure for such time-consuming process of politicking and manoeuvring behind the scene at every level of the organisation to achieve consensus. Lifetime employment according to Weinshall is "anachronistic to Western habits and practices". Maher (1985a:p.26) joined

in the attack on lifetime employment by saying that it cannot be indiscriminately transplanted to a culture (i.e. the US culture) which is ego-oriented, individualistic and competitive. Even in Japan, he added, people especially the young are beginning to find many faults with such a system. Whilst excessive and oversimplified, there is some value in his comments.

The issue of transferability of Japanese-style management is even more problematic for the American firms. Despite the earlier popularity that QCC generated, Cole (1983) mentioned in his article that they have "become a dirty word in many companies". QCC is difficult to practice in American firms according to Cole, because unlike in Japan, the nature of peer pressure on behalf of organisational goal cannot be mobilised in America. The reason for this is due to the adversary relationships that predominate between labour and management in American work system. The management group considered the system as a threat to their authority and the ordinary employees, especially the older workers according to Cole's findings, resisted QCC because they do not think they are likely to change the way things have always been. Another reason for the resistance towards QCC has to do with the educational level of workers concerned. They do not have the required mental framework to do it in terms of the ability on mathematics etc.

mental framework to do it in terms of the ability on mathematics etc.

It is clear from the discussion above that the transferability of Japanese-style management is a tricky issue for the American emulators. It appears that the Americans should be selective about what elements they can apply in their corporations, given the understanding of Japanese management and the constraints imposed by different ecological, cultural and institutional environment (Cool and Lengnick-Hall, 1985:p.16). A number of other scholars have registered agreement with them.

Peter Drucker, considered a renowned management guru said that it would be a folly for managers in the West to imitate Japanese management blindly. He explained that to practice Japanese decision-making by consensus in American firms "will lead to indecision and politicking or at best to an innocuous compromise which offends no one but solves nothing". He also commented that lifetime employment is too costly for American firms to maintain since they have already paid a high degree of 'income maintenance' for their workers (Drucker, 1971:p.110-121).



There are others who maintained that for a transplantation of Japanese management methods to be successful in America, a rapid implementation of certain environmental changes such as tax and anti-trust laws must come first so that the necessary infrastructure is there for organisations to focus on long term utilisation of human resources based on the orientation of Japanese management system.

Dunning (1986) commented that "Japanese style labour practices are less in evidence in US than in European factories". The introduction of work flexibility, i.e. Job-rotation, is less acceptable to US workers; plans and policies regarding layoffs are much less specific (JETRO, 1981). Because of the more individualistic nature of the American workers as compared to their European counterparts, the introduction of the Japanese-style management in toto is unlikely to be successful. But on one hand, claimed Dunning, many Japanese-style recreational activities had been introduced into American factories. Other features that are widely practiced include the employee loyalty, information dissemination and QCC.

#### **6.4. Japanese-style Management in the United Kingdom (UK)**

##### **6.4.1. Japanese Subsidiaries**

As early as 1983, Japanese companies had some 35 ventures in Britain ranging from TVs and VTRs factory plant making fish rods in Scotland (Stafford, 1983). Today, the number of Japanese concerns ranging from banks to trading companies in the UK is about 450 (List of Japanese Companies' Addresses in Europe, 1989/1990:p.75-106). This trend towards inward investment in the UK and elsewhere has been driven by a number of factors which might be described as "push" factors and "pull" factors. In term of "push" factors, the Japanese, first of all, initially moved into underdeveloped world for a comparative advantages in labour cost, land, easy access to raw materials etc. In the developed world, the first aim was in fact to preempt any kind of tariff measures which might have been developed because of the outcry against the flooding of the market by the Japanese. The second reason why the Japanese increasingly have moved overseas, in the case of Britain etc. is because of the potential access to the European Economic Community (EEC). The third reason, which is in common with America, for opening up companies overseas by the Japanese is the strengthening of the yen makes it more profitable to make products in overseas countries and sell them in the said countries and that it is so profitable even the Japanese can reexport back to Japan. Finally, increasingly the advanced industrial countries are actually offering workforces which are cheaper than those in Japan.

countries are actually offering workforces which are cheaper than those in Japan.

The Japanese, for these reasons have been keen to establish subsidiaries or joint ventures or increasingly, in the US and Europe, undertake takeovers of existing firms. For example, one of Japan's largest car manufacturers, Honda Motors immediately linked up with the state-owned British Leyland. Nissan followed suit by having its automobile plants built in Wales in 1986 and recently, in 1989, Toyota had announced that it is to build a plant at Durham. At present, Mitshubishi Electric is expanding its television plant in Scotland to manufacture video tape recorders (VTRs); Sanyo Industries in Lowesoft is also expanding its TV factory to produce VTRs; and Hitachi-Maxwell is opening a plant to make VTR cassettes. Japanese trade officials in London said Britain and Ireland were popular because of the language and access to other Common Market countries. In the process of carrying their operating in the UK, these firms have introduced a number of Japanese-style management practices.

Japanese manufacturing firms in Britain have been found to have been implementing the Japanese approach to management, although sometimes in a modified form, with considerable success according to a survey conducted by a



as it is regarded as incompatible with local values and practices. QCC, suggestion system, zero defect movement and consensus decision-making are introduced only in a few companies and are absent in others as these practices are considered ill-suited to the British setting which is strongly oriented towards individualism and social stratification, according to Tomita (1986:p.5-6). He also observed that policies relating to the quality of life have been strongly emphasised. These include harmonisation, team spirit and sharing corporate information. There is enough evidence to suggest that status differences between managers and their subordinates are minimised through the use of company uniforms, common canteen and toilet facilities and similar fringe benefit schemes. These policies are reinforced by job security, flexible management, internal and promotion schemes. These findings concurred with those of White (1983:p.25) who conducted a study on Japanese firms in the UK, whereby it was found that there had been indeed practices of Japanese-style management in the Japanese subsidiaries operating in the UK.

It is quite clear from the available literature that the transfer of management practices to the UK, have been transmitted in the following ways:

(i). the appointment of Japanese expatriates as general managers or directors, and one or two senior expatriates who practise Japanese management practices as carried out by the parent companies in Japan.

(ii). the sending of some key line managers and supervisors, the majority of whom are British, to Japan for induction and training in the parent companies;

(iii). the systematic introduction of some selective Japanese management practices such as emphasis on loyalty (wearing of company's uniforms), bottom-up decision-making (ringi) and groupism (suggestion box and QCC) to British workers by Japanese expatriates.

According to White's study, the extent to which these methods of transferring Japanese-style management varies substantially from one firm to another. An earlier study by Thurley from 1979-81 regarding the issues of transferability of Japanese-style management to Western Europe indicated that Japanese elements of management are also present in Japanese companies in Europe but that only some key systems are adopted and that they are practised with some modifications as is clearly illustrated by the Toshiba factory (Thurley, 1983:p.124). For example, in personnel management, the Japanese firms try to adopt local customs and practices.

with some modifications as is clearly illustrated by the Toshiba factory (Thurley, 1983:p.124). For example, in personnel management, the Japanese firms try to adopt local customs and practices.

It was observed that Japanese companies follow a dual employment system for expatriates and local staff. There are few Japanese-style personnel policies and techniques employed for dealing with local staff especially in recruitment and employment, training, welfare provisions, remuneration policy, consultation and collective bargaining. It also mentioned that direct recruitment from schools had been reported in a number of manufacturing establishments. Grading systems for factory workers, with regular appraisal and upgrading were found in several larger manufacturing concerns. Modified bonus systems were practised in some firms, particularly for managers. Regular direct consultation sessions between supervisors and workers were also observed in a number of factories. Uniforms were used for factory and office staff and management and that there was evidence of canteens, toilets, etc, being provided on a single status basis. From the findings of this study, there is some basis to conclude that there has been a certain degree of success achieved by Japanese firms in the UK in transferring the Japanese practices of their parent companies in Japan. Thurley's 1983 study also concluded that not all Japanese-



style management had been transplanted in the UK and that some of those being transplanted were a hybrid version of Japanese management. Other writers also expressed the sentiments that Japanese firms are usually cautious, pragmatic and not anxious to reproduce a whole package of employment practices once operating outside Japan (White and Trevor, 1983)

Oliver and Wilkinson (1989:p.76) in a recent study, seemed to confirm earlier research studies whereby they found that some Japanese management practices were prominently executed by employees in Japanese subsidiary companies although the degree of their practices varied from company to company. However, there was an obvious absence of the use of temporary workers perhaps because according to them, the subsidiary companies were still in the infancy stage.

Other interesting recent findings on Japanese management practices in the UK included the fact that the majority of Japanese subsidiaries in the country have more clearly defined and professional marketing strategies. They are systematically committed in their market share objectives, strategically focused on volume expansion and always targeted at higher value-added market sectors (Wong, Saunders and Doyle, 1987;p.61). It is further observed that they are more oriented to long-term market share than

Japanese subsidiaries against existing firms having difficulties of changing market ranges and strategies.

Another area of interest on Japanese-style management concerns the organisational structure in the production subsidiaries. In some of the Japanese firms, a system of task pairing is employed whereby a Japanese expatriate works closely with a Western manager in a given role or function. This type of structure often leads to a 'sandwich' situation where alternate layers of the organisation, or of an aspect of that firm, first has a Japanese manager, then a British manager, etc.

Among those Japanese practices that can be applied successfully to the UK according to Dunning (1986) are:

"no status-related differences, in employment, hours of work, holidays, working conditions, social facilities, etc.; open plan space usage; no separate offices, except, perhaps, for most senior executives and meeting rooms; open door attitude; the willingness for discussions and consultations between people at all levels; good communication; tell the people all the time the facts of industrial life; reduction of job grades to absolute minimum; incorporate flexibility of work clauses into contracts; pay special attention to recruitment and selection methods and criteria; increase attention to

encouraging workforce to give their best without always expecting an immediate financial reward; try to do without formal incentives, but, through promotion and gifts, reward good workmanship; and encourage promotion of single company, rather than several crafts union".

It is believed that the Japanese managerial style and pattern of labour relations have been transferred more completely to the United Kingdom than other parts of Europe (JETRO, 1983).

Like other writers on Japanese-style management, Wong, Saunders and Doyle (1987) found that some elements that were practised in Japan were not carried out in their subsidiaries in the UK. They said;

"Our present findings suggest that many of the conventional theories about Japanese organizations do not apply to their subsidiaries in Britain. They were not more committed to lifetime employment, to training, or to imbuing shared values and company culture in personnel" (Wong et al, 1983:p.61)

Obviously, those elements of management which were not introduced to their workers in the UK are those that are considered difficult to implement or are bound to be rejected by the British workers.



It is also suggested that Japanese companies operating overseas including those in the UK do not appear to be particularly generous with bonuses or sick pay schemes. Deals with single unions are often accomplished, but this does not mean the unions have been made into enterprise unions. (Dickens and Savage, 1988:p.62). Regarding in-house or enterprises unionism, the Japanese have found that this is the most difficult practice to introduce because the British union movement in the country is very strong. Joint ventures and subsidiaries which are unionised are run by British managers mostly on the British lines. Where there is a green field site, it is preferred to use a single union shop model.

Contrary to the normal practice in Japan of hiring graduates direct from universities and training them in the specific skills required, Japanese subsidiaries found themselves obliged to hire people with past working experience. Woronoff (1981:p.14) explained that it was obvious that the Japanese did not recruit entirely or even largely, by taking staff directly on graduation from school, or universities as in the case in Japan. If they tried to do so, it would have taken thirty years of such recruitment to fill the ranks from the bottom to top. However, a more important reason is that recruiting fresh graduates only is not feasible in the UK, because when

the Japanese set up a green field site, they cannot afford the luxury of everybody with no work experience.

The same concern about work attitudes manifested itself in the evaluation for promotion or salary revision. While not all companies used appraisal sheets where they were used and had been prepared under the supervision of Japanese executives additional criteria on employee attitudes were introduced. Japanese managers were particularly strict on lateness, absenteeism, smoking and drinking (Inohara, 1980)

One of the greatest problems in transferring Japanese management practices abroad is that they are part of a system (White and Trevor, 1983). Thus a piecemeal transfer is unlikely to be successful. An effective transfer would require an overhaul, perhaps a complete re-orientation, of the entire Western management system. Since Japanese managers are reputed to concern themselves with specific details, while many British managers prefer not to "get bogged down with details". There are likely to be difficulties in carrying out the transferability of Japanese practices to the UK (Buckley and Mirza, 1985). But nevertheless, Buckley and Mirza went on to declare that Japanese management practices can be transferred to Western firms because much of the Japanese approach is not the result of unique, cultural factors. They stressed that

Japanese management is successful because of attention to detail and a "common sense" approach.

Another problem in trying to implement Japanese-style management stems from the fact that the bulk of the British workers are still so used to the British way of doing things. It is true that key workers and managers are sent for familiarisation and training to Japan (it is known that about two-third of the Japanese firms in the UK send their staff to Japan). This practice seems to indicate that these trips are more a sort of a reward for the loyal workers and that is on an ad hoc basis.

Another difficulty encountered in practising Japanese-style management according to British workers is that definitions of role and jobs are typically left vague in most Japanese firms and this creates numerous problems for any job evaluation system. There is often a problem of utilising a communication system based on tacit understanding (as in Japan). Personnel management in Japanese firms in the UK can be said to represent a set of often uneasy compromises. There are many problems and the possibilities of utilising and integrating ideas from both national traditions in this field.

#### (ii). Non-Japanese Organisations

Besides the effort by Japanese firms and subsidiaries to



possibilities of utilising and integrating ideas from both national traditions in this field.

#### **6.4.2. Non-Japanese Organisations**

Besides the effort by Japanese firms and subsidiaries to transplant their management practices, there are also attempts to introduce Japanese-style management to the UK by British firms themselves. The "Japanisation" of British industry through this method has intensified and the magnitude of transfer or the approach used in transferring the Japanese elements into the companies is not the same as those used for Japanese companies in the UK. In the opinion of the author, British companies only adopt those features that they feel can contribute to the organisations' efficiency and effectiveness, and hence profitability. Among the most common ones that are popularly practised are quality control circles, suggestion systems and paternal relationships (Smith, 1988; Egan, 1985; Oliver and Wilkinson, 1988; Dore, 1982). Other features like JIT and sub-contracting system have been considered by some adventurous British companies but with limited success (Oliver and Wilkinson, 1988:p.86; Basset, 1986).

Of QCC, there was initially a great enthusiasm about it among British workers but it was not so well-received by the middle and sometimes senior management group and also

clerical staff. It has been observed that QCC was considered as a threat by the management group and therefore it was natural for them to be suspicious of such practices (maybe because of the suspicion that they have to come up with the answers to some problems in the organisation). White and Trevor (1983) were of opinion that whereas Japanese managers believe in collective responsibilities and joint achievement of clear work targets, British managers are inclined towards developing individual career advancement in the form of increasing individual job responsibility. Also, it has been contented that the failure of QCC in British firms has been due to the opposition from the unions which believe that such a practice could threaten the role of shop stewards (Smith, 1988). Thus, the formal union responses to QCC and other briefing methods have been negative in the other British automobile companies in the early 1980's. QCC, according to this study was the least favourable feature rated. A leading authority on Japanese management bluntly stated; "Quality circles are a menace to the British way of life and should be suppressed" (Dore, 1982:p.12). However, strangely enough, in at least one British major company, Jaguar, QCC has proved to be a popular and successful programme in the company (Isaac, 1984). Also, it is clear that QCCs have been successful in companies long associated with quality such as Wedgwood and Rolls Royce.

In assessing the success and failure of paternalistic practice of Japanese-style management in British industry, there has been a mixed feeling among scholars. For example, in Jaguar, the success has been evident, while in Ford, such a policy has not materialised (Friedman, 1987:p.352).

With regards to the JIT system, Oliver and Wilkinson (1999:p.86) concluded that it is not gaining ground in the UK. This is mainly due to the fact that British firms face a much more uncertain market than do Japanese companies and without a position of dominance, there are real problems in creating the conditions of relative stability. For a JIT system of supply to work effectively, the suppliers should be concentrated in one place and this is not the case with the British where there seems to be a geographical dispersion of component suppliers. But things are beginning to change and there has been a revolution in sub-contracting which has been influenced by the needs of British companies to win contracts from Japanese subsidiaries (White and Trevor, 1988).

There has been not much inroad being made regarding a Japanese-style communication network in the UK. It has been earlier mentioned that Japanese managers and workers are quite happy to work in open office. The British



managers and workers are not prepared to accept this office structure for they find difficulties working in a community that may be noisy, thus disturbing their privacy at work. To them, especially the managers who are so used to privacy, that "openness" is a problem. This occurs when a superior wishes to deal formally with his subordinates who are not working to standard or when the manager wishes to work upon secret documents.

There are also some difficulties in adopting the sub-contracting system in British industry. The problem concerns the slow delivery and quality by suppliers (Oliver and Wilkinson, 1988). The other problem is that the companies who try this system more often than not realise they must have the proper infrastructure first in order to make sub-contracting system works.

There is no question regarding the fact that enterprise unionism is almost impossible to implement in British firms, at least for the time being. It must be pointed out that although enterprise unionism is not possible and therefore not practised, some form of changes in unionism have been witnessed of late in the wave of "Japanisation" of the British industry. One element of the new approach of Japanese subsidiaries, which is often regarded as Japanese, is the strike-free deal (Basset, 1986). However, this is infact erroneous because the strike-free is not

unions in Britain who wish to win a single union deal with the Japanese firms. By 1987, twelve British companies were known to have strike-free deals.

In the area of appraisal system, British companies still favour individual merit appraisal. Where training employees is concerned, the Japanese approach is often not accepted because of high mobility of labour and hence high turnover of staff. This observation is supported by Ackroyd; Burrell; Hughes; and Whitetaker study (1988) which argued that

"the British cannot adopt Japanese practices in that they are powerfully constrained in their behaviour because they are part of British economy" (Ackroyd, 1988:p.21).

The Japanese management practices which are not considered suitable for the British environment will not have any impact in the UK because all forces will combine to reject them. This can be explained in light of the following:

Firstly, there is a major difference in the conception of job functions and boundaries between Japan and the UK. The Japanese conception is that of the generalist; the British go for an individual with specific job knowledge and responsibilities. It is asserted that British managers clearly distinguish work and non-work roles and do not

generally expect to socialise with colleagues outside workplace. There are differences in styles of decision-making, delegation of authority, and accountability between British organisations and their Japanese counterparts. High productivity in Japan is based on the cooperation, as a group, of managers and workers. This is seldom found in the UK because of cultural differences and the trade union structure.

Secondly, the UK has different cultural setting than that of Japan. Kassem observed that Britain

"is a country dominated by an individualist ethic which starts with the person as the ultimate source of individual and social values. According to this ethics, the "atomistic" person, acting intelligently in pursuit of his own interest, will eventually contribute the most to the good of the group" (Kassem, 1974:p.42).

Thirdly, the Japanese system is vastly different - culturally, economically, socially and politically - from other systems in the world, and so it cannot be transplanted into other alien system. Since the Japanese companies themselves have had to modify their management system to succeed, or just be accepted in overseas subsidiaries, it is a bit pointless proposing that foreign countries should adopt the Japanese management system



(Wonoroff, 1981). He also mentioned that with all the differences it must be obvious that the Japanese companies operating abroad have not transplanted their system on foreign soil. If they did so, it would probably fail to grow. What most Japanese firms have actually done is to seek a compromise. Working under the direction of parent company in Japan, naturally some Japanese methods had to be maintained.

#### **6.5. Experiences of Japanese-style management in the 4 NIEs (Taiwan, South Korea, Hong Kong and Singapore)**

The Orientals are always simply lumped together on the assumption that people from a neo-Confucian realm share common cultural traditions which make them similar in orientation and action. If this is true, the transferability and applicability of Japanese-style management should not find so many problems in the other oriental countries, particularly the 4 NIEs (Taiwan, South Korea, Hong Kong and Singapore) because these four countries can be said to share common oriental values and cultural traditions with Japan. This is far from being the case as can be seen from the ensuing discussion of current literature review.

##### **6.5.1. Japanese-style Management in Taiwan.**

A number of studies on Japanese-style management in Taiwan have been carried out (Chen, 1982; Lin, 1977; Ishida, 1984

and Ito, 1985). A survey on 300 Japanese subsidiaries in Taiwan in 1983 carried out by Ito (1985:p.95) found that the Japanese practices such as emphasis on management philosophy and objectives; employment stabilisation, smooth relation, group decision-making, seniority-wage, job-rotation etc are strongly established in the Japanese firms in Taiwan. The emphasis on the management philosophy and objectives of Japanese firms seem to be influenced by Confucianism, that is commonly shared by the Japanese as well as the Taiwanese. Accordingly, of all the firms in the study, 81% of them practice stabilisation policy; 67% report the use of employment stabilisation; 45% practice seniority-based wage system; 39% report the use of job rotation; 32% adopting group decision-making. In addition, it has been reported that 56.8% of of labour unions in Japanese subsidiaries are in the form of enterprise unions (Ito, 1985:p.100).

There are visible signs to suggest that the Japanese have always attempted to modify their management practices where necessary to fit into the Taiwanese environment. In fact, Ito reported that the majority of the Japanese subsidiaries in Taiwan use a combination of seniority and merit systems for promotion well some others use the merit system alone. In the area of training, the study by Ito indicated that Japanese subsidiaries in Taiwan send a higher percentage of local managers to parent companies in

merit system alone. In the area of training, the study by Ito indicated that Japanese subsidiaries in Taiwan have sent a higher percentage of local managers to parent companies in Japan than do Japanese subsidiaries in Asean countries. This may reflect a more positive attitude towards Japan. It also may be due to their proximity to the Japanese and the fact that they can afford to.

Of all Asean countries, the practice of Japanese-style management in overseas Japanese subsidiaries seemed to be most successfully applied in Taiwan. Ito explained that this may be due to the fact that Taiwan is much closer to Japan in terms of both distance and culture than the ASEAN countries and that more local in Taiwan can converse in Japanese language than in the ASEAN countries. It is also explained by the historical close relations between Japan and Taiwan. Formosa (the other name for Taiwan), which was formally a colony of Japan from the late 19th Century.

How acceptable is the Japanese-style management to the local firms in Taiwan? It has been observed by some writers that managers in Taiwan are said to be very practical and individualistic, making it quite difficult for Japanese-style management to succeed there. On the other hand, they are said by the Japanese to display a more caring attitude towards their subordinates than other managers in Asean countries, implying that the paternal



aspect of Japanese-style management is infact being accepted there. However, the overall picture as depicted by the current literature review is not very positive.

In the first place, 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 Taiwan industry. It has been mentioned that Taiwan's manufacturers are angry and distrustful of the Japanese who they regard as lacking in sincerity especially in technology transfer into Taiwan and they are reluctant to do business with them (Chen, 1982:p.17). The Investment Commission officials in Taiwan said that local companies had painful experience with Japanese firms in the past two decades, rating them as not genuine teachers in terms of technological transfer. The Japanese just teach you how to produce the product and do not teach you the design and operational criteria, complained on general manager of a Taiwanese firm (Chen, 1982:p.17). The ill-feeling created naturally has affected the effort to disseminate either directly or indirectly Japanese-style management into the country.

The feasibility of transplanting Japanese-style management to Taiwan also faces problems as there is a vast difference between Japan and Taiwan in as far as interpersonal relationships between leaders and

subordinates is concerned. It is true that the Chinese are family-oriented like the Japanese, but they are not social-minded like the Japanese. It has been described that the Chinese family mind is only a form of magnified selfishness, and team-work is not as common as those found among the Japanese society. Their nation is like 'a tray of loose sands', each grain not an individual but a family, while the Japanese nation is welded together like a piece of granite (for detail, refer to Silin, 1976 and Lin, 1967).

Fukuda said that the Chinese normally emphasize rational commitment to leaders, rather than emotional ties as in Japan (Fukuda, 1983:p.21). Any attempt at creating a more informal affective atmosphere on the part of subordinates are interpreted by Chinese leaders as efforts to undercut leaders' prerogatives. Chinese leaders in general maintain a considerable distance in their relations with subordinates. They neither admit their dependence on subordinates nor do they lead through maintaining group harmony.

In making an important decision, a Chinese manager typically instructs his subordinates to work out several alternative proposals themselves before submitting one final proposal. As a general rule, the manager tries not to get involved in the preparation of initial proposals.

However, he makes sure his opinions are heard by frequently attending meetings held by subordinates and instructing them to send the minutes of their meetings for his comments. Such approach seems to suggest a 'bottom-up' process but actually it is since as there is always influence from the top to make the whole thing a decision of the boss.

Fukuda (1982:p.225) also said that Chinese managers generally believe in teamwork and collective efforts just like Japanese managers. But unlike Japanese firms, the Taiwanese firms operate heavily on formal channels of communication for exchange of information. While the official minutes of meetings are widely circulated horizontally across departments as well as vertically across various levels of management, Chinese managers tend to keep much information to themselves and are reluctant to reveal any matters which are considered as of no direct concern to others. As a result, many managers have confessed they do not really know how much information other people are actually giving out. There is clearly a lack of informal communication, hindering through dissemination of information. Thus, in many respects, Chinese management practices are somewhat closer to that of Western management styles.



there. However, over 80% of those companies in the survey said they have to adapt their management practices to local conditions. One major feature of Japanese-style management that is found in the majority of Japanese subsidiaries in Korea is the strong emphasis on human resources (Yoshihara, 1985:p.79). A significant number of Japanese subsidiaries also attempt towards employment stabilisation by carrying out careful recruitment of employees, and the provision of continuous education and training. Such an emphasis has been given priority because in Korea, labour turnover is high and Koreans prefer to switch jobs when there is an opportunity for better wages or career prospects.

About 90% of Japanese companies in Korea practice suggestion schemes and about 80 percent practices control circles, according to Yoshihara's findings (p.80). He further observed that about 70% of the Japanese subsidiaries in Korea mostly promote their workers based on a combination of seniority and merit. Most Japanese companies in Korea use a fixed system, and some combine it with an incentive system. The practice of paying bonus of about four months' salary is also a common feature in Japanese firms in Korea and that most Japanese companies give lump-sum grants when their employees quit or retire. Internal promotion is also popular in which about three quarters of the Japanese subsidiaries are said to be

using. With respect to training, the most commonly form is that of OJT. It has been observed by Yoshihara that there is a high degree of participatory management among Korean middle managers in Japanese firms.

Evidently, Japanese firms have some success in transplanting the management practices of their parent companies in Japan to Korean soil. This leads one to ask if Japanese-style management has been introduced and accepted in Korean firms. It has been suggested by many authors that there are some similarities in attitudes and approach to work between the Japanese and the Koreans. Like the Japanese managers, Korean managers are said to prefer the open office system. They also eat together with their subordinates and they do not feel it is necessary to have different facilities (i.e. canteen) for different categories of workers. Just as is the case with the Japanese, paternalism; loyalty to organisation, family and friends; respect for those in authority and those who are senior in age are strongly found in the Korean management system (Lee and Yoo, 1987:p.74-76).

It is also said by Lee and Yoo that the Korean trading companies are patterned after the Japanese "sogo shosha" and that like the Japanese, many Korean enterprises owe their success to government support and good relationship between them. Whereas in Japan, the close government-

business relationship is called "Japan Incorporated", in Korea, it is known as "Korea Incorporated". If the Koreans have indeed copied the management-style from others, there is strong evidence to suggest that they have copied considerably from Japan. But despite the similarities, many Koreans express their dislike for the Japanese-oriented personnel policies such as no lay offs and no severe punishment policies.

Slow decision-making is also not popular among the Koreans. In a typical firm, important decisions are made by the top executive and his management and it is sent to the lower level for execution. The subordinates will normally accept what has been decided which is in conformity with Confucian ethics that entails paternalism, loyalty, and respect for elders and seniors. This view is supported by other writers who said that Korean organisations practice top-down management and usually that the founder-president usually exercises strong leadership. Also unlike the Japanese, most Koreans prefer to be given specific individual responsibilities assigned to them. Because of such characteristic of Korean society, Japanese-style management experiences difficulties in penetrating the Korean organisations. It is in fact the contention of some authors (Kelly, et al, 1986:p.59-69) based on one study that there are significant differences between Japan and Korea. The Koreans, from the managers to



ordinary workers are individualistic and assertive. It is said that when there are differences of opinion, they are not good at settling their differences. In fact, top management has to use bureaucratic controls in the forms of rules, policies, and procedures to resolve inter-group conflicts. Teamwork as is displayed in Japanese subsidiaries, is not easily achievable in Korean firms due to the individualistic tendencies of the Koreans.

### 6.5.3. Japanese-style Management in Hong Kong

The Chinese in Hong Kong today do, in fact, share with the Japanese the same national slogan -"Export or Perish"- because of a common lack of natural resources and heavy dependence on the export-oriented manufacturing industry.

Hong Kong Chinese still carry with them a traditional value system similar in some ways to that found in modern Japan, and their support and defence of the traditional style of behaviour is clear and unmistakable (Chin, 1972). For example, a man must not "lose face" because he would be losing his status and self-respect (Redding and Ng, 1982:p.201). But despite similarity of cultural traditions and races and geographical proximity, Fukuda (1982:p.121) pointed out that it is wrong to think that Japanese and Chinese management practices are the same. Previous studies have shown that it is also misleading to assume

that Japanese-style management can be easily transplanted in Hong Kong on the basis of their similarity.

The intensive study on the Japanese management by Japanese subsidiaries by Tomita (1985:p.61) showed that the issue here is not whether Japanese management practices can be carried out in Hong Kong, but rather to what extent has Japanese-style management been practised in the country?. Indeed many features of Japanese methods are practised but modifications have also been made in their implementation. This is because of the problems of total transplantation which is not possible in Hong Kong. Firstly, the Hong Kong employees, having been under British influence, are basically individualistic. Workers are said to move from job to job in search of more money and prestige. Tomita observed that as many as 88.9% of local middle managers have had job experience in other organisations and that they have changed their job (i.e place of work) an average of 2.6 times with the highest being seven times. Among the practices promoted by the Japanese in Hong Kong, the most emphasised is stable employment fortified by annual pay rise. This, according to Tomita, indicates that stabilisation of employment is a pressing issue for Japanese management faced with mobile labour.

In the field of training, the Japanese subsidiaries also provide training but this is not so much aimed at

developing them as their 'company men' but more at preventing a quick turnover to facilitate smooth operation. The training is much shorter and is given to the extent which makes them proficient to handle their jobs. The Japanese realising the mobility pattern of workers, feel it is not necessary to train local employees beyond what is actually needed.

As far as promotion is concerned, Japanese subsidiaries normally ensure that a vacancy is filled internally. New recruits are first placed at the bottom of the corporate hierarchy as a rule, in accordance with their educational attainments. There is also attempt to emphasise collective-oriented management but it was extremely limited compared to Japanese subsidiaries in other Asian countries. It is evidently clear that although Japanese management practices are carried out in Hong Kong, they have been modified to a certain extent to conform to the realities of Hong Kong communities. Tomita concluded that Japanese management in Hong Kong is not a cultural extension of parent corporation as the "ethnocentric" hypothesis asserts, but rather 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:p.20-50) while the



"Community-influence" hypothesis states that the management has to adjust its practices to social and cultural realities of the communities in which it operates (Parker, 1967:p.65).

#### 6.6.4. Japanese-style Management in Singapore

The Japanese subsidiaries in Singapore have evidently introduced practices such as ringi, no layoff policy, QCC and suggestion system (Ek, 1987). All Japanese subsidiaries have been seen to keep their workers in times of slack demand suggesting that they are following their parent companies' tradition. In times of high demand, company prefer overtime to hiring new employees. Japanese subsidiaries also sponsored recreational activities such as picnics and sports events for the employees to mix around. All Japanese subsidiaries in Singapore indicate that they would avoid individualistic persons in their recruitment exercises irrespective of ability. They also tend to recruit workers fresh from universities, polytechnics and schools and provide them with the OJT training.

The "Japanisation" of the Singaporean workforce by the Japanese employers has not been smooth sailing. They face problems in trying to implement some elements of Japanese-style of management because of environmental conditions, according to EK (1987:p.150-258). Singaporean workers are

considered by the Japanese as having lower education, lacking in good attitude towards the person in authority, lacking in teamwork, and work skills. The Japanese subsidiaries face difficulties in adopting the same management philosophy as their parent companies and have to make major changes to suit the Singaporean workforce.

EK, in the same study, was said to conclude that the difficulty in introducing the Japanese-style management to Singapore is due to the fact that the Singaporean employee is presently self-centred and too individualistic, when compared to his Asian counterparts such as Korea, Taiwan, and in particular, Japan. His survey indicated that Japanese-style management is still unpopular even after adaptations were made to suit the Singaporean workforce, implying that culture has an influence in the transferability of management system. This observation clearly supported earlier contention by Aliston (1986) which pointed out the impact of culture in the transferability issue of management practice from one country to another.

Japanese subsidiaries have been seen to therefore adapt themselves to local environment. For instance, the Japanese subsidiaries, contrary to normal practice in Japan, accelerate promotion of workers to keep the better

employees. The criterion for promotion is more stressed on the basis of performance rather than seniority.

The difficulties in transmitting Japanese-style management to Singapore have been admitted by the Japanese themselves in one study whereby among other things, it was said:

"The management practices of Japanese companies in Singapore are not necessarily the same as those of parent organizations 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:p.107)

Putti and Chong went on to suggest that the statutory requirements of compulsory contributions to the Central Provident Fund and Skills Development Fund and the fact that labour turnover is very high in Singapore have caused the Japanese to hesitate in introducing their management practices on a full scale basis. Attempts whereby Japanese are modifying their management practices in their Singapore subsidiaries is also supported by Choy and Jain study (1987:p.73-89). The adaptation of Japanese practices to the local situation suggests the validity of the contingency thesis.



In addition, Choy and Jain (p.83) were of the opinion that there seems to be a convergence of human resource management practices between the Japanese firms in Japan and the Singaporean firms in Singapore. This is due to the fact that Japanese firms particularly in overseas are adopting more Western practices, while the already Westernised Singaporean firms tend to adopt more of the Japanese practices.

In his Ph.D's thesis on the study of Singaporean executives, Thomson (1984:p.6) pointed out that by 1983, industrial leaders in Singapore began to look Eastwards by asking their followers to adopt Japanese practices. He went on to say that with the encouragement from the Singaporean government, the adoption of QCC has become widespread among local companies.

Japanese-style management has not found easy acceptance in Singapore (Thomson, 1984; Deyo,1976), although some elements of Japanese management system have gained foothold in the country. Singaporean managers in Chinese-owned companies have indicated that they preferred impersonal relationships with their subordinates (Wimalasiri, 1983; Wimalasiri and Ng, 1984; Thomson, 1984). They seem reluctant to indulge in personal relationships and would like greater social distance. The explanation for such a preference for distance

relationship between the management and subordinates may have been due to the Western influence of the British who ruled the country before her independence.

#### **6.5.5. Japanese-style Management in Malaysia**

The popularity of Japanese-style management in Malaysia is quite a recent phenomenon. Japanese practices began to be considered seriously immediately after the "Look East" policy was introduced in Malaysia in 1981. Before then, Japanese management practices were not really well-known, although some of these practices, had been implemented by Japanese-owned companies operating in Malaysia.

#### **6.5.1. Japanese Subsidiaries in Malaysia**

A study on Japanese firms in Malaysia by Lim and Ping (1979:p.76) before the "Look East" policy period began indicated that Japanese-style management were used to some extent in Japanese firms in Malaysia. According to that study, Japanese firms in Malaysia followed the management practices of their parent companies in Japan with some adaptation when and where necessary as required by local situations. According to top executives of these firms (who were without exception, Japanese nationals), they introduced the Japanese management techniques when feasible. The transplantation of Japanese management practices had been made more possible because the top management positions were all held by Japanese nationals.

Japanese management features commonly found Japanese subsidiaries in Malaysia have been identified by Lim and Ping (1979:p.76-80) as follows.

The Japanese work ethic was strongly emphasised amongst the Malaysian workers. For example, the Nippon Electric Company (Malaysia) Sdn. Bhd., an electrical Japanese subsidiary, placed a lot of weight on the quality of its product. Quality control had been introduced and adhered to zealously. All workers, white-collar and blue-collar alike, wear the white uniforms before entering production areas. QCCs were also formed among workers to enable workers to improve their work techniques.

Workers in Japanese firms in Malaysia were always encouraged to give views on how to handle their jobs. There existed suggestion boxes in most Japanese firms for workers to put forward new suggestions or comments for the improvement of their work methods. Managers in these firms claimed they had regular contact with workers freely. For example, in one survey, it was revealed that 78.2% of the managers in the Japanese firms said they had their lunch together with workers in a single-status canteen (Nakano, 1985:p.114). Most of them also said that they normally participated in games and club activities that are organised by their workers.



Most Japanese firms have training programmes similar to their parent companies in Japan for the local employees in that they provide on-the-job training, although the the degree of such training practice is much less frequent than those workers in Japan. Some firms had sent their key employees to their parent companies for exposure from time to time. According to these firms, at present, such training policy is still going on and will continue to be observed in the future as part of their human resource development programs.

It was also observed that Japanese firms were relatively centralised. Japanese firms tended to use operational and managerial control rather than equity ownership to control their subsidiaries. Control had been maintained through the appointment of Japanese personnel in the subsidiary companies and the retention of authority in decision-making by the head office. Targets and budgets were set by the head offices, usually after lengthy consultations between head offices and subsidiaries. Consultations were made during personal visits by officers from head offices to the subsidiaries and vice-versa. Other characteristics of Japanese management being adopted in Japanese firms in Malaysia included the practices of bottom-up communication, promotion from within policy and preference for hiring fresh graduates.

The study by Lim and Ping concurred with an earlier study made by Sim (1978:p.33-60) who found out that subsidiary companies (irrespective of their origins) operating in Malaysia normally adopted the management style of their parent companies. Sim noticed that the management practices of parent companies were observed in Japanese subsidiaries in Malaysia. However they were not rigidly followed and adaptation to the Malaysian environment was required to make the practices more acceptable to local workforce.

A research study (Imaoka, 1985:p.9-25) commissioned by JETRO in 1982 regarding Japanese firms operating in Malaysia provided an interesting picture regarding Japanese-style management in Malaysia. The study revealed some useful findings.

It was found that the top executives of Japanese subsidiaries are always Japanese personnel. Imaoka said:

" These top executives seem to consciously apply Japanese-style management in Malaysian subsidiaries or joint-ventures within the sphere of their authority" (p.18-19)

It was revealed that all top positions were occupied by the Japanese and less important management positions were often given to locals, especially if the firms are joint

ventures with the Malaysians. The ordinary workers were recruited from the local population although a high percentage of Japanese personnel held key positions such as foremen and senior technicians. To implement Japanese personnel management successfully, the Japanese firms realised that it is very essential to keep highly mobile local workers and staff as long as possible. Towards this end, the Japanese companies emphasised policies such as in-firm promotion system, seniority-wage system, good relations between workers and management, long-term oriented OJT, commendations for long services and generous welfare services.

Imaoka (1985:p.21) also commented that with regard to the remuneration system, Japanese subsidiaries followed their parent companies in Japan quite closely. However, the amount paid may or may not necessarily be in line with those practices in Japan. Comparatively lower pay was given to local employees in Japanese subsidiaries. Most firms 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 workers.

The welfare facilities noticed in the Japanese companies operating in Malaysia include the provision of staff cafeterias, company housing and dormitories, commuter



buses, medical treatment, sport facilities, locker rooms and company uniforms.

According to some observers, the problem faced by Japanese firms in trying to adopt Japanese practices has stemmed from the different cultural background of the workforce in Malaysia. For instance, Ibrahim and Moktar (1979:p.59) observed that most skilled and unskilled workers in Malaysia go for extrinsic factors like pay, job security, fringe benefit etc. than intrinsic factors to motivate them. This is the opposite of what Japanese employees are said to preferred.

The most challenging task faced by Japanese firms is therefore to persuade their employees to accept Japanese approaches which are different from the already existing pro-western system. This has not been easy for either the Japanese executives or the Malaysian employees. The communication barrier between them have been identified as one of the main causes of the problem. Most Malaysians do not understand the Japanese language adequately to permit the close relationship with Japanese superiors like the one that develops between employees and their superiors in Japan. The Japanese expatriates in Malaysia also make it worst by their tendency to form a close and exclusive circle. Unlike the relationship that exist in their parent companies in Japan, no personal relationship

outside the workplace between Japanese staff and local staff is in evidence in Japanese firms located in Malaysia. Although there is evidence in Western industrialised countries of the creation of specific areas where Japanese live together (i.e. Japanese-style community), they do not mix much with Westerners. The Japanese both in terms of the attitude towards exclusivity by Western community ought to mix more, so said some observers. In Southeast Asian countries, the tendency of Japanese to distance themselves from the locals is even more prominent and it seems to reflect more of the arrogance and possible superiority of the Japanese towards Southeast Asian people.

Until the advent of the "Look East" policy, most workers in Malaysia tend to be registered members of industry-wide unions. However, the "Look East" policy contains also an encouragement to develop enterprise unions in public sector which led to more enterprise unions being formed towards the end of the 1980s. (see later page). Japanese firms did not really make much effort to introduce this element in Malaysia.

Also, Japanese firms in Malaysia had not attempted to introduce life-time employment practices among their workers even though they never lay off workers. This is because job-hopping is common in Malaysia and employees do

not feel, in any way, obliged to consider the interests of the employers. Japanese firms in Malaysia also do not attempt to utilise the recruitment system which their parent companies in Japan normally use. For example, workers were not recruited once a year as in Japan, but were recruited when and where necessary as is the norm in Malaysia.

There is no doubt that some form of Japanese management practices and policies of parent companies in Japan are also carried out in their subsidiaries operating in Malaysia, although some modifications are both common and numerous. It can be further added that the Japanese management practices that are considered not suitable or relevant yet in the Malaysian context have been carefully avoided.

#### **6.5.5.2. Malaysian Organisations (Private Firms and Government Agencies)**

Whether or not it is possible to transplant some Japanese management techniques to Malaysia is not the issue. Japanese firms in Malaysia had in fact used a number of practices already. What about the efforts within Malaysian firms? Generally, private enterprises in Malaysia appear somewhat hesitant and slow in adopting Japanese management practices. Perhaps, they are comfortable enough with the present management practices



they use. Or perhaps, they are just adopting a "wait and see" attitude. It is in the public enterprises sector that most Japanese-style management seems to be making encouraging progress. There are, of course, some reasons for this. It is a known secret that the government has been a powerful force behind the efforts to replicate Japanese management practices via its "Look East" policy. Since the inception of the policy, a sudden shift in preferred management approach from Western-influenced to Japan-influenced has been witnessed in government agencies. Seminars on QCC were frequently conducted by National Productivity Centre (NPC) and managers of public sector managers who had returned from training in Japan. The government has been sending a large number of observations and educational-type missions to Japan to observe Japanese practices under the guidance of such organisations as the Asian productivity Centre, JICA etc.

It was observed that by the end of 1982, the total number of QCC practised in government agencies was estimated to be between 300-350 (Far Eastern Economic Review, June, 14, 1984). Today, almost all public enterprises and government agencies throughout the country have QCCs. The success of QCC has been widely reported in public enterprises such as Malaysian Rubber Development Corporation (MARDEC), Malaysian Airlines System (MAS) and Liquidified National Gas (LNG).

Besides QCC activities, other Japanese practices were vigorously introduced (based on the number and contents seminars/workshops reported) to the Malaysian public sector immediately after "Look East" policy was announced. These included a different work ethic and stricter discipline at work. The "Japanisation" process begins with the call to every Malaysian worker to be loyal to his organisation. In line with this, the use of name tags with the logo of the organisation, has become mandatory in all government agencies. It is believed that by wearing a name tag, an individual has a sense of belonging to his organisation. It is also one way to make workers know the names of those in the same organisation and hence creates a more family-type atmosphere.

During the same period, the punch card system was also introduced by the Prime Minister, Dr. Mahathir. He was very critical of the lack of punctuality shown by Malaysian workers when reporting for work. It may be of interest to point at this juncture that it has been the style of Malaysian workers to report for work late and head for home earlier than specified time allowed. This "disease" is not confined to ordinary workers but also to those holding management positions. For example, there have been cases of a number of department heads who came to their offices as late as one hour because they have to send their wives to the market or dispatch their children

to schools first. Punch card system is implemented to check such abuse whereby all Malaysian workers (including the Prime Minister) has to clock in before 8.00 AM and clock out after 4.15 PM during each working day. This may not be exclusively Japanese, of course, but nevertheless, there is clearly an attempt here to try to achieve the level of punctuality that are witnessed in Japanese organisations.

The "open door" policy was also introduced in government departments and public enterprises across the country. This is based on the Japanese open office system. The purpose of this concept is to increase accessibility between managers and subordinates regardless of their status. It is hoped that the communication barrier between them will be broken down too. It is further suggested that by working in an open space, workers can be monitored effectively by their immediate superiors. Conversely, the workers also can observe the movements of their superiors, although this not the most important reason why it was introduced.

Because of the intensive government campaigns following the launching of the "Look East" policy, it was reported that by the end of 1982, in-house unions made up of 47% of all trade unions in Malaysia. There were about 133 in-house unions in the public sector and this constituted 75%



of the total in-house unions. (Labour and Manpower Report, 1982).

It is widely believed that Japan's industrial success has been attributed, to some extent, by government support and guidance as epitomised in the phrase, "Japan Incorporated" (i.e. cooperation between business and government). This led the Malaysian government to follow suit by establishing a "Malaysia Incorporated". It is specifically modelled on its Japanese equivalent and stresses the need for cooperation between the Malaysian business community and the Ministry of Industrial Development Authority (MIDA). On the trading and marketing front, Malaysia also established her own sogo shoshas.

A number of problems have been identified in the "Japanisation" process. A substantial number of Malaysians are said to oppose the introduction of Japanese management system into their organisations because it upsets the existing system. There are some who find Japanese management practices culturally unsuitable. There are yet others who feel Japanese-style management does more harm than good. The transferability problems will be discussed in detail in chapter 8 when the analysis of the survey's findings is examined. At this stage, it can be said that despite the problems faced, transferability of Japanese-style management to Malaysia has taken place through the

Japanese companies operating in the country and through the initiatives of the Malaysian government via the "Look East" policy in the Malaysian public sector.

In summary, it is clear that Japanese-style management has succeeded in establishing itself in a number of foreign countries. But this success is limited to a number of selected practices only. Whether it is the US and UK of the West or in South Korea, Taiwan, Hong Kong and Singapore in the East, the transferability of Japanese-style management practices from Japan to foreign countries encounters many problems. Cultural, historical, political and economic factors are among the cause of these problems. Surprisingly, however, similarities in culture between some countries with that of Japan do not guarantee automatic acceptance of Japanese-style management in these countries as has been observed in South Korea, Hong Kong, Taiwan and Singapore.

**PART TWO**



## CHAPTER SEVEN

### RESEARCH METHODOLOGY

#### 7.1. Objectives of the Chapter.

The main purpose of this chapter is to present the approach used and the rationale for employing it in this study. This involves a brief discussion of research objectives; survey instruments for collecting data; sampling techniques; and other related matters in a normal research survey exercise. With such a discussion, it is hoped that the reader will be able to follow the coming discussion in the next chapter on the findings and analysis of the research survey regarding Japanese-style management and the issues transferability to Malaysian public enterprises.

#### 7.2. General Approach in the Study.

A methodology must be developed to present a meaningful and credible research study. A research methodology is defined as the application of scientific procedures towards acquiring answers to a wide variety of research questions (Adams and Schvaneveldt, 1985:p.16). It applies a systematic approach to problem solving and data collection to ensure that one has useful data that the results be understood by others and that the procedures can be carried out by someone else at a later time.

In as far as the research methodology is concerned, the general approach used in this study will be that of a descriptive research study. The descriptive method is chosen because it is considered ideal for this particular study for two reasons.

Firstly, the main purpose of the study relates closely to the basic purpose of a descriptive research. Isaac and Michael (1974) stated that the basic purpose of a descriptive research is to identify conditions and factors related to a particular phenomenon. They further explained that descriptive research is the accumulation of a data base that is solely descriptive and it does not necessarily seek or explain relationships, test hypothesis, make predictions, or get at the meanings and implication, although research aimed at these purposes may incorporate descriptive methods. The above statement regarding descriptive research is in line with the major research objective of this study, i.e. to describe elements of the Japanese-style management and then to ascertain if they can be transplanted into the public enterprises in Malaysia.

Secondly, the descriptive research approach is preferred because the study of Japanese-style management and the issues of its transferability to Malaysia is a new area that has not seriously been attempted in Malaysia.

According to Berger and Patchner (1988), descriptive research is often used when we have no theory to work from, or when we are beginning to explore a new area that has not been researched before. The purpose of the research, they argued, may be simply to describe a phenomenon so that we will be better able to study it in the future and perhaps others can benefit later in creating theories and hypothesis for future research. This is also what the author has hoped to achieve in undertaking this study.

The data used in this study is collected from both primary and secondary sources. As has been observed in the previous chapters, the concepts of Japanese-style management, their strengths and weaknesses are discussed by mostly taking references from the vast pool of current literature on Japanese management. The coverage on transferability of Japanese-style management to a number of countries is briefly highlighted by drawing on the experiences of some of those countries who have experimented with Japanese-style management, the materials of which are also mainly collected from secondary sources of journals, newspapers and management textbooks. In addition, the discussion on public enterprises with special emphasis on the Malaysian enterprises and their common problems is based solely on secondary sources, and it attempts to provide a supplementary background to the



study proper. However, the study proper regarding the feasibility of transferring management practices used by the Japanese firms in Japan to the public enterprises in Malaysia, which to the knowledge of the author has never been carried out before, is carried out mainly by conducting an actual research survey in Malaysia to obtain the necessary first-hand primary data. Relevant secondary data, when available, is also used as a supplementary source of information in making an analysis.

### **7.3. Research Objectives.**

The main objectives of the research survey carried out in this study is to find out possible answers to the following questions:

(a). Are Japanese-style management practices transferable to the Malaysian public enterprises? If so, what evidences are there to indicate that such practices are in existence following the government's "Look East" policy to emulate the Japanese .

(b).What is the extent of adoption of Japanese management practices in Malaysia as a whole and Malaysian public enterprises in particular?

(c). What are the present and future problems of and resistance against, if any, Japanese-style management

(c). What are the present and future problems of and resistance against, if any, Japanese-style management which are experienced in the Malaysian public enterprises since the implementation of "Look East" policy?

(d). Can the Japanese management techniques that are imported from Japan be readily transplanted in their pure form? If the practices are not transferable in pure form, what are the necessary adaptations or modifications which have to be made in order to fit these management practices into the public enterprises in Malaysia?

(e). What are the various strategies which can contribute to the implementation of Japanese-style management in the Malaysian public enterprises?

#### **7.4. Research Instruments.**

There are a number of research tools that can be employed in carrying out a descriptive research. Three available methods are observations, experiments and surveys. The observation method is considered not suitable for this study because of the relatively limited time in which the author has to complete the study. Furthermore, the study does not attempt to observe human behaviour or attitudes, for which observation method would be the best method of collecting data.

The experiment method is also ruled out because being a descriptive research study, there is nothing to experiment about throughout this study. The author also does not intend to experiment with the variables of the subject matter in the study, because being an exploratory study, it is considered best to leave such methodology so as not to complicate the basic issues.

This leaves the author with the choice of the survey method of doing research. Initially, i.e. before carrying out pilot-testing, the author planned to use either personal interview or mail questionnaires. Telephone interview was not considered because of the problem of lack of phone facilities in Malaysia. The rationale for using mail questionnaire and personal interview surveys as research instruments on the other hand, was taken after seriously taking account of the strengths and defects of research surveys.

A mail questionnaire survey is a quick method of conducting a survey. It certainly takes little time to send out questionnaires, and the bulk of the returns will probably be received within two weeks (Sellitz; Johoda; Deutsch; and Cook, 1959).

It is more economical to conduct and it provides larger samples for lower total costs. It is less time-consuming



and does not involve travelling. With no interviewer present, there is no likelihood of interviewer error or bias effect. It is said that the respondent is free from any pressure of being observed (Bailey, 1978:p.135).

However Bailey (1978:p.136) did also point out that the danger with mail questionnaires is that items are often omitted and replies to open questions are vague or illegible. Few people have the necessary patience or degree of motivation to write as fully as they would speak, especially if the questionnaire is a lengthy one.

Another serious drawback of a mail questionnaire survey is that the answers have to be accepted as final, unless rechecking or collection of questionnaires can be afforded. There is no opportunity to probe beyond the given answer, to clarify an ambiguous one, to overcome unwillingness to answer a particular question or appraise the validity of what a respondent said in light of the hour he said it (Sellitz et al, 1959). It has been cautioned that a questionnaire method should be used after the questions have been constructed sufficiently simple and straight-forward to be understood with the help of the printed instructions and definitions.

There is also the problem of a low response rate associated with mail questionnaire. It has been found that

mail questionnaires seldom achieve a response rate greater than 50% unless the subject matter is of direct interest to the recipients or their level of education is higher than average (Gardner, 1978:p.98)

The personal interview is a much more flexible instrument than a questionnaire. Here the interviewer has the opportunity to explain to the respondents any ambiguities that might emerge. He may also be able to explore in depth any given area of the study. More importantly, he may come out of the interview with important ideas that might lead to corrective changes in many of the propositions involved in the study (Philips, 1966:p.107-110).

However, Bradburns and Sudman (1974:p.66) mentioned that personal interview is potentially more open to bias than other forms of impersonal data collection such as mail questionnaire. They were of opinion that interviewees tend to give favourable answers that they believe interviewer wants to hear. Mouly also shared this opinion by making the following comment;

"Usually the the respondent will orient his answer towards the sociable and courteous rather than simply towards the truth - especially if the investigator is a pleasant person. If on the other hand, the interviewer is curt, the respondent is likely to evade questions or even to

disagree just to register his annoyance". (Mouly, 1970:p.266)

Lastly, personal interview may be hard to conduct when people are reluctant to participate. Some individuals are frightened or not at ease of being interviewed, perhaps for fear of personal questions being asked. There is a number of people who simply refuse to grant an interview for reasons best known to themselves but prefer other methods of providing information. There are yet others who do not mind giving an interview but are too busy to entertain a researcher. Unless a properly planned and scheduled appointment is arranged well in advance, the personal interview method of conducting a survey will run into difficulties.

Eventually, in the actual survey, the author chose to use only mail questionnaire in collecting the data. The experiences obtained from the pilot-testing indicated that there are many problems associated with personal interviews in Malaysia, among the most important being reluctance of respondents to participate, time constraints, extensive travelling and therefore high expenses at reaching the selected respondents. Being given a limited time (i.e. study leave) to complete the research study by the sponsor, the author could not afford to take such risks associated with an interview method. The



decision to use mail questionnaire over personal interview has been, to a great extent, influenced by several studies (Knudsen et al, 1967; Montero, 1974; see also Selltiz et al, 1959) which have shown that mailed survey is superior to the interview for gathering data information on sensitive or socially undesirable subjects.

The questionnaire design used in this research study is a closed ended one. Except for the first two questions, each questionnaire provides a multiple choice type of responses to every question asked. This approach is adopted to ensure consistency and to avoid a variety in answers so that analysis and interpretation of the answers given by respondents can be easily arrived at. It is feared that a wide variety of answers may complicate the the objectives of the study.

There are some shortcomings to be found in this type of questionnaire because it obviously restricts respondents' freedom of answering questions exactly the way they feel. The answers provided in the questionnaire may not necessarily be the exact answers or the exact shade of their meaning (White, 1982:p.115; see also Rossi et al, 1983). To minimise this problem, when and where deemed necessary, in some questions, requests for respondent's additional own answers and comments are always encouraged.

The questionnaire developed for the study has a total of 63 questions comprising of three sections namely (i) respondent's profile, (ii) respondent's organisation, and (iii) Japanese-style Management. The details of the questionnaire can be found in Appendix A.

## **7.5. Sampling Process.**

### **7.5.1. Sampling Techniques**

There are two main types of sampling normally used in a research survey namely (a). the probability sampling and (b). the nonprobability sampling. There are four subtypes of probability sampling namely; (i). simple random sampling, (ii). stratified random sampling, (iii). systematic sampling, and (iv). cluster sampling. Nonprobability sampling can be divided into (i). accidental sampling, (ii). quota sampling, and (iii). purposive sampling.

Lin (1976) in his book, Foundations of Social Research, gave a very good description of the different types of sampling Here is the summary of his description:

#### **(a). Probability sampling**

**(i). Simple random sampling** - a sampling method where each element in the population has an equal chance of being selected in the sample.

(ii). **Stratified sampling** - a sampling process where the population is divided into subgroups or strata by population characteristics such as race, income and sex. Then a simple random is drawn for each of subgroup or stratum. If the number of elements sampled in each subgroup is proportional to its representation in the population, it is called proportional stratified sampling. The stratified sampling where elements selected do not reflect the proportions in the population is called nonproportional stratified sampling.

(iii). **Systematic sampling** - a sampling method whereby an element in a sample is picked systematically. For example, if a researcher picks 10 out of a row of 100 houses in a particular area during his survey exercise, and that when he chooses every 10th of the 100 houses for his sample, he is doing a systematic sampling.

(iv). **Cluster sampling** - It is a method of sampling similar to stratified sampling, the only difference being that the population is broken down into clusters (groups) according to some specific criteria - very often geographic in nature.

(b). **Non-probability sampling** - as the name implies, it does not use random samples and is normally not a reliable form of sampling process.



(i). **Accidental sampling** - In this method, elements (respondents) for the sample are taken as they become available or they are included as they happen to be around.

(ii). **Quota sampling** - a sampling method in which quota is assigned for certain elements that has relevant characteristics to be included in a sample.

(iii). **Purposive sampling** - a procedure of sampling which is similar to quota sampling, but it does not use specific predetermined quotas. Infact, subjects are handpicked by researchers in order to serve the purpose of a particular study. (Lin, 1976:p.145-162).

The sampling method used in this research survey is that of random sampling. As has been mentioned, random sampling is a procedure for drawing a sample from a population so that every element in the population has an equal chance of being selected for the sample. This method is considered most appropriate by the author because by introducing the randomness into the selection of elements for the sample, we minimise our biases and other systematic factors that may make the sample different from the population from which it was drawn. Although random samples tend to be representative, and although random sampling is usually the best way to get a representative

sample, there is no guarantee that random sampling will produce a representative sample (Berger and Patchner, 1988). This being the case, effort have been made to ensure that the sample is as representative as possible.

#### 7.5.2. Sampling units and sample size

Two separate samples are used in the research survey. The first sample consists of 150 senior managers from 150 public enterprises randomly selected from the list of 170 public enterprises obtained from the Ministry of Public Enterprises. The author managed to get back 104 questionnaires for this sample. These senior managers represent the top management group of their respective organisations and because they would play a very significant role in the government's call in adopting Japanese-style management in their organisations, their opinions are considered to be very important. The majority of those senior managers in the sample are chief executives with the rank or designation of director or manager, but in cases where they are not available, the immediate subordinates (i.e. deputy manager or the person most senior in line of management hierarchy, stand in their place to represent their organisations. To ensure a valid sample, the author ran a double check on respondents who filled the questionnaires on behalf of their bosses and those found to be below the senior management ranks were subsequently excluded from the

sample. In this particular respect, five of the completed questionnaires were rejected because respondents were found to be of middle-level managers and hence failed to meet the 'senior manager' criterion. However, the organisations concerned when told of this, had all kindly cooperated in answering fresh questionnaires again through their senior managers.

The second group of sample units is supposed to comprise of 150 public enterprise employees who have been to Japan for on-the-job training and industrial attachment; attending short courses and seminars; and undergoing technical apprenticeship and management studies at technical schools, colleges and universities. The respondents who returned their questionnaires for this sample totalled 112. This group comes from different ranks consisting of blue-collar workers, clerical and technical staff, engineers, managers etc. The main criterion used in the sample to determine the eligibility of each respondent is that he or she must have some exposure or undergone some sort of training in Japanese-style management in Japan. The respondents of this sample have been randomly selected from the list of some 2,000 Malaysians provided by the Division of 'Look East' Policy Programme of the Malaysian Public Services Commission which sent them for some training to Japan since 1982.



The group of respondents included in the second sample is considered to form an important sample in providing opinions on issues of Japanese-style management and its transferability to Malaysian public enterprises. This is because they represent Malaysian employees who had the actual practical exposure as to know what the Japanese-style management is all about. The author reckons that if the views of the top management group alone were to be considered in this study, there may be a serious bias since not all of those in this managerial group have exposure or practical training in Japanese-style management. In fact, as the survey revealed later, about 53.4% of the senior managers have never been to Japan themselves. All they know about Japanese-style management have been either through self-reading or from attending seminars and lectures which were conducted mostly fellow Malaysians in Malaysia. This contrasts strongly with the sample unit of the second group which consists of respondents who have been trained in Japan and who are theoretically familiar with Japanese culture and are even able to converse and write in Japanese language. In addition to this, if the sample is confined to one particular group only, there may be element of bias in attitudes or opinions.

By using two sample units of different respondents, the author hopes to blend their views and opinions and use

them as the basis for the concluding remarks of this thesis.

#### 7.6. Pilot Testing.

In order to test the validity of the questionnaires used in the survey, they were pretested. The pilot-testing is vital before an actual research is launched because it provides guidance on the following (Moser and Kalton, 1971:p.48-49):

- a. the adequacy of the sampling frame from which it is proposed to select the sample;
- b. the variability within the population to be surveyed to determine an efficient sample design as the decision on sample size requires some knowledge of the variability of the population;
- c. the non-response rate to be expected so that the probable numbers of refusals and non-contacts can be roughly estimated;
- d. the suitability of the methods to collect data with their costs, accuracy and response rates; and
- e. the adequacy of the questionnaire in terms of the ease of handling them in the field, the efficiency of its layout, the clarity of its definitions, wordings etc.

The mail questionnaires were sent to 40 public enterprises in Malaysia to be filled by their senior managers sometime

in November, 1988. Only 15 senior managers responded. In addition, the same questionnaires were extended to 57 government officers who attended a one-day workshop on management conducted by the author for Chief Minister's Office at Sarawak Training Centre in early January, 1989. The author took the opportunity to request the workshop participants to fill the questionnaires since about half of them came from public enterprises. For the purpose of pilot-testing process, only the feedbacks of 25 respondents who came from public enterprises were analysed.

The same questionnaires were pilot-tested, this time using the personnel interview method. A total of 25 respondents were invited for such exercise but only five of them agreed to participate. The mock interviews were carried out in the second week of January, 1989 with 3 senior managers and 6 employees of public enterprises.

From the pilot-testing processes, a number of minor problems were found. Two questions which were discovered to be too sensitive to respondents were deleted. Some questions which are either difficult or ambiguous to respondents were rephrased. Some important questions were added. The total number of questions was increased from 59 to 63. Another problem identified was that the response rate from the senior managers by mail questionnaire survey



was not that encouraging and of those who responded, the majority returned the questionnaires after two reminders. Regarding the interview method, most managers refused to be interviewed giving an excuse that they were then very busy. It was also realised that employees were equally not keen to be interviewed. The majority of them insisted that prior permission was to be obtained from their immediate superiors before they can give an interview. On the whole, it can be said that it is very difficult to elicit the cooperation from a large sample of respondents in a relatively short period of time. It is due to this consideration that finally led the author to decide on between 200-300 respondents only and that the survey is to use mail questionnaire.

In summary, to a large extent, the choice of research methodology selected for this particular study has been taken for the appropriateness of the approach and ease it has provided the author in achieving the objectives of the study.

**CHAPTER EIGHT**  
**TRANSFERABILITY OF JAPANESE-STYLE MANAGEMENT**  
**TO THE MALAYSIAN PUBLIC ENTERPRISES:**  
**FINDINGS AND ANALYSIS OF THE SURVEY**

**8.1. Objective of the Chapter.**

This chapter attempts to discuss the findings and subsequently the analysis of the survey on the transferability of Japanese-style management to the Malaysian public enterprises as viewed by their senior managers and ordinary employees. In the analysis section, some possible explanations regarding the findings will be made.

**8.2. Introduction**

This chapter is considered the most important part of the study as it contains some significant findings regarding the issues of transferability of Japanese-style management to the Malaysian public enterprises, the subject matter of which the study intends to explore. The survey has been framed to explore the feasibility of transferring Japanese-style management to Malaysian public enterprise sector by examining the opinions of senior managers and ordinary employees of the public enterprises.

The findings are based on the feedback of 216 respondents who are divided into sample A and sample B during the survey exercise. Sample A consists of respondents who are the chief executives or in their absence, the next most senior managers of the respective public enterprises. The most important characteristic which forms the criterion used to qualify the respondents to be included in this sample is that they must represent the top management and are decision-makers of the public enterprises; i.e. they are the managers. For the purpose of this study, they are called the senior managers.

As has been explained in the chapter on Research Methodology, for sample A, a total of 150 questionnaires were sent to the 150 chief executives of public enterprises, but only 104 of those questionnaires were completed and returned. The sampling frame in which these respondents were chosen is considered the most suitable to obtain the sample unit because most of the major public enterprises are under the Ministry of Public Enterprises and therefore the inclusion of their senior managers in the sample will provide a strong valid representation of opinion as far as the study is concerned. The response rate of sample A's respondents is about 69%. From a survey point of view, this could be considered a high response rate especially when one takes into account that these respondents are high-level executives who are very busy



with their responsibilities in running their respective organisations. Most social researchers feel that, for a survey of the general public, a response rate of 50% or higher in a questionnaire survey is adequate; 60% or higher is good; and more than 70% is very good (Lin, 1976:p.241). The representation of public enterprises is quite well-balanced in that no single category of enterprises can be said to dominate the sample. The breakdown of public enterprises as represented by their senior managers is in Table 8A as below:

Table 8A: Breakdown of Senior Managers According  
To Public Enterprises They Represent

Category of Enterprises	No. of Respondents	Percentage
Agricultural Development	13	12.5%
Land Development	12	11.5%
Urban Development and SEDCs	10	9.6%
Commercial & Manufacturing	19	18.3%
Banking & Financial Institution	11	10.6%
Welfare and Social Services	12	11.5%
Transportation	12	11.5%
Research & Educ. Institution	15	14.4%
Total	104	100.0%

For Sample B, a total of 150 questionnaires were handed out to a group of randomly selected employees of public

enterprises. As also mentioned in the Research Methodology chapter earlier, not all of intended respondents handed back their questionnaires and as a result, sample B of the research survey comprises of only 112 respondents. These respondents can be classified as a stratified sampling group in that they are selected from public enterprises' employees who had undergone some sort of training in some aspects of Japanese-style management under the "Look East" policy. The main characteristic used to qualify a respondent to be eligible in this sample is that he or she must be a public enterprise employee, regardless of rank, who had been sent to Japan for some sort of training in Japanese-style management in Japan. This being the case, the respondents from this sample therefore come from both management and non-management ranks, ranging from a personnel manager to a technician. For the purpose of this study however, they are called the employees of public enterprises. The breakdown of the employees according to the level of their position is as follows:

Table 8B: Breakdown of Employees  
According To Management Group

Mgt. Group	Respondents	Percentage
Senior Management	19	17.0%
Middle Management	58	51.8%
Line Management	20	17.9%

Non-Management	15	13.4%
Total	112	100.0%

The names of those who had been picked up for the sample B were taken from the "Look East" Policy Division of Malaysian Public Services Department. The sample frame which drew respondents from the "Look East" Policy Division is considered the most appropriate because almost all government public service personnel who had been sent to Japan for a training stint were either sponsored or endorsed by this department. The response rate of respondents from sample B is 74.7% and based on Lin's response rate criterion (1976:p.241), this is indeed considered a very good rate. However, unlike that of sample A, the representation of public enterprises is not well-distributed in the sense that most of the respondents from sample B tend to come from the commercial and manufacturing enterprises. It is also necessary to mention here that a number of respondents are found to have come from the same organisations. This can be explained by the practice of the government that usually sends employees in groups from the same manufacturing enterprises to train together in Japan. Hence some employees randomly selected for this sample happened to come from the same organisation. In this particular survey the number of respondents from the manufacturing public enterprises seemed to outnumber respondents from other organisations



by a ratio of 4 to 1. The reason for this lies in the fact that most of those who had been sent to Japan by the government through the "Look East" policy have been selected purposely from the manufacturing sector which is in line with the country's desire towards industrialisation. The overall breakdown of respondents of sample B is as in Table 8C below:

Table 8C: Breakdown of Employees According  
To Public Enterprises They Represent

Category of Enterprises	No. of Employees	Percentage
Agricultural Development	9	8.0%
Land Development	7	6.3%
Urban Development and SEDCs	9	8.0%
Commercial and Manufacturing	50	44.6%
Banking and Financial	12	10.7%
Welfare and Social Services	3	2.7%
Transportation	14	12.5%
Research and Education	8	7.2%
Total	112	100.0%

### **8.3. Respondents' Profile.**

#### **8.3.1. Racial and Religious Background**

The racial composition of the respondents that represents sample A (senior managers) comprises of Bumiputras:83.7%; Chinese:12.5%; Indians:1.9% and others:1.9% respectively.

The reason explaining the dominance of Bumiputras in the top management group of Malaysian public sector is due to the government policy through the NEP which gives preference to this racial group in the recruitment of personnel at management level. The breakdown of the respondents' religion is as follows: those who practise Islam constitute 72.1%; Christianity 15.4%; Buddhism 7.7%; Hinduism 1.9% and other religions 2.9%. The fact that the majority of the Bumiputras comprises of Malays explains why the percentage of those who practise Islam as their religion is very high. In Malaysia, all Malays are Muslims by birth. The official religion in the country is Islam.

In sample B (ordinary employees), the Bumiputras also dominate the group comprising 81.2%. The Chinese and Indians comprise of 13.4% and 5.4% respectively. The breakdown of employees according to religion is as follows: Islam - 72.3%; Christianity - 17%; Buddhism - 7.1%; and Hinduism -3%. The Bumiputras is the majority group and this is explained by the fact that more than 80% of the total public sector employees in Malaysia are Bumiputras.

### **8.3.2. Age Background**

The senior managers are relatively young with about 83.7% of them below 45 years old and that 45.2% are in fact in the age bracket of 36 to 45 years. As for the employees

who are representing the sample B, it is also revealed that they are also relatively young with about 93.8% under 45 years old. It is also found out that about 55.4% of the employees are from the age group of 25 to 35 years and another 33.9% are from the 36 to 45 years category. It can be said that on the whole, the respondents participating in this survey representing the two different samples have one consistent feature, namely that, they are young.

The actual picture of the respondents' age from sample A and sample B is depicted Table 8D below:

Table 8D: Breakdown of Respondents by Age Group

Age Group	% of Respondents from:	
	Sample A	Sample B
Below 25	1.9%	4.5%
25 - 35	36.5%	55.4%
36 - 45	45.2%	33.9%
46 - 55	16.3%	6.3%

### 8.3.3. Educational Background

The majority of Malaysian senior managers as represented in sample A are highly educated with 96.2% having attended universities and colleges. About 63.5% of the respondents have Bachelors degrees; 18% have Masters degree; and another 5.8% have doctoral degrees. As for the



Malaysian public enterprises' employees who represented sample B, it is found out that they are also quite highly educated with about 44% having obtained Bachelor degrees and 9.2% having Masters degree. The percentage of those having Diplomas is 31.2% as compared to 8.7% in sample A, while those who have High School Certificates only in the employees' group (sample B) consist of 16.1% as compared to 3.8% from the senior managers' group (sample A). The places of study during tertiary education for senior managers are as follows: 50% had studied at local institutions; 27% had been educated in overseas institutions; and 23% had studied at universities and colleges locally and then overseas, or vice-versa. As for the ordinary employees, 69.6% of them had their tertiary education locally; 18.8% at institutions overseas and the remaining 11.6% were educated both at local and overseas institutions of learning. In terms of educational levels, the senior managers are better educated and have more overseas exposure than their employee counterparts.

#### **8.3.4. Japanese Language Proficiency**

Of the total senior managers who participated in the survey, only 6.7% can speak Japanese language and only 2% can read and write in Japanese. On the other hand, from the employees' group, 41.9% said they can communicate in Japanese language and 20.5% claimed they are able to read and write in Japanese language. The fact that more

respondents from sample B than those in sample A can speak as well as read and write in Japanese language is because all the employees participating in the survey have been to Japan undergoing training and that they must undergo a Japanese language course before their departure to Japan. Another reason for the employees' higher proficiency level in the language as compared to the senior managers is due to the employees' training requirement (especially the training involving more than a year) whereby they must master oral and written Japanese language in order to communicate with the Japanese trainers. Upon the completion of their training period, they naturally become quite well-versed in the Japanese language orally or otherwise. As for the senior managers, not all of them have gone for training to Japan for it was revealed later that a number of them had been to Japan not for training stints but for either pleasure trips or on official missions representing organisations which have business dealings with the Japanese.

#### **8.3.5. Visits to Japan**

Accordingly, only 48 of the senior managers or 46.6% of them have been to Japan, but not necessarily for training purposes. On the length of their stay in Japan, 55.1% of them said they were in Japan for less than a week; 40.8% stayed for 1 to 8 weeks; 2% stayed for 9 to 16 weeks and another 2% stayed for a period of more than 25 weeks. It

was further revealed that of those who said they have been to Japan, 67% have been there because they were either on training, attachment, seminar and undergoing tertiary studies and 33% went there because of business trips (i.e. to represent their organisations in trade mission or negotiations). About 23% of the same group of senior managers had gone to Japan for holidays which range from one day to one week.

As for the employees, it was earlier mentioned that all of them have been to Japan for some sort of training in Japanese-style management. Some of them, in addition to the visits made to Japan because of their training, have also been to Japan as holiday-makers and there are others who had gone there attending conferences and seminars. On length of stay in Japan, it was revealed that 46.4% have stayed in Japan for less than a week; 28.6% for one to eight weeks; 8.9% for nine to sixteen weeks; 7.1% for seventeen to twenty five weeks; and the remaining 8.9% for more than 25% weeks.

#### **8.4. Opinion on the "Look East" Policy**

All the senior managers in the survey know something about the "Look East" policy and the rationale behind it being implemented by the government. When asked if the "Look East" policy is a good policy, 72% said it was a good one; 9% said it was not a good policy; and 18% were not sure if

it was good or otherwise. Privately, however, a number of the senior managers said that with new problems constantly cropping up as a result of implementing the policy, they had second thoughts about it and some in fact expressed that their enthusiasm for such a policy had somewhat dwindled.

All public enterprises' employees in the survey also claimed they knew what "Look East" policy was about and what it stood for. The response regarding the policy was that, 76.8% considered it is good; 4.5% thought it is not good and 18.8% expressed the "don't know" answer.

#### **8.5. Familiarity with Japanese-style Management.**

Of the various practices of Japanese management, the most familiar to the senior managers are company loyalty, open office, group responsibility, job-rotation, QCC and lifetime employment while the least familiar are JIT, kanban, and ringi respectively. Like their senior managers, the employees are most familiar with QCC, lifetime employment, open office system, group responsibility, company loyalty and job-rotation, while those aspects that are not so familiar to them are JIT, kanban, and ringi. The detailed responses regarding the familiarity of respondents from sample A and B with selected aspects of Japanese-style management are recorded in Table 8E (refer to next page).



Table 8E: Familiarity of Respondent To  
Selected Japanese Management Features

Japanese Mgt. Features	% of Respondents Being Familiar	
	Sample A	sample B
Quality Control Circle	83.0%	96.4%
Sub-contracting	57.1%	59.4%
Seniority-Wage System	75.0%	66.7%
Lifetime Employment	83.0%	82.4%
Enterprise-wide Union	72.7%	70.3%
Paternal Leadership	76.0%	69.0%
Job Rotation	83.7%	79.4%
Ringi	27.1%	26.8%
Just-in-Time System	45.4%	55.3%
Kanban	26.0%	31.4%
Less Dependence on Manual	49.0%	60.0%
Open Office	95.0%	91.6%
Group responsibility	91.9%	93.5%
Company Loyalty	96.0%	96.2%

### 8.6. Sources of Learning the Japanese-style Management

Regarding the Japanese management practices the top management group claimed they know, most of them said they had learned them either from the workshops or seminars which they had attended either in Japan or in Malaysia or from reading Japanese-style management articles in the journals and books. The actual picture as

to how the senior managers come to know about Japanese-style management is stated in Table 8F below:

Table 8F:Source of Learning Japanese-style  
Management of Sample A's Respondents

Learn From:	% of Respondents of Sample A
Training/Attachment	23.0%
Workshops/Seminars	46.0%
Books/Journals	80.0%
Working colleagues	6.0%
Mentors/Immediate Superiors	3.0%
Others	14.0%

In the case of the employees, all of them quoted their training and attachment in Japanese firms in Japan as the place where they learned some aspects of Japanese-style management. In addition, some also said they become familiar with the Japanese management techniques from the workshops and seminars they had attended; by reading books and journals; and lastly by learning from superiors and friends at their workplace, etc. The actual percentages as to where they learned elements of Japanese-style management is shown in Table 8G (refer to next page).

Table 8G: Sources of Learning Japanese-style  
Management of Sample B's Respondents

Learn From:	% of Respondents of Sample B
Training/Attachment	100.0%
Workshop/Seminars	43.5%
Books/Journals	30.3%
Working Colleagues	10.0%
Mentors/Immediate Superiors	25.0%
Others	30.0

#### **8.7. The Extent of Japanese-style Management Being Practised in Malaysian Public Enterprises**

The most widely practised Japanese-style management according to senior managers and employees alike are QCC, job-rotation, open office, group responsibility and company loyalty. The Japanese management techniques which have not really gained the foothold yet are kanban, ringi, less dependence on manual system, sub-contracting, lifetime employment and seniority-wage system. The extent of actual practising of of Japanese-style management in percentage form, according to the two groups of respondents is tabulated as in Table 8H (refer to next page).

Table 8H: The Extent of Japanese-style Management  
Practised in Public Enterprises

Is the Following Being Practised Your Organisations?	Sample A		Sample B	
	Yes	No	Yes	No
QCC	79.7%	20.3%	84.1%	15.9%
Sub-contracting	10.1%	89.9%	12.2%	87.8%
Seniority-wage	13.9%	86.1%	9.8%	90.2%
Lifetime Employment	13.9%	86.1%	11.0%	89.0%
Company-Union	13.9%	86.1%	17.1%	82.9%
Paternal Leadership	17.7%	82.3%	15.9%	84.1%
Job-rotation	55.7%	44.3%	52.4%	47.6%
Ringi	1.3%	98.7%	2.4%	97.6%
Just-in-Time	12.7%	87.3%	15.9%	84.1%
Kanban	2.5%	97.5%	0.0%	100.0%
Less Depend on Manual	15.2%	84.8%	13.4%	86.6%
Open Office	70.9%	29.1%	69.5%	30.5%
Group Responsibility	74.7%	25.3%	54.9%	45.1%
Company Loyalty	60.8%	39.2%	47.6%	52.4%
Annual Sports	55.7%	44.3%	37.8%	62.2%

### 8.8. Feasibility of Adopting Japanese-style Management

When the top management group as well as the employees of public enterprises were asked as to whether the Japanese-style management could be practised or not in their



respective organisations, the following opinions were recorded:

Table 8I: Opinion of Respondents  
About Japanese Management Practices

Can the Following Being Practised Your Organisations?	Sample A		Sample B	
	Yes	No	Yes	No
Quality Control Circle	74.0%	26.0%	67.9%	32.1%
Sub-contracting System	7.7%	92.3%	11.6%	88.4%
Seniority-wage	8.7%	91.3%	16.1%	83.9%
Lifetime Employment	10.6%	89.4%	15.2%	84.8%
Company Union	7.7%	92.3%	9.8%	90.2%
Paternal Leadership	18.3%	81.7%	12.5%	87.5%
Job Rotation	46.2%	53.8%	40.2%	59.8%
Ringi System	3.8%	96.2%	4.5%	95.5%
Just-in-Time	11.5%	88.5%	12.5%	87.5%
Kanban	2.9%	97.1%	3.6%	96.4%
Less Depend on Manual	13.5%	86.5%	13.4%	86.6%
Open Office	46.2%	53.8%	45.5%	54.5%
Group Responsibilities	60.6%	39.4%	50.0%	50.0%
Company Loyalty	56.7%	43.3%	49.1%	50.9%
Annual Sports Day	45.2%	54.8%	38.4%	61.6%

There seems to be a very little variation in opinion between the senior managers and the employees when their

views were asked as to whether the Japanese-style management can be practised or not in their organisations. The views from the two groups on the said issue showed a clear consistent pattern in that the Japanese practices that are considered practisable by the majority of senior managers are also considered practisable by the majority of employees and vice-versa. Specifically, QCC, job-rotation, open office, group responsibilities, company loyalty have been chosen among the most common Japanese-style management practices that are considered practisable in public enterprises by both the senior managers and employees of public enterprises in Malaysia. On the other hand, it was said that ringi, kanban, sub-contracting, and enterprise unionism have been considered not practisable, according to the two groups of respondents in the survey.

On the whole, 1.9% of the senior managers and 2.7% of the employees were of opinion that all aspects of Japanese-style management can be adopted in Malaysia. However, 88.3% of the senior managers and 86.6% of the employees in the survey believed that only some Japanese-style management can be adopted in their workplaces respectively. The reasons given by both groups why not all, but only some Japanese management practices can be adopted in Malaysia are recorded in the Table 8J (refer to next page).

Table 8J: Reasons Why Some Japanese Management Practices Are Not Practisable in Public Enterprises

	Sample A	Sample B
Difference in Technology Bet. Japan and Malaysia	43.3%	50.0%
Malaysia's Organisations Too Strongly Western-structured	44.2%	42.9%
Management Group Not Yet Ready for Japanese-style Management	31.0%	38.4%
Workers Not Yet Ready for Japanese-style Management	22.0%	24.1%
Japanese-style Mgt. Conflict with Religious and Cultural Values	55.8%	43.8%
Japanese-style Management Creates New Problems for Malaysian Enterprises	2.9%	4.5%

### 8.9. Japanese-style Management Which Are Highly Desired

The top management group as well as the employees that comprise the survey's sample provided some interesting feedback as to which practices of the Japanese-style management they preferred to imitate. Favourable practices which are desired and recommended by the majority of respondents for their organisations are QCC, job-rotation, open office, company loyalty and group responsibility. The Japanese management practices which are very lowly rated and subsequently not recommended by both groups are

kanban, JIT, ringi, lifetime employment, seniority-wage, and sub-contracting. Table 8K below shows the detailed opinion of senior managers on the said matter :

Table 8K: The rating of Japanese-style  
Management Practices By Sample A's Respondents

	Recommend	Don't Recomm.	No Comment
QCC	70.0%	4.8%	25.0%
Sub-contracting	18.3%	9.6%	72.2%
Seniority-wage	19.2%	20.2%	60.6%
Lifetime Employment	24.0%	24.0%	51.9%
Enterprise Union	26.9%	14.4%	58.7%
Paternal Leadership	25.0%	13.5%	61.6%
Job-rotation	57.7%	6.7%	35.6%
Ringi System	9.6%	1.9%	88.5%
Just-in-Time System	19.2%	8.7%	73.1%
Kanban	5.8%	3.8%	90.4%
Less Depend on Manual	8.8%	8.7%	62.5%
Open Office	47.1%	13.5%	29.4%
Group Responsibility	73.1%	5.8%	21.2%
Company Loyalty	75.0%	3.8%	21.2%

The responses from the employees on the same matter are reproduced in Table 8L below:



Table 8L: The Rating of Japanese-style Management by Sample B's Respondents

	Recommend	Don't Recomm.	No Comment
QCC	77.7%	4.5%	17.8%
Sub-contracting	18.8%	16.1%	65.2%
Seniority-wage System	28.6%	10.7%	60.7%
Lifetime Employment	26.8%	19.6%	53.6%
Enterprise Union	28.6%	8.0%	66.4%
Paternal Leadership	29.5%	9.8%	60.7%
Job-rotation	55.4%	8.9%	35.7%
Ringi	9.8%	4.5%	85.7%
Just-in-Time	24.1%	3.6%	72.3%
Kanban	8.9%	1.8%	89.3%
Less Depend on Manual	21.4%	19.6%	59.0%
Open Office	55.4%	11.6%	33.1%
Group Responsibility	8.8%	4.5%	26.8%
Company Loyalty	67.9%	1.8%	31.4%

#### **8.10. Problems Associated With the Implementation of Japanese-style Management**

Both senior managers and employees in the survey were of the opinion that it is not easy to implement Japanese-style management in their organisations. The survey consistently showed the two groups have unanimously agreed that there are a number of problems which are faced in transplanting the Japanese-style management. To a question

consistently showed. the two groups have unanimously agreed that there are a number of problems which are faced in transplanting the Japanese-style management. To a question "Do you see any problem in trying to implement Japanese-style management in your organisation?", the following responses in Table 8M were obtained:

Table 8M: Degree of Problem in Practising Japanese Management Practices in Public Enterprises

Responses	% of Respondents From:	
	Sample A	Sample B
No Problem at all	11.5%	8.9%
Only some Problems	54.8%	58.9%
A lot of Problems	27.9%	24.1%
No Response	5.8%	8.0%

It appeared that the root cause of the problems in trying to introduce Japanese-style management stems from mainly anxiety and suspicion on the part of workers as well as some management group within the organisations to change in the existing working system. As Japanese-style management is a new phenomenon, it is considered as a threat to both workers and managers alike. Specifically the problems as quoted by the respondents are recorded in Table 8N (refer to next page).

Table 8N: Nature of Problem in Practising  
Japanese Management Practices in Public Enterprises

Problems in Trying to Introduce Japanese-style Management	Sample A	Sample B
Workers' suspicion due to lack of understanding of Japanese-style mgt.	38.5%	33.9%
Workers' preference for existing management practices	31.7%	26.8%
Uncommitted Effort by Mgt.Group to implement Japanese-style mgt.	31.7%	45.5%
New Problems cropping up as a result introducing Japanese-style mgt.	24.0%	15.2%

### **8.11. Positive Attributes Desired by Senior Managers and Employees**

The rationale for introducing Japanese-style management to the organisations especially the public enterprises in Malaysia is to improve the performance of the workforce through the practising of so-called "good" practices Japanese management and the positive attributes that come together with these practices of the Japanese people. When a question was asked which positive attributes of Japanese-style management are most preferred, the senior managers and employees alike again do not vary much in their preference of attributes they hope to gain from the

"Japanisation" process. The positive attributes are tabulated in Table 8P below:

Table 8P: Preferred Attributes of Japanese Management Practices By Respondents

Attributes Desired	Sample A	Sample B
High Productivity	65.0%	50.9%
Loyalty to organisation	63.0%	50.9%
High quality of work	63.0%	49.1%
High Work Ethics & Discipline	55.6%	39.3%
Absence of Strikes	16.0%	9.8%
Others	2.5%	2.7%

### **8.12. Difficulties Encountered in Implementing Japanese-style Management**

Although all respondents in the survey are very impressed by Japanese economic success which, many believe, has been linked to the effective Japanese-style management, they do not think that all Japanese-style management practices are good for Malaysia in general and the public enterprises in particular. They consider some Japanese management practices as having a number of weaknesses when applied to the Malaysian situation. This is why some Japanese-style management techniques have to be rejected outright, they claimed. A question was asked in the survey regarding serious defects of Japanese-style



management which may have caused the Malaysians to reject it. The responses to this question is reproduced Table 8Q below:

Table 8Q: Defects of Japanese Management Practices

Defects:	% of Respondents From:	
	Sample A	Sample B
Uncomfortable with Cultures, Religion & Social Values	96.8%	59.8%
Slow Promotion for Achievers	29.5%	25.0%
Costly & Not Practical	27.4%	20.5%
Limit Career Change	26.3%	27.7%
Slow Decision-making	4.2%	9.8%

### 8.13. Strategies to Transfer Japanese-style Management

Regarding how best to transfer the Japanese-style management to Malaysian public enterprises, the most common ways believed by senior managers in which Japanese-style management can be transferred are by appointment of chief executives and top management with adequate knowledge of Japanese management; the systematic training of all public enterprises' employees in Japanese-style management and the introduction of only suitable features of Japanese-style management. A "Yes/No" format of question was asked regarding the issues of such

transferability of Japanese-style management and the following in Table 8R are the responses obtained from the said survey.

Table 8R: Methods of Transferring Japanese Management Practices to Public Enterprises

Transferability Methods	% of Respondents From:			
	Sample A		Sample B	
	Yes	No	Yes	No
Through "Look East" Policy	7.5%	72.5%	20.5%	79.5%
Training for Managers	43.1%	56.9%	52.7%	47.3%
Training for Workers	52.9%	47.1%	58.9%	41.1%
Introduce Compatible Elements Only	52.9%	47.1%	50.0%	50.0%
Secondment of Japanese	10.8%	89.2%	11.6%	88.4%
Adopt Jap. Education	5.9%	94.1%	1.8%	98.2%
Other Measures	7.8%	92.2%	2.7%	97.3%

It is interesting to note that the Japanese personnel who have been sent to Malaysia (mostly by arrangement through governments of Japan and Malaysia) supposedly to teach advanced technology specifically and Japanese-style management generally have not been considered as an effective tool of transferability. Observations made by the senior managers and employees suggested that their Japanese counterparts were not that enthusiastic about

teaching it to the Malaysians. For example, when asked about those Japanese personnel who had been seconded to public enterprises in Malaysia, the senior managers and employees alike expressed anger and frustration as to their selfish behaviour. Among the complaints were that the Japanese are not sincere enough about transferring their knowledge to the locals; the Japanese were arrogant and considered themselves superior to other races and that what they taught was not that beneficial to the locals. This confirmed the earlier discussion of the literature on the problems of transferring Japanese-style management to other developing countries. This type of problem was said to be quite critical in the private organisation sector especially those involving joint ventures where the Japanese personnel who were supposed to provide advanced knowledge were found to have transferred outdated technology or expertise. The Malaysians were naturally outraged and ill-feeling developed.

#### **8.14. Preference of Management Style**

The senior managers were also asked what is their preference of management in running their respective enterprises. It is found that 11.8% preferred Japanese-style management; 4.9% went for Western management style; 68.6% chose the present style of management practised in Malaysia; 12.7% said their management preferences depended on the situation they were in; and the remaining 2.0%

claimed they have no preference at all. In fact when asked which management style suited their organisation, 63% of the respondents said that the mixed type of management style was the most suitable one. The respondent from sample B - i.e. employees, were also requested to state their preference of management style. It was found that 17.9% opted for Japanese-style management; 1.8% preferred Western style management; 64.3% chose the present style of management; 8.9% said they prefer the "it depends on situation" style and the remaining 7.2% did not have any preference at all.

#### **8.15. Transferability of Japanese-style Management**

Both senior managers and employees as represented by the two different samples of the survey said Japanese-style management can be transferred but not all of them would be accepted. The majority of the two groups of respondents felt that only some elements are transferable. It was also pointed out that to be successfully transplanted into the Malaysian soil, the Japanese-style management may have to undergo some modifications as not all of its elements are suitable for local people. The opinions obtained during the survey's exercise regarding the possibility of transferring Japanese-style management to the public enterprises' sector in Malaysia are being reproduced in Table 8S (refer to next page).



Table 8S: Opinions on Feasibility of Transferring  
Japanese-style Management to Public Enterprises

	% of Respondents From:	
	Sample A	Sample B
All elements of Jap. Mgt. can be transferred in pure form	2.9%	1.8%
Only some elements of Jap. Mgt. practices can be transferred and may have to be modified to suit local environment	88.5%	97.3%
All elements of Jap.Mgt. cannot be transferred either in pure or modified form.	8.7%	0.9%

It was revealed further that although most respondents believed some aspects of Japanese-style management are transferable to Malaysia, not many of them (i.e. only 22.9% of senior managers and 22.0% of employees) believed it would dominate the public enterprise sector. Of the small number of respondents who said it would dominate the public enterprises, when asked when such domination would take place, most of them said it would take place in the 1990-1995 period.

Clearly Japanese-style management practices have not really gained much inroad in the public enterprises so far. If ever it is to become a dominant feature in the public enterprises in future, it would take quite sometimes for it to be accepted in the cautious Malaysians for out of those who believed Japanese-style management practices are transferable, slightly one-fifth, i.e. 22.9% from the senior manager group and 22.0% from the employee group respectively said that Japanese-style management will dominate the public enterprise sector in future. They predicted the period of 1990-1995 will be when Japanese-style management will become a dominant force in Malaysia.

#### **8.16. Analysis of the Research Survey**

The research survey, to some extent, evidently indicated that elements of Japanese-style management can be transferred from Japan to another foreign country. In the case of Malaysia, the survey clearly showed there is no question about the transferability of some major Japanese management techniques to the public enterprises' sector. Selected Japanese management practices have been incorporated in the majority of these enterprises as a result of the government directive to emulate the Japanese. Caution must be exercised however, because only some practices have been successfully carried out. A number of Japanese practices have not been easily

transferable while others are not transferable at all. This finding confirmed the conclusions of earlier studies regarding the feasibility of transferring Japanese-style management to countries like the UK, the US and the four NIEs (refer to Chapter 7). The transferability of Japanese-style management to Malaysia, as had been experienced by other countries, cannot be made in toto and this means well-tailored modifications to suit the local environment must be devised to make such transfer more readily accepted.

The survey also suggested clearly that although some practices of Japanese-style management can be transplanted into Malaysia in as far as the public enterprises are concerned, the process of such transplantation has never been plain sailing. The survey's findings identified three major issues regarding the responses from Malaysia public enterprises to the introduction of Japanese-style management, namely;

- (i). that some Japanese management practices are well-received and therefore they are currently being practised earnestly - i.e. easily transferable Japanese management practices;
- (ii). that some Japanese management practices are less popular but nevertheless they are being experimented with and adopted with caution - i.e not easily transferable

Japanese management practices;

(iii). that some Japanese management practices are considered not suitable for the Malaysian organisations and therefore they are being rejected outright - i.e. not transferable Japanese management practices.

One finding which emerged from the survey is that a number of management techniques which are practised successfully in big Japanese firms in Japan such as kanban, ringi system, and JIT are relatively unfamiliar to the majority of the top management group in public enterprises in Malaysia. For example, only 26% of senior managers are familiar with kanban, 27.1% with ringi; 45.4% with JIT. Naturally enough, these management practices have not been adopted in the majority of Malaysian public enterprises. It could be that these practices are not relevant yet to their organisations to warrant their adoption. For example, the JIT manufacturing system which is the cornerstone of successful Japanese firms is almost absent in Malaysian public enterprises. A possible reason could be because the majority of Malaysian public enterprises are not manufacturing concerns. Even in manufacturing-oriented enterprises, JIT would not be practical to apply in view of the environment which is still dominated by the pro-Western set-up.



Another reason for the not-so-enthusiastic response towards some Japanese practices may be found in the low number of Malaysian senior managers who have had exposure to Japanese-style management. For instance, as discussed earlier, the percentage showing those who can speak, read and write in the Japanese language among the senior managers is not substantial. Not all senior managers have the benefit of training exposure in Japan as was the case with their employees counterparts. The impression one gets here appears to suggest that senior managers in the survey's sample are less knowledgeable in Japanese-style management than the employees in as far as formal training is concerned. It is the assumption of the author here that had all those comprising the top management group been sent for a more adequate formal training in Japanese-style management, they could become knowledgeable in the said area and would be motivated to be more enthusiastic about or supportive of the process of "Japanisation" of public enterprises. As it is now, the majority of senior managers (i.e, 80%) had learned Japanese-style management techniques from books and journals (please note that they are not in Japanese, but in the Malay and the English languages) which they had read; and about half of them (i.e, 46.%) had learned about the Japanese-style management from seminars and workshops that they had attended. In contrast, only 23% stated having formally learned the subject matter through training and

attachment. There is nothing wrong with self-study, but a formal training would have been more appropriate.

The impact of Western influence is still very strong among senior managers in Malaysia, although according to the survey, many of them do not necessarily prefer Western-style management. The Western influence is less evident amongst the younger and lower echelon managers and among the ordinary employees. However, as long as the present structures of their organisations continue to be patterned along the line of West, the tendency towards traditional Western ways of doing things continues to dominate in Malaysian organisations. The drive for the "Japanisation" in the public enterprise sector would be an uphill battle and would be a time-consuming process.

In a number of cases, attempts to introduce Japanese-style management in public enterprises have met with fierce resistance from those who feel only comfortable with the old establishment. This has been the direct result of the educational background of the respondents whereby it is found that 50% of the senior managers and 69.6% of the employees have been educated at Western-orientated institutions of higher learning in their own country; and 27% of the senior managers and 18.8% of the employees of public enterprises had their tertiary education in the West (mostly in the UK and the US universities). These

statistics have indeed shown a strong correlation with yet another finding of the same survey which revealed a high proportion of senior managers and employees in Malaysia having being inclined towards the management styles that are either a mixture of various management techniques which are pro-Western or a modified Western-style management. It is argued here that because their earlier education and subsequent training have been based on a Western curriculum, the older generation of managers in Malaysia do not easily accept the Japanese management practices even though they had been formally instructed by the government to do things "the Japanese way" via the "Look East" policy that was embarked upon in 1982. This is shown by the feedback of the survey whereby senior managers who preferred Japanese-style management comprised of only 11.8% as compared to the 68.6% who chose "mixed" management style as their management preference.

It may be necessary to explain at this juncture what a mixed type of management really means. The author defines a mixed type of management practice that is practised in Malaysia as a combination of various management techniques which have been viewed as a Malaysian management style and more often than not, modified to suit the Malaysian multi-racial and multi-religious environment. This system of management is often called the rojak type of management style in Malaysia, which literally means a bunch of a

different management systems blended together. It must be stressed also that most features of this type of management are similar to that of Western-style management; the only difference being that some of the western-style management has been at times further altered or refined to reflect local context.

The preference for a mixed type of management style which is predominantly Western-oriented, by senior managers in Malaysia can be explained by a number of historical factors.

Malaysia was under the British rule for many years until her independence in 1963. The educational system in the higher institutions of learning in Malaysia where almost half of the senior managers had graduated from, is still patterned along the Western curriculum. In addition, the fact that out of the 27% of senior managers who had studied overseas, all of them studied either in the US or the UK inevitably has resulted in them and possibly their junior management colleagues in Malaysia to practise the management styles that are similar to Western-style management but later, when some of them are found difficult or unsuitable to implement, these managers eventually modified and refined them into the so-called rojak style of management.



It has pointed out that of those who had their tertiary education overseas, all had studied in either the US or the UK and that none of them had studied in Japanese universities. One may wonder why these managers had not gone to study in Japanese institutions? After analysing the historical development of Japanese management, it is found out that the reason for this is that the popularity of Japanese management worldwide is a recent phenomenon and the craze for the Japanese-style management in Malaysia only began in the 1980s. Since the majority of senior managers in the survey are either in their late thirties and early forties, their tertiary education and their early managerial training must be in the period prior to the golden era of Japanese management in Malaysia. This explains why these managers did not study at Japanese institutions, but instead at Western institutions. Hence their management style is very much pro-Western rather than pro-Japanese style. It is widely acknowledged in Malaysia that the older generation of managers run their organisations along Western lines. A recent separate survey conducted on 47 Malaysian managers by the author for Sarawak Shell Company Limited supports this observation (Yasin, 1989). Another important reason why the Malaysian managers have not gone to Japan for tertiary studies in, say business or management studies, is the fact that the Japanese do not really have business

schools for business studies are taught in companies and not in universities. There is a linguistic barrier too.

When Japanese-style management made its way to Malaysia through the government's directive of the "Look East" policy in 1982, it was observed that Malaysian managers tended to pick those features that are applicable to their organisations and whenever necessary, modified them first before they are incorporated into the existing management system. Since Dr. Mahathir who, unlike his two predecessors, had not been educated in the West (and is reputed to be anti-Western), took over the premiership of Malaysia, the process of inculcating more of oriental values especially those from Japan over Western values among the Malaysian government employees has been accelerated. This was the official period of the "Look East" policy when suddenly government agencies in Malaysia were instructed to minimise overtly Western orientation and instead learn from the Japanese and to a lesser extent also from the successful Koreans. Managers of public enterprises were of no exception for they were told to adopt Japanese management style which was considered more compatible with the Malaysian value system. It was observed that the Japanese and Malaysians share a similar oriental culture and since the former had progressed tremendously, Malaysia can also progress by emulating her management techniques. It was widely assumed then, there

would be no major problems in doing so because of the similarity in culture.

However, the process of this reorientation from the Western-orientated style to the Oriental style involves careful planning and can be time consuming process. This being so, even though efforts have been vigorously made to pursue the educational system that reflects more of oriental culture and values (based mainly on the Islamic principles), there is clearly a problem encountered in trying to change the long established Western curriculum which had been strongly implanted and therefore widely used in the country's educational system especially in the institutions of higher learning. The present managers, in the opinion of the author, are the product of era - the era where many choices of management styles are available. This may explain why many of them prefer the mixture of management styles.

As mentioned earlier, the lack of training in Japanese-style management; the inability of the vast majority senior managers to converse or write in Japanese language; their limited exposure to the Japanese culture as indicated by the number of visits to Japan, strongly suggests that the program to promote Japanese-style management in as far as the managers is concerned has not been satisfactory. The weakness is very obvious for only

6.7% of senior managers involved in the survey can speak Japanese; 2% can read and write in Japanese and that only 46.6% have been to Japan. Of those who had gone to Japan, only about 30% have been there for training purposes. Such a background on the part of managers would certainly not help much towards the realisation of adopting Japanese-style management in Malaysia. As stated earlier, of the 48 senior managers who had visited Japan, 55.1% stayed there for less than a week. It is reasonable to argue that these managers would not absorb much of Japanese culture and values in general and Japanese-style management in particular given that type of exposure and short duration of stay in Japan.

The majority of the managerial group in Malaysian public enterprises are Muslims (72.1% as compared to 26.9% non-Muslims) and because some features of Japanese-style management are considered to be 'unislamic', these elements naturally enough, are avoided. Many efforts are made by the Muslim managers to incorporate Islamic values in running the government agencies. Being Muslims, it is natural for them to inculcate Islamic values when and where necessary and at the same time avoid elements that are in conflict with the religion of Islam. It is assumed that even if the chief executives of the public enterprises in Malaysia are not themselves Muslims, the Japanese-style management features that are deemed



contrary to the Islamic religion would be avoided as the majority of public enterprises' employees are of Bumiputras origin who practise the Islamic faith.

In addition, the present government also strongly encourages the injection of Islamic values by managers in management of their organisations. In fact, at the time of writing, the Islamic revivalist movement in the country is getting stronger and some states in Peninsular Malaysia have passed Muslim laws. The recent controversy in which eight Chinese assemblymen in Selangor State Legislative Council resigned en masse arising from the dispute regarding the enactment of newest Muslim-oriented Legislation is a classic example of the winds of Islamic change in Malaysia (Borneo Post, 3rd. December, 1989). Since the majority of those occupying the top management group in public enterprises are Muslims, it follows that Islamic-orientated management style is most widespread in public sector organisations as compared to private enterprise organisations in Malaysia.

The Western management style is slowly losing its grip among the present management group as more and more of the existing cadre of younger managers are trained either locally or at some non-Western institutions overseas (i.e. Japan, South Korea, Indonesia, etc.). Currently, in Malaysia, the Western management system can be said to be

experiencing the lowest ebb of its popularity because some western techniques have often proved disastrous when applied to the local situations partly because of differences in culture and traditions between the West and the East. This, in the judgement of the author, has led to the preference of the Malaysians, managers or otherwise, for 'the middle of the road' type of management style which saw bits and pieces of various management styles being combined, integrated and refined for application to suit the Malaysian's culturally unique environment. The essence of a hybrid management style, according to the survey, has been found to be very prominent and well-accepted in Malaysian public enterprises. The Western management style especially that of Americans however, is still popularly practised in the private firms especially those of multi-national standing where many of their top management executives comprise of Western expatriates.

Elements of Japanese-style management are extremely attractive to the Malaysian government and Malaysian public corporations. This is a product both of a government policy on one hand, and the phenomenal success of the Japanese on the other. However, as a totality, the Japanese management system cannot be transferred since only some elements are preferred or considered suitable

for Malaysians. What will eventually emerge is a new rojak which has a Japanese element of management practices.

It may take the new breed of managers - i.e those who are currently studying in the Japanese universities plus those who study at local institutions which are beginning to provide more Japanese management exposure - to take over the rein of the present top management in order that more Japanese management styles can be vigorously implemented as well as readily accepted by their subordinates. The fact that the majority of the present top managers are not well-conversant in Japanese language (either speaking or writing) explains, to some extent, why the penetration of Japanese-style management at management level in Malaysia has not been as successful as the government would desire. It is true that one does not necessarily have to possess speaking or writing abilities in the Japanese language to manage Japanese-style management successfully, but nevertheless, it can be said that if one has such additional abilities, such a background can provide more incentive and greater motivation to practise or propagate Japanese management practices. Likewise, a person who is handicapped in the Japanese language may be at a disadvantageous position and display less motivation to carry out or implement Japanese management system in his organisation.

It was pointed earlier there is not much difference in opinions between the managers and employees with regards to the feasibility of transferring Japanese-style management to Malaysia. This happens despite the two distinct differences in the background of the two groups namely;

(a). that all employees have been sent to Japan to learn some aspects of Japanese-style management while only 46.6% senior managers have been to Japan (not necessarily for training purpose); and

(b). that all senior managers are all decision-making group of public enterprises, while of total the employees participating in the survey, 40% are in the management category (although not necessarily in the decision-making group).

On the surface, it would be reasonable to expect senior managers who have less exposure to Japanese-style management to be less optimistic than their employee counterparts about the feasibility of transferring Japanese management practices to Malaysia. This is not to be the case. The result of the survey revealed both groups saying that only some aspects of Japanese management practices are transferable to Malaysia. It can therefore



be argued that regardless of whether the participants in the survey been exposed to Japanese culture/language or not and regardless of whether they are knowledgeable or otherwise in Japanese-style management, the effect of such exposure or knowledge does not contribute to any significant difference in as far as opinions regarding the transferability issues of Japanese-style management to Malaysia is concerned.

By reason of logic, senior managers, the majority of whom are Western-trained compared to their employee counterparts (who are trained more in Japanese-style management), would be expected to favour the Western management style. By the same reasoning, the employees would favour the Japanese-style management. The survey's analysis proved that this is not true. Instead, both groups have shown their preference towards the rojak management style or the mixed type of management style. This leads the author to suggest the following reasons:

The present employees of Malaysian enterprises, like the their superiors have been exposed to four major eras of management evolution. The earliest period is the British rule era whereby British managers brought in Western-style management. However, the British era merges into an era of transition where more and more Malaysians were influenced by American business schools (i.e the sending

of students to America in the late 1970s) and even the British institutions to which Malaysia were sending people were influenced more and more by American-styled, Harvard case study. Then, came a period of nationalism that resulted in the country's independence from British rule which witnessed the nationalistic movement calling for more local values. The next wave of managerial development was the period which saw the birth of the "Look East" policy which exhorted Malaysians to emulate oriental values and Japanese-style management. This was followed by the Islamic revival period, i.e. the present era which witnesses the rising insurgence of Islam whereby Islamic-oriented values in management have been emphasised among all Malaysians regardless whether they are Muslims or not.

The public enterprises under the first era, i.e., in the 1950s, were managed under the British rule. The British style of management was the norm. When British managers left the country, the British-style management was continued by local managers who had been groomed by their British masters. When Malaysia became independent in 1957, the period when the tide of nationalism was at its height, more local content and oriental style were emphasised and hence incorporated into the already established Western management practices. The prevalent management-style then was a hybrid of British and local management styles. In

the late 1970s and early 1980s the era of learning from the East began, with the government directing all its employees (including the public enterprises' employees) to emulate the Japanese-style management. This of course did not mean forsaking the previous management style; rather blending the compatible Japanese management practices with the already existing management techniques. The management system in Malaysia became more varied and rich in style and appropriately named as the rojak management style.

The vigour of the "Look East" call has not fully subsided yet when another phase of management, the so-called Islamic-style management era appeared at the Malaysian scene. The proponents of the Islamic group, encouraged by the Muslim-dominated government, call for more Islamic practices to be included in the management practices of government agencies. As a result of this new development, more and more of the Muslim workers are demanding for suraus (prayer places) at work; increasingly Muslim female workers are putting on purdah (veils) and more functions conducted in organisations are done along the line of Islamic teachings, i.e. the doa selamat ceremony (the reading of koranic verses before any major function begins).

Generally speaking, Malaysian society is now undergoing two eras simultaneously, i.e. the era of the "Look East"

policy and the era of "Islamisation" of public enterprises. It is still not clear what will emerge out of this. Nevertheless, the continuous development of management evolution in Malaysia for the last five decades has indeed moulded the Malaysians into being more receptive to a variety of management styles and has inevitably resulted in their preference for a mixed management styles that suit themselves at workplaces. This is why they prefer to be managed under the present existing management practices (i.e the mixed type of management) according to the survey.

The training stint of public enterprises' employees in Japan does not seem to have affected their preferences. Before embarking on the survey, the author had expected them to be more favourably inclined to Japanese-style management, but the evidence from the survey's results clearly does not support this expectation. One factor that may have accounted for such a tendency is that the training period had been too short to have any significant impact. It has been observed from the survey that the average number of days of stay in Japan was about one week. Out of the 112 employees involved in the survey, less than 10% had stayed in Japan for 25 weeks on training assignment. On the contrary, 83% had been undergoing some sort of training in Japan for a period ranging from one to eight weeks. Obviously they could not



learned much in such a short span of training stint. Also, the aspects of training may not be comprehensive enough to be really effective. For example, it was found that despite going to Japan, the employees did not know much about ringi, kanban and JIT. It is suspected that those who were sent for training were only sent to learn the job that was most related to their jobs. The Japanese organisers who have been entrusted with the training of Malaysians, either because of time constraints or other reasons best known to themselves, must have chosen not to furnish the trainees with an overall view of Japanese-style management. Thus the training of Malaysian employees in Japan is confined to areas concerning their jobs and that other relevant management techniques are neglected.

Also, the author is of opinion that like their senior manager counterparts, employees in the public enterprises have been the products of a myriad of management styles through the passage of time. Against this backdrop, it is not possible for anyone to stick to one style only or for one particular style to dominate them because the choices of management styles have been in abundance. The wave of change obviously made Malaysia susceptible to many new management approaches. As a result, it soon becomes apparent that one style which is appropriate at one time may be obsolete at other times. This is in conformity with the changing tastes of the versatile Malaysian society

which is constantly invaded with the tides of change since the Independence from the British rule. This, in the opinion of the author, accounts for the strong preference for the rojak-style management by the employees even though all of them have been exposed to some sort of training in Japanese-style management in Japan. It seems that their prior exposure to other management styles (i.e. before they are exposed to the Japanese-style management) has, to a large extent, affected their existing management preference.

The transferability of acceptable Japanese practices to Malaysian public enterprises would not be difficult to carry out. It is also the view of the author that the future generation of employees in Malaysian public enterprises are the best potential candidates for Japanese-style management. If the Japanese-style management is to make an inroads, it is this future group that should be targeted.

The employees in the Malaysian public enterprises according to the survey, are relatively young with 59.9% being under 35 years of age. This can be interpreted to be a good sign for the 'Japanisation' process as it would be more readily accepted by the younger Malaysians. However, resistance among the older Malaysians, especially from the die-hard employees who are content with doing things the

old ways, will continue to cause problems to the implementors of Japanese management techniques. The older employees would have to go first for Japanese-style management to be established firmly because as it is now, the opposition to Japanese-style management come mostly from the 'old hats', to quote one general manager of a financial public enterprise. However, with more receptive younger employees, it is believed that less problems will emerge from the exercise to transplant Japanese style into the public enterprises. This is bound to happen provided the "Look East" policy will continue to remain a national policy in many years to come. In other words, the Japanisation of the Malaysian public enterprises can be realised more rapidly when more of the older employees who are pro-Western would have been retired and replaced by the younger group of employees. Managed by the supposedly younger and theoretically more flexible group of managers, the majority of whom must have been undergoing training in Japanese management or studying Japanese-oriented curriculum locally and/or in Japan, it would not be a hard task any longer to practise Japanese-style management in Malaysian public enterprises in the near future.

Another factor that strongly favours the practice of Japanese-style management in Malaysian public enterprises is what is termed as the cultural similarity factor. Although Malaysian society is not homogenous like the Japanese society, there are some similarities in culture and values between these two countries. One similarity concerns the deep respect for elders and those in authority in both Malaysian and Japanese cultures. The Japanese highly respect the elders in their families and those who are in authority at their workplaces. They are loyal to their organisation because the organisation they work for is considered to be like their own family who cater for their needs just as their families do. Whatever happens to their family affects every family member and therefore everyone of them must stand by their organisation. They "swim and sink together".

The boss in a Japanese organisation is synonymous with the head of the family. The workers, like ordinary members who must be obedient to the family head, are therefore expected to display strict obedience to their superiors as the superior is the one with the highest authority, looking after their welfare and needs. The history of the Samurai being loyal to his master has been linked to the loyalty phenomenon of the present day employees in the Japanese firms (Nakane, 1973:p47-60). This element of



respect for elders which goes hand in hand with the culture of exhibiting total obedience to the superiors or and undivided loyalty to the head of a family or community is still very strong among the Malaysian society.

The Malays (who form the dominant group of Bumiputras of the early days) were very loyal to their Sultans (kings) who were supposed to protect them. This was depicted in the Malay folklore of the hero warrior, Hang Tuah who was willing to be killed because of his blind loyalty to the sultan. This blind loyalty to the leader has its parallel in Japan with the blind loyalty of the samurai to fuedal lord, and of course, through the fuedal lord to the Emperor. However, the British rule destroyed the Sultanate system but the attribute of ta'at setia (loyalty) to those authority remains intact in the Malay community. The loyalty element is still in their blood as evidenced by the lives in a typical Malaysian home today. The elders are always well-respected and it is unimaginable and of great shame for them to send their parents to the so-called senior citizen homes as is the popular practice in Western society. Those in authority are never to be questioned in public by those below them even if they are seen on the wrong. The Malays for example strongly believe it is durhaka (betrayal) to go against someone older than them. At the workplace, it is considered kurang ajar (ill-mannered) to go against someone more senior in rank or

even someone lower in rank but senior in age although that person may have done something terribly wrong at his work. As for the other Malaysian ethnic groups, the show for loyalty, the showing for respect and love and affection for the elders and superiors are the foundation of the way of life especially among the Chinese in line with Confucian ethics. The Chinese clans and Chinese triad societies which were rife at one time in Malay States, are further examples of how strong the extent of loyalty among the Chinese community has been. In the Indian community, Indian parents always teach their young to be respectful of the elders, i.e. the senior members in their family and that they are asked to display loyalty and obedience to those they work for (refer to earlier discussions in Chapters 2 and 3).

There is also another encouraging sign regarding the issues of transferability of Japanese-style management to Malaysia. Malaysia at present has many similarities with Japan during her modernisation period because Malaysia is in fact adopting a "catch-up" mentality and is operating in a pursuer mode trying to catch up with the advanced, industrial nations of the West, Japan and also NIEs. The only difference being that the Malaysians are learning from the Japanese themselves, instead of learning from the Westerners, to achieve their goal. As such the learning process will be made easier because in theory the

Japanese know what the Malaysians are looking for from them. Also, the process of learning will be much easier because there is more similarities than dissimilarities in culture between the Japanese and the Malaysians.

Another aspect of considerable importance which can pave the way for the desired transfer of Japanese-style management to Malaysia is the special relationship between the two countries. As was said in the previous chapter, the trade figures between the two countries in the last decade have been significantly increasing with Japanese products flooding Malaysian markets at a volume never before witnessed. The author feels that from the trading point of view, Japan needs Malaysia more than Malaysia needs Japan (i.e. as indicated by the discussion in Chapter 2). This is because beside finding Malaysia a ready market for consumer and industrial goods, Japan is fully aware that Malaysia is rich in natural resources which Japan badly needs. When Malaysia decides to go to Japan for help in acquiring new technology and learning management techniques, Japan must surely find this an opportunity to strengthen the ties she has been hoping to have with Malaysia. In return for providing the necessary technology including the transfer of management techniques to Malaysia, Japan's interests in Malaysia is further strengthened. This means, even if Malaysia is not too enthusiastic about the Japanese system of management, the

Japanese with many subsidiaries located in Malaysia would have to eventually 'sell' their management system to Malaysia, perhaps initially through their subsidiaries, then to the private enterprises and finally to the public enterprises. Given such a scenario, it is the contention of the author that Japanese-style management can be easily transplanted into Malaysian public enterprises.

The strong ties between the two countries especially in trade, investment, education and also technical cooperation have been to some extent forged by two powerful bodies namely the Japan-Malaysian Economic Association (JAMECA) and the Malaysia-Japan Economic Association (MAJECA). These organisations were formed in 1977 and since their inception, have organised Joint Conferences annually either in Tokyo or Kuala Lumpur involving leading businessmen, rich investors and high-ranking officials (MAJECA Report, 1988).

It has now become clear that the issues of transferability of Japanese-style management to the public enterprises in Malaysia as provided by the feedbacks from 216 respondents in the survey can be categorised into three groups namely:

- (i). those consisting the Japanese management techniques that are easily transferred;
- (ii). those consisting the Japanese management techniques



that are not so easily transferable; and  
(iii). those consisting the Japanese management techniques that are not transferable at all.

#### **8.17. Transferability Criteria.**

Three main criteria are used in this study to determine whether Japanese-style management can or cannot be transferred into the public enterprises in Malaysia. These are;

- (i) the extent of Japanese management practices;
- (ii). the compatibility factor of Japanese management practices with Malaysian culture and values; and
- (iii). the "seriousness" of problems arising from the attempts in adopting the Japanese-style management.

Based on these criteria, the transferability issues can be identified as:

(i.) Type I - The type of Japanese-style management which can be easily transferable. This particular group of Japanese management practices has been and will continue to be adopted widely in the public enterprises since the inception of the "Look East" policy;

(ii). Type II - The type of Japanese-style management which is transferable, but not as easily as Type I. This particular group of Japanese management practices is

generally acceptable because it is considered compatible enough with Malaysian culture and values of Malaysians. The extent of use of these practices vary from one organisation to another, and normally are not expected to be practised widely;

(iii). Type III - Japanese-style management is not transferable at all because they bring many problems with them. This category of Japanese management practices is considered problematic or not suitable and is not adopted at all by public enterprises in Malaysia.

#### **8.18. Transferable Japanese-style Management - Type I**

By using the three criteria above, the survey clearly shows that the Type I Japanese management practices, i.e. those management practices from Japan which can be and have been transferred successfully to Malaysian public enterprises are QCC, company loyalty, open office system, group responsibilities and job-rotation.

##### **8.18.1. Quality Control Circle (QCC).**

QCC has been transferred to many public enterprises and has become part of the organisation's work procedure. It has been found that 79.9% of the chief executives of public enterprises in the study said QCC is being practised in their organisations. The percentage of senior managers recommending QCC for adoption by their

organisation is 70.0% and this is considered very high. The number of employees recommending the use of QCC in their organisation is even higher, i.e. 77.7%, confirming therefore that QCC is the in-thing in Malaysia now.

In practising QCC, some public enterprises in Malaysia have been more successful than the others while others have encountered a number of problems. The greatest problem faced when implementing QCC is the anxiety it brings to employees especially the line managers who feel their position is being eroded by the new working arrangement of this work practice. Their anxiety stems mainly from the fact that their traditional role as a head is being undermined now that the workers have more freedom to put forward their views relating to their work by QCC process. The QCC requires that workers and their immediate superiors must discuss problems together and decide appropriate solutions after adequate consultation. This may not be enthusiastically welcome by line managers who have previously enjoyed the the privilege of some decision-making by himself.

However, with more supervisors and junior managers being educated and trained in the mechanics of QCC, the benefits of QCC is being recognised. An earlier questionnaire survey on a group of 37 supervisors and foremen of one big public enterprise in 1986 by the author

convincingly revealed the widespread acceptance of QCC (Yasin, 1986). About 89% said they agreed that QCC should be practised in their organisation to improve productivity and 75% said that QCC can be be practised with not much problems. The survey also found that 90% of the same supervisors and foremen had initially not been supportive of the QCC exercise when it was first introduced in their organisation.

What is the most critical problem in carrying out QCC? A major problem regarding this management practice is to be found with the Malaysian workers who are not evenly educated as compared to the Japanese workers. It is naturally easy for Japanese organisations to practice QCC since Japanese workers are highly educated and should have no problems in participating in QCC and using the techniques. In Malaysian organisations, although an increasing number of blue-collar workers can read and write, the level of education is low and the majority come from primary and lower secondary schools. Some have never attended school. This represents a great handicap to the QCC process because one has to be quite educated to understand the tools such as pareto charts, histogram, cost and effect diagram etc. used in the process of QCC. Another problem is the suspicion of the line managers who feel threatened by this system. These findings support earlier conclusions in earlier studies about the



acceptability of QCC technique in the US and the UK companies (refer to discussion in chapter 5 and also chapter 6). The suspicion of these group must be eliminated first before QCC can become a more acceptable practice in the Malaysian public enterprises.

#### **8.18.2. Company Loyalty.**

Company loyalty refers to the acts of employees who place the interests of their organisation above their own personal interests. This means that employees would make personal sacrifices so that the organisations they work for will continue to prosper. The Japanese employees have been praised as being very loyal to their employers (Kono, 1982). In contrast, it is widely acknowledged that the Malaysian workers especially in public sector are generally individualistic and do not hesitate to leave their employers for better opportunities elsewhere. This explains the low degree of company loyalty in Malaysian enterprises.

The Malaysian workers are generally not loyal to their organisations. This worries the government for it strongly believes that productivity and efficiency can be achieved by workers being loyal to their organisation in the form of workers being more responsible in their pay claim towards the employers; workers being more supportive of employers to control wastage of resources and time during

difficult times; and positive attitudes of "swim and sink together" with the company. This message had been repeatedly stressed under the "Look East" policy and the response is quite positive. The survey's results testify that 75.0% of senior managers in the survey enthusiastically recommend this type of Japanese import to their organisations. The employees in the survey also strongly supported the adoption of company loyalty practice for the survey revealed that 67.9% of the employees recommended this Japanese practice for their organisations. But the question is: can it work in Malaysia? It is not difficult to inculcate the sentiment of loyalty in Malaysian society. Historically, the Malays have been said to be very loyal to their Sultan. Also, they are loyal to their family members and will come to the assistance of their relatives in time of need. This loyalty can be extended to their organisations. Western individualism that has been introduced through the Western concept of management may be to blame for the individualistic workers in Malaysia today. Now that individualism is being discouraged, the selfish Malaysian workers who like to job-hop, can be made to be more responsible workers who would treat the place of their work as belonging to their family. The fact that this had been the real culture of the Malaysian society leads the author to believe that with proper planning, this loyalty can be revived among the new generation of Malaysian

society and extended to the workplaces. In addition to the above, the inculcation of loyalty through the company to the nation, is something that can be learned from the Japanese, since in the past, the Japanese converted their samurai into serving the state through industries.

Another encouraging factor that leads the author to believe that this element of company loyalty can work among Malaysian employees, apart from the cultural point of view, is that in Malaysia jobs are now becoming scarce and that with the unemployment rate reaching more than 10%, people cannot become choosy any longer and that those who already have jobs cannot easily jump from one job to another as the job market has become more competitive. The employees would become more realistic about their position and this perhaps educates them to be more supportive and caring towards their organisation.

An even more important development is that the Malaysian government has officially insisted that all government servants emulate the Japanese in being loyal to the head, to the organisation, to the nation. A chairman of a public enterprise commented in the survey questionnaire that the loyalty attribute can be instilled into Malaysian workforce now that government has provided the framework for it to be carried out thereby forcing employers like him to be sensitive to workers' needs and in return the

workers become more sensitive and appreciative to employers' expectation by being hardworking and loyal to their organisation. He went on to say that the latest development carried out by the government in embarking the *semerak* (the emphasis on loyalty to one's organisation) makes this type of Japanese management practice going to stay for a long time in Malaysia.

There are bound to be some problems along the way, especially with the changing of die-hard attitudes. This will be the most difficult hurdle in Malaysia. Also Malaysia faces a problem of having a completely different history from that of Japan. As has been mentioned earlier, company loyalty in Japan is more of a byproduct of the hiring and employment systems there and also because of the strong tradition of groupism that pervades all aspects of Japanese society. In Malaysia, because of the British-oriented industrial system, the labour workforce is highly mobile. Although traditionally, the multi-racial Malaysian society used to be group-oriented like the Japanese, today they have changed and become more individualistic. For example, it is true that Malaysians still display the tradition of helping each other but cooperation is confined mainly at the village level. If a such spirit is brought to the workplace (as the Japanese have transferred village values to the workplace), the existing direction in which the Malaysians are heading



needs to change course again. This may not be easy to do, and even if it could be done, it will take time to have any meaningful effect.

### 8.18.3. Open Office System

The open office system is already an established practice in Malaysia especially in the private sector and it is increasingly practised in the public sector. As mentioned by the senior managers in the survey, the percentage of public enterprises practising open office is very high, i.e. 70.9%. The open office concept makes sense to the public enterprises in view of the huge workforce in the public sector. The latest figure estimated that public sector employees in Malaysia account for about 65% of the total Malaysian workforce (Fifth Malaysia Plan, 1986). In earlier times, it was common for those holding, say, a chief clerk post and above to occupy one room each. At that time it is easy to accommodate this pattern of office arrangement as the size of the organisation is small. Today, with the size of employees in public sector getting larger (about 815,000), thereby making working spaces scarce, coupled with the increasing costs to maintain many compartmentalised offices, it is only proper to go for the open office system. It is necessary to dispense with the established tradition of having many separate rooms for staff of management ranks, even if it means demotivating some of them. A open office system must be

the logical answer. The survey in this study supports this contention for it found out that 55% of employees and 47.1% of senior managers respectively agreed with the idea of open office system for their organisations. They are quick to realise the many advantages associated with the open office system (refer to the discussion in Chapter 5), the most important being that the control mechanism it provides. By having many employees working together in one room with their immediate superior, both the employees and their immediate superior can check each other. However, the open office system, both for the subordinates and managers is a most effective monitoring and open learning system.

Like others, this Japanese management technique is not problem-free. The problem with this system can come from the junior management group who feel their status may be curtailed by such arrangement. It must be remembered that their colleagues in earlier years had enjoyed the privilege of separate rooms and such a notion can be demoralising to this particular group. If the public enterprise could afford it, as an interim measure, perhaps it would be wise to provide a separate room for junior managers not necessarily to be used separately or occupied permanently. The idea is that if for example, a superior gets tired of sitting at his place together with their immediate subordinates, or works on something

confidential, he can retreat to this 'management group' room. In this room, he would not be alone, for he may occasionally be joined by colleagues who, like him sometimes prefer to do do work in this room.

#### 8.18.4. Group Responsibility.

Group responsibility refers to the sharing of responsibilities by workers in a particular organisation in ensuring the successful completion of an assigned task. This popular practice of Japanese-style management can be successfully transferred to Malaysian workforce as is supported by the results of the survey. Although Malaysian employees have been criticised for lacking group commitment and that most prefer to claim individual credit so as to enhance their own career, an earlier discussion has pointed out that traditionally, Malaysians have been known to be a group-oriented people.

The Western influence which is characterised by individualism and independence is cited for the cause of deterioration in groupism among the Malaysians of today. However at their own community level, the group responsibility still pervades the Malaysian society especially in the rural areas. In constructing a house or a wooden bridge, every able bodied individual in a village will come to help. As in Japan, during the rice harvesting season, the farmers arrange the gotong royong (performing

task together in a group). As mentioned in the earlier chapter, the supportive spirit in the Malaysian community has been also witnessed in certain ceremonies like weddings, or when there is a mishap like an accident or death in the family. Others come voluntarily bringing with them some cash or goods to help the affected family. This "we" spirit which is the cornerstone of oriental, especially Japanese culture, in the author's opinion, can be transferred to the Malaysian public enterprises in the same manner the Japanese have transplanted it to their companies.

What is the likely problem here? Again it has to do with the individualistic nature of the Malaysian workforce. As was pointed earlier, in Japan, a person's status or position is always defined in relation to the group. As a member of a group, the individual is expected to conform to prescribed norms, assume given responsibilities, and dispense certain obligations in accordance with hierarchical position in the group. A Malaysian worker is individualistic and the system of work in Malaysian organisation does not encourage Malaysian enterprises to operate along the lines of familialism. In Japan, as have been seen, employees are regarded as protected and cared for by their employer. For this reason, employees in Japan are said to be very supportive and responsible in discharging their duties as this is a means to reciprocate



to their organisation. Employers in Malaysia hardly protect their employees beyond what is legally necessary. It is argued that because of such treatment, the Malaysian workers also do not place the interest of their organisations above their personal interests. The number of public enterprises providing housing and other related benefits is increasing, but the amount of the benefit is far from what is being provided for by those in Japanese organisations. To emulate this Japanese feature, the existing attitudes in the employers and employees have to be changed or discarded completely; perhaps, with the employer making the first move in this direction.

#### 8.18.5. Job-rotation.

Job-rotation has been widely used in the government service before the "Look East" policy whereby a worker is transferred from time to time at the direction of the top management or at his own request. The "Look East" policy therefore helps to intensify its use and make it more systematic. In as far as the public enterprises is concerned, the statistics from the survey indicate the widespread of the job-rotation practice in public enterprises and this proves that the integration of the Japanese-style job-rotation is indeed feasible. For instance, of the senior managers involved in the survey, 55.7% said their organisation practised job-rotation. Asked if they would recommend this practice, 57.7% of them

said 'yes' to its implementation in their organisations. The employees were also receptive towards this Japanese technique whereby 55.4% were said to have recommended job-rotation system for adoption in their organisations. This favourable reception from the senior managers as well as the employees strongly supports the earlier study in 1986 made by the author on the the feasibility of this practice in the public sector where 67% of scale C and D employees of a public enterprises said they supported job-rotation exercises. It was found that in the same study, a typical Malaysian worker in public enterprise had been rotated to different jobs for an average of 2.5 times in every 5 years within the department.

#### **8.19. Not-So-Transferable Japanese-style Management - Type II**

It has been experienced in many countries that Japanese-style management may not be easily transplanted at will as evident in the UK (Wonoroff, 1981; Dore, 1982; Oliver and Wilkinson, 1988), in US (Torrence, 1983; Cool and Lengnick-Hall, 1985; Weinshall, 1986;) and in Southeast Asian countries (Chen, 1982; Tomita, 1983; Putti and Chong, 1985; and Ek, 1987). As Yamada explained;

"...since Japanese-style management is a unique system formed within Japanese society and culture, to take and

put it into practice overseas produces resistance and friction...."(1981:p.10).

The Japanese management practices which are difficult (but not impossible) to bring to Malaysian enterprises as seen from the survey include ringi, less dependence on manual, paternal leadership and enterprise unionism. They can be transferred when, in the opinion of the author, the climate to accept them have been adequately created. At the moment, they are not appealing yet as was evidenced by the opinion of the workers and senior managers alike.

#### 8.19.1. Ringi

Ringi is not likely to be transferred according to the managers and workers. Only 3.8% of senior managers and 4.5% of employees thought this practice was transferable to Malaysian public enterprises. A logical reason for this is the fact that the two groups have rejected it may be not so much they do not like the system, but it may be due to ignorance as to what the mechanism involves. The author found out that of the senior managers in the survey, only 27.1% is being familiar with it while those of the employees, only 26.8% were said to know what ringi is all about.

The author, however, strongly believes ringi, and also nemawashi are already being widely used by the Malaysians

without them realising it. The Malays for example always seek nasihat (guidance) from the wise and the Dayaks have baum(meeting/discussion) to resolve some matters affecting their lives in their village. These are mini-versions of Japanese nemawashi. There is a strong case to suggest that ringi together with nemawashi can be a practisable form of management feature in Malaysia. The fact that the Malays are so used to mesyuarah (group discussion) and gotong royong (performing together in a group) at work makes this management practice easily acceptable.

But now, with the management system that underlines a philosophy whereby the management group decides and subordinates carry out the action, this ringi system could not be easily implanted in the existing system as yet. There is yet another problem. The line management group has not been too receptive to ringi. One supervisor who wrote a supplementary note in one of the survey's questionnaires openly stated that he disapproved the concept of ringi because being so used to having authority, he naturally would prefer not to share whatever little power he had with his subordinates as is required of the ringi system. This, he reasoned, was why he opposed ringi system. The problem here indicates that supervisors consider sharing opinion or discussing with subordinates would mean diminishing their power. This is a



of course a misconception and it ought to be corrected in order to to make ringi more readily acceptable.

#### **8.19.2. Less Dependence on Manual (Rule Book)**

The administrative scene in public enterprises at present is characterised by a high degree of bureaucratic red-tape. There is a clear division of functions, and rules and regulations for everybody. The rigid structure has resulted in Malaysian workers being a manual-oriented society and to lack initiative to do anything extra than what is defined by the official job description. This has been said to be the product of Western style management.

However, with the new line of thinking at top management level, especially in government, which is currently reassessing the appropriateness of Western style of management, there is a widespread realisation among many senior managers that the dependence on work manual at the work place is not a productive and healthy practice. A working approach that is flexible but yet effective is what is needed to solve the present bureaucratic problems found in Malaysian organisations. This Japanese-style management which does not require a person to consult a work manual as long as he gets the job done therefore makes sense. This is the reason why the author firmly believes in the great potential of this Japanese system of

management although at present it has not been able to gain substantial support yet in Malaysia

### 8.19.3. Paternal Leadership

The paternal leadership Japanese-style is feasible for Malaysian public enterprises according to 17.7% of senior managers and 18.3% of them recommend it for their organisations. The employees are less favourable towards this Japanese-style management in that 12.5% think it can be applied to their organisations but interestingly enough, 29.5% recommend it for introduction into their organisations. The reason why employees are not so confident about its feasibility but nevertheless more of them recommending its use may be because they know this system is a useful system. Paternal leadership means the employers treat employees more like their own family members providing their family's needs. In return, workers are expected to strongly identify with the company. It can be said that in Japan, the paternal leadership type of management has developed as a result of lifetime employment. Viewed from this perspective, it is not hard to understand why the system cannot be easily assimilated into the Malaysian scene. As has been mentioned, the philosophy of work in Malaysia is different from Japan and in the opinion of the author, unless Malaysia incorporates also the so-called lifetime employment, it is difficult

to see how paternal leadership practice can fit into the Malaysian system of management.

#### 8.19.4. Enterprise Unionism.

This form of Japanese practice has been opposed by certain quarters in the industrial relations that has been a historical product of British colonial administration. In this particular survey, senior managers who think this practice can be introduced and accepted by their employees constituted a mere 7.7%. The participating employees in the survey who said enterprise unionism are practisable consisted of only 9.8%. The main reason for this lukewarm attitude is the fear that the workers will be exploited by the unscrupulous employer for under enterprise unionism, the union members in different firms within that industry will not have the collective strength to bargain better wages and terms of employment with employer anymore.

The results of the survey indicating the not-so-positive response towards enterprise unionism seems to contradict the popularity and increasing number of enterprise unions that have been formed as reported by the statistics from the Manpower Report of the Ministry of Labour, 1987-1988 which stated that enterprise unions form 75% of the total trade unions in public enterprise and 47% of the total trade unions in the country (refer to the discussion in chapter 6). An explanation for the poor rating of this

Japanese practice by senior managers and employees of public enterprises despite the fact that enterprise unions form a substantial percentage of the trade unions in the Malaysia (especially after the launching of the "Look East" policy), is that the industrial relations scene in the country is still pro-British. It is also believed that after becoming members of the newly created enterprise unions, the workers now realise that the British-type craft unions rather than enterprise unions appear to be more stronger in protecting and representing their interests. It is also argued that the proliferation of enterprise unions in the public enterprise sector has been due to a response by employers of public enterprises to the government's call to look "East". It is suggested here that these employers are only too happy to oblige by forming enterprise unions to replace the powerful craft unions which always cause them problems.

Judging from the present trend of industrial relations in Malaysia which emphasises on cooperation rather than confrontation and based on the growing number of enterprise unions, the author believes enterprise unionism is slowly gaining ground and can become one of the important features in the Malaysian industrial relations scene. This optimism is also supported by the survey's finding in which 13.9% of the senior managers mentioned that enterprise unionism is practised in their



organisations. Clad (1984) mentioned that in-house-union comprised slightly more than 15,000 members which is a quarter of the total union membership. He also mentioned that most in-house unions (133 by June 1984) were found in the public sector as compared to private sector (only 36). This means the "Look East" policy, can be said to be quite successful in this particular area.

#### **8.20. Untransferable Japanese-style Management - Type III**

The practices that are obviously not going to succeed in penetrating Malaysian public enterprises based on the survey feedbacks are sub-contracting system, kanban, JIT, lifetime employment and seniority-wage system.

##### **8.20.1. Sub-contracting.**

Sub-contracting is not popular and less familiar to many senior managers and employees, making it very difficult to gain acceptance in public enterprises in Malaysia. Those sent to Japan for training probably were not exposed to sub-contracting system may be because they were only to be trained in areas relevant to their jobs. Another reason for the low level of familiarity with the sub-contracting system by senior managers as well as employees is because many public enterprises in Malaysia are non-manufacturing firms. Since sub-contracting is more widely used in manufacturing or production-oriented organisations, such technique takes a backseat. Another

likely reason for its rejection is the fact that the organisational structure of Malaysian public enterprises is too Western-oriented and there is no way the sub-contracting system can be used in the present arrangement.

#### 8.20.2. Kanban.

This Japanese management style is not readily accepted for the same reason that the sub-contracting system is not well-received. Besides the unreadiness of the public enterprises to have it, the fact that senior managers are not well-trained in this method adds to the obstacle in the implementation of such practice in public enterprises. Even if the kanban system is transferable from that perspective, its application would be restricted to manufacturing enterprises like Proton, Hicom, etc, while in the majority of service-oriented enterprises, they would be of no relevance. Most manufacturing activities in Malaysia are in the hand of private firms and that those manufacturing activities run by public enterprises are mostly going to be privatised soon. In light of this, kanban would not feature prominently either in a private or public sector.

#### 8.20.3. Just-in-Time (JIT).

Like kanban, there is not much need to have JIT in most public enterprises for unlike the private sector, the public enterprises mostly do not require this management

style. With most of the public enterprises carrying out service-oriented activities, JIT will not be appropriate for use at present. The existing system, (i.e. philosophy and structure) of public enterprises in Malaysia is not conducive to use JIT too.

#### 8.20.4. Lifetime Employment.

In theory, Lifetime Employment in which employees work for only one organisation until retirement in return for security assurance, sounds very attractive to the employees but yet the survey's result of this study indicated convincingly employees do not want it to be implemented for them. The senior managers also express views stating they did not fancy this Japanese system. In the first place, the Malaysian management system is too committed to the existing system that it is almost impossible to follow this practise, so say the senior managers. They further insist that this system cannot work as long as the employees themselves still prefer to be mobile in pursuing their career and insist on freedom to chart their own career objective. Specifically, if job-hopping is not legally stopped or heavily penalised (i.e heavy penalty imposed on leaving employees as well as their new employer), it is hard to see how lifetime employment would fit into the Malaysian public enterprises.

A number of factors are against this management practice in the Malaysian context. In the first place, it cannot fit into the present employment system in Malaysia. Secondly, for the employer, the lifetime employment system is costly to maintain and considering the fact that public enterprises in Malaysia have large workforces, the organisation will find this system a liability rather than an asset. Thirdly, for employees the system will restrict them to an organisation they no longer want to be associated with. The system offers no recourse for someone who likes to change career at a later stage of his working career because his experience will be not valued and that no other organisation readily takes him in the lifetime employment system. It is not surprising to learn that the percentage of senior managers saying this practice can be practised constituted only 10.6%, while their employee counterparts constituted 15.2%. When asked if they would recommend the practice in their respective organisations, both groups are also less enthusiastic about it. For instance, from the senior managers' group only 24.0% recommended it and from the employees' side, only 28.6% gave their support to it.

#### **8.20.5. Seniority-wage System.**

Seniority-wage system in Japan is seen to being complementary the lifetime employment. The unpracticality of Lifetime Employment to Malaysian labour force's



environment also means that seniority-wage system cannot not be brought to Malaysia. The results of the survey in which only 8.7% of the senior managers viewed it a feasible practice and 19.2% of them recommended it for their organisation just shows the degree of its unpopularity in Malaysian public enterprises. The employees also expressed their rejection of seniority-wage system as only 16.1% thought it a feasible practice and that less than one-quarter (20.2%) recommended the practice for use in their organisation. It should be noted that although both groups reject this Japanese management practice, the employees seem more favourable towards it.

#### **8.21. Summary of the Survey**

Senior managers and ordinary employees both unanimously agreed that elements of Japanese-style management can be transferred to Malaysia. But not all of the practises are transferable to as well as practisable in Malaysian public enterprises. Those which are practisable are the techniques which are considered most likely to bring positive contributions (i.e. good attributes) to their employees like the high standard of work ethics, discipline, company loyalty, and industriousness; those that do not conflict with their culture and values (especially religious values). Those practices that would not bring new problems to the existing set-up of the

present organisations are also considered easily transferable practises.

The management practices that can be easily transferred to Malaysian public enterprises are QCC, company loyalty, open office system, group responsibility and job-rotation. The not-so-easy to transfer techniques include the ringi, less dependence on manual system, paternal leadership, and enterprise union. The most difficult, if not impossible Japanese management imports to transplant into Malaysia are sub-contracting, kanban, ringi, lifetime employment and seniority-wage system.

The survey reveals clearly that in order to transfer Japanese-style management successfully, some Japanese features may have to be modified. They have to work in tandem with the existing practices because Malaysia has been exposed to and in fact is currently practising a combination of the management practices, which are basically pro-Western. It is further noted that, in addition to this complex situation, Malaysia is different from Japan culturally, socially, economically, and politically. Whereas Japan is a homogenous society, Malaysia is a multi-racial and multi-religious society. This background has to be given serious attention in considering the 'Japanisation' of Malaysian public enterprises.

There are consequently many factors influencing the transferability issues of Japanese-style management into Malaysia. Among them are the British rule, the rich multi-racial traditions and cultural heritage, the Islamic revival movement, the present nationalistic educational system, the educational background as well as earlier training of management elites and lastly the established system operating in Malaysia. However, the "Look East" policy will tip the balance in its favour.

The "Look East" policy has been having a difficult time. The survey reveals a number of problems in attempting to import Japanese management practices, of which among them are: (i). strong resistance from the older generation of Malaysians; (ii). inadequate knowledge of Japanese management techniques on the part of implementors; (iii) problems of unreadiness of public enterprises themselves to change; and (iv). new problems not anticipated as a result of practising Japanese management practices. These problems are made worst by the unhelpful attitude of the Japanese who have been invited to assist in the "Look East" policy, but were found to be unhelpful in imparting their expertise and knowledge to the Malaysians.

It is concluded that although Japanese management practices (some of them of course) are beyond doubt, transferable to Malaysia and can be (in fact have been)

practised in the Malaysian public enterprises, they will not dominate in the country. The Japanese-style management will be just another addition to the already varied old fashioned collections of Malaysian managers. Those who think otherwise, boldly predict that if it will become so, it is expected to take place somewhere between 1990 to 1995. It remains to be seen when this will actually happens.



## CHAPTER NINE

### CONCLUSIONS AND RECOMMENDATIONS

#### 9.1. Concluding Remarks

After discussing the current literature and also the findings of the research survey and its analysis on Japanese-style management, the author would like to summarise his views by making the following concluding remarks:

1. This study confirms earlier studies that Japanese-style management is, to a considerable extent, culture-bound. It is difficult, but not impossible to transfer Japanese management practices to foreign countries whose cultures are different from Japan. Examination of the current literature reveals that Japanese-style management in its totality cannot be easily transplanted to countries such as the US and the UK where there are vast differences in the cultural settings. Even in countries such as Taiwan and South Korea which share some common cultural heritage, i.e. Confucian culture, with Japan, it has been discovered that the majority of Japanese-management features do not transfer easily. The survey in this study has again proven that the cultural element is among the most important factors that has to be recognised

in the transferability of Japanese management practices to Malaysia. However, it must be pointed out that some Japanese features can be transferred to and practised in foreign countries successfully as had been seen in the the US and the UK. Specifically QCC, job-rotation and open office practices are the major features of Japanese-style management which have been widely practised without much difficulty in these countries.

2. In the case of Malaysia, this study reveals that some elements of the Japanese-style management are transferable to the Malaysian public enterprise sector. Based on the research survey, sufficient evidences have emerged to support this contention. One major observation is the widespread adoption of techniques such as QCC among the Malaysian public enterprises. This can be considered an acceptance of Japanese-style management by Malaysians. Also, the fact that the job-rotation system forms a major feature in the majority of organisations in Malaysia is another clear indication that Japanese management practice has transferred quite successfully to Malaysian public enterprises already. The trend towards the open office system in Malaysian organisations in which management and non-management group commonly work together in open spaces is also proof that some elements Japanese-style management have firmly established itself in Malaysia. It can be further argued that the establishment of Malaysian trading

companies by the Malaysian government along the line of sogo shosha is also a direction towards, as well as an acceptance of, the Japanese management system in the country.

On the whole, there appears to be some commonality regarding the transferability issues. In fact the interesting thing is that most of the things that would be acceptable in America and Britain and other developing countries are acceptable in Malaysia. However, two fundamental differences between these countries and Malaysia have been identified. On one hand, Islam possibly provides a more stronger barrier than either Christianity or the variations of Confucianism found in China-led countries (although it must be pointed out that a number of elements of Islam are also conducive as well), and on the other hand, with the possible exception of Singapore, there does not appear to be a government-led Japanisation process in the other countries. There is a "push" by the government and therefore people's response (in Malaysia) to Japanisation may be coloured more by the fact that it is government-led than by the fact that it is what they want.

3. The number of problems relating especially to inefficiency which besets the Malaysian public enterprises cannot be totally blamed on the past or existing

management system currently in operation. Malaysian public enterprises are facing serious problems such as accumulating heavy financial losses, mismanagement, bureaucratic red-tape, corruption, and demoralised employees etc. which are, of course, also found in public enterprises in Japan and other parts of the world. Japanese-style management could not be the only solution to these problems. It is further concluded that the problems in public enterprises in Malaysia, as experienced by their counterparts elsewhere have been caused by a combination of factors such as socio-economic, financial, political ideology and government policies. Having been exposed to the limitations of Japanese-style management earlier, it would be a fallacy to pin too much hope in Japanese-style management to solve these problems. Malaysian public enterprises cannot therefore be expected to use Japanese-style management as a panacea for the problems they are facing presently. This is because, public enterprises being created by the government, will continue to be used by it to achieve its desired objectives (i.e. political), which are more often than not contrary to the "universal principles" of management. As long as public enterprises continue to remain government instruments and cannot free themselves from government interferences, no matter what model of management is applied, it will not work. Even the public enterprises such as JNR in Japan (refer to discussion in chapter 4)



where Japanese-style management is practised, have problems similar in nature and magnitude to their counterparts in other part of the world. This is a clear proof that, although highly effective in a number of some big private Japanese companies, Japanese-style management has been ineffective when used in Japanese public enterprises. It would be pretentious to hope that the Japanese management model can be effective for the public enterprises in Malaysia when even in the country of its origin, it has a record of having failed.

4. For Japanese management techniques which are well-accepted in Malaysia, the author feels their role should be seen as additional management features supplementing the existing management practices found in Malaysia. This being the case, attempts should not be made to replace the already well-established system of mixed management practices in Malaysia because it upsets rather than helps the situation. It is strongly believed that in the immediate future, the Japanese-style management will not or cannot replace existing management practices because of the strong preference for Western management style among the older generation managers and also because Islamic values have gained a footing among the younger managers in the country. In many cases, Japanese-style practices would have to undergo modifications before they can be adopted in the country. Malaysia, being a multi-

racial and multi-religious society can tolerate the varieties in management styles as long as they do not undermine their traditions, cultures, values and most important of all the national religion of the country. This explains the management preference of the majority of Malaysian managers and employees who, according to the survey, said they prefer the rojak or mixed type of management style rather than Japanese-style management. In the author's opinion, what will emerge is a newly modified rojak incorporating the latest strengths of the nation (Japan) of which the Malaysians are aspiring to catch up and surpass. The author will call this new hybrid form of management as the "rojak-Japanese" or RJ style-management.

5. The Japanese management practices such as QCC, company loyalty, open office system, which have been considered suitable for use in Malaysian public enterprises can help to create a productive Malaysian workforce, if they are applied properly and with dedication. The main problem with the Malaysians now is that they seem to discard the group mentality featured prominently among the older generation of Malaysians during earlier times and as a result, the Malaysians of today are becoming too individualistic, too opportunistic and somewhat contented. The Japanese-style management can reawaken in them again to return to traditional communal values. It is in this

role that Japanese-style management can be of considerable significance to the public enterprises in Malaysia.

6. There are many problems in transferring elements of Japanese-style management to Malaysia in general and to the Malaysian public enterprises in particular. One of them is the unreadiness of Malaysian workforce to take Japanese techniques seriously because they are so used to the present existing management system. The author is of the opinion that top management people have to make the first genuine move to lead their subordinates. The attempt to adopt Japanese-style management has suffered serious setbacks in Malaysia because so far, most the Malaysian managers are not well-versed with Japanese management techniques. This is why some of them appear to pay lip service only to the call of the "Look East" policy although they agree it is a good policy.

The study suggests it has also to do with their backgrounds. A majority of - of them are Western-trained. There are also some problems due to cultural differences. Some are simply prejudiced against Japanese management methods while others are always suspicious of change that can uproot their traditional values and religion. Malaysians do not easily forget the damage that Westernisation had inflicted upon them. Also Japan and Malaysia are two nations which are different in many

respects - politically, economically, socially and culturally. The effort of bringing in Japanese-style management to Malaysia is an uphill battle because of the already "ugly Japanese" image held by the people in the Southeast Asian region. This is further accentuated by the insensitivity and lack of understanding by the Japanese towards local people with whom they come into contact with. The Japanese have been accused of as being not good teachers. Evidences from this study suggest they simply do not try hard enough to disseminate their expertise. Some Malaysian managers and workers even accuse them of being selfish and arrogant.

7. The "Look East" policy will be the most important determining factor in seeing that the "Japanisation" of Malaysian public enterprises will survive in years to come. If the next Prime Minister who replaces Dr. Mahathir (he is rumoured to stepping down soon) changes priority and suddenly decides to abandon the policy, it will be the end of Japanisation in Malaysia. But this is not to say that without the official policy by the government, Malaysian managers will not implement elements of the Japanese-style management. What is meant here is that without the government's strong backing, Japanisation in the public sector would have not seen the intensity and magnitude it has seen today. In the judgement of the author, it is not likely that Japanese-style management



will be thrown out by whoever takes over the reins of the present leadership in the country. The timing for such action would be considered premature for the stakes (i.e. Proton Car Project) are too high to change gear now. Why should it change when there are a lot of benefits to be accrued from Japanese expertise?

8. It is too early to say Malaysia has fully achieved the objectives of her "Look East" policy to replicate Japan's success by adopting Japanese-style management. It is also not accurate to claim Malaysia has successfully emulated Japanese management techniques which are said to be responsible for the successful formula of Japanese economic dominance. It must be reiterated again that the technological or economic success of Japan has been shown to be not solely due to her management system (refer to discussion in chapter 5). At best, Japanese-style management techniques, especially those of personnel management has been very effective in developing a conducive environment at work which consequently results in high productivity and strong commitment from the workforce.

There are some obvious weaknesses in the system, especially when applied to the different environment settings which are alien to Japanese culture. As of now, the impact of "Look East" policy has not been that evident

yet, for many Malaysian managers of the older generation, as we have found out from the survey, do not appear too enthusiastic about Japanese management techniques. It will not dominate the public sector in the near future. However, one thing is quite clear: the transferability of Japanese-style management to Malaysia is and has been feasible as indicated by the extent of its use in public enterprises and that this has been, to a large extent, made a lot easier by the implementation of the government's "Look East" policy.

9. After systematically analysing the facts, the author finds that there is no such thing as "secrets" to be found in Japanese-style management. It can be further said that Japanese-style management is after all not "unique" as has been portrayed. On the contrary, some of the techniques are more of common sense which include management principles which are already known in the West but not practised by Western managers. On the other hand, the Japanese observed and applied them with consistency. For example, to increase workers' morale and to improve productivity, Japanese managers ensure that everyone in the organisation understands the purpose of what they are doing and why they are doing it. Workers are asked to work as a team or in groups i.e. QCC. They are encouraged to bring in ideas i.e. suggestion system; and they are asked to participate in decision-making which affect their work

i.e. ringi system. Also, status differences between managers and workers are de-emphasised i.e. wearing of common uniforms and eating in the same canteen. In the words of one writer, these are "the basics of business which are taught in first year of any North American business program" (McCallum, 1986). The lifetime employment is not unique because its origin was a response to the war-torn nation which has to have that type of employment system and also because it is only enjoyed by a minority of workers; i.e. 30% of total workforce. There is nothing special about the seniority-wage because with an ageing workforce problem in Japan today, Japanese companies find it a liability rather than an asset to them. The author would like to conclude by saying that Japanese-style management is not that special and not that unique. It is just another management system, having strengths and also weaknesses.

## **9.2. Recommendations**

The author would like to make the following recommendations:

1. The "Look East" policy should be continued as a platform to transfer the Japanese management practices which are most relevant to the Malaysian needs in line with the Malaysian government's intentions to create a productive workforce necessary for the country's

industrialisation programme. Without the strong encouragement of and backing by the government, attempts to bring Japanese-style management could be futile in view of the strong Western establishment among the public enterprise sector in the country. This involves the provision of funds for selected employees of Malaysian workforce to undergo training in Japan; the setting-up of training programmes in Japanese management; and also the overseeing of "Look East" policy. Such tasks should not be difficult because presently the major source of finance and the training programmes of the "Look East" policy are handled by the "Look East" Committee of the Prime Minister's Department at the higher level and by the Division of the "Look East" Policy Division in the Public Services Department at the lower level. What needs to be done is for these two bodies to develop a systematic plan and constantly improve their "Japanisation" programmes from time to time. In this way the transferability of some relevant Japanese management practices to Malaysia in general and to public enterprises in particular will be more effective. Right now, the solid support from the government is still needed to carry out the transfer of the said management system to the country.

2. Malaysian public enterprises should continue to be selective in adopting Japanese-style management practices. To replace the existing management system entirely with



the Japanese management system would not be a possible option in view of the already established Malaysian rojak management system. A change of direction is not in the best interest of the country, because it will involve the a complete restructuring of the present public enterprises. It will be a very costly and time-consuming process to embark on such exercise. Furthermore, such a drastic step is unwarranted because, as this study has indicated, not all management techniques from Japan are useful or applicable to Malaysia. The task of determining which Japanese management practices are to be transferred or not should lie with the top management of public enterprises. These practices must meet some agreed upon criteria - for instance, ones which are beneficial to the organisations in which they are to be used; ones which are highly acceptable to the majority of employees; and ones which are flexible enough to co-exist with the current management practices in Malaysia. Based on the survey's findings, potential features to be adopted would be open office system, QCC, job-rotation and company loyalty.

3. It is further recommended that Malaysia should not attempt to "Japanise" too aggressively in the public enterprises because it can backfire, bearing in mind that many managers and employees prefer the present management practices (the mixed type of management). Government officials who are entrusted with the "Look East" policy

must also not mislead the people to believe that the Japanese-style management can be used as the solution to solve their problems at work. They should however, insist that these practices can be used as one of the many alternatives to improve or minimise the problems faced in public enterprises. It has been made clear that there is after all no such "secrets" of Japanese-style management. Many of the management practices from Japan are universal management concepts but they had been cleverly refined by the Japanese who claim now these are their management style. What the Malaysians should do is to continue with what they are doing now, i.e. to copy the appropriate Japanese-style management techniques and refine them to the Malaysian needs. The transferability of Japanese-style management is more likely to achieve success if it is allowed to appear naturally in the eyes of the Malaysian public and that selective management practices with perhaps, some modifications are introduced. This would be the most ideal approach to use to transfer Japanese-style management successfully to Malaysia. It is further suggested that Malaysians should emulate the Japanese attitude of observing the basics - that is, to do things they know should be done: the discipline, the hard work, honesty, the willingness and ability to adapt to changes etc. - to achieve the success that had been achieved by the Japanese. After all, this is what the "Look East" policy is all about.

4. When attempting to introduce elements of Japanese-style management, the concentration should be aimed not only at the employees but also the management level too. The survey has shown that about half of public enterprises' senior managers are still not exposed adequately to the Japanese management techniques. The result has far-reaching effects on the "Look East" policy. The senior managers involved in the research survey have shown they are not avid practitioners of Japanese-style management. It has been suggested that this is due to their little training exposure in Japanese-style management. More managers in the future should be sent for attachment or industrial posting in Japan. It is also felt that the practice of sending Malaysians (managers or ordinary employees) to Japan to learn specialised technique should be carried out from time to time and that the training should be long enough to be of significant value to the trainees. A time span of one year for the general training in the form of industrial secondment is suggested. The basic concepts of Japanese management should not be learned in Japan. Rather, special institutions similar to INTAN or the National Productivity Centre should be established to teach the theoretical aspects of Japanese-style management. It is recommended that this proposed Institute be managed by the people who are experts in Japanese management, preferably those from the Japanese

industries and as well as from academic field who would be employed on a contract basis or secondment basis.

5. As for the industrial training stint of employees in the public enterprises, special arrangement with Japanese firms should be made at the government level whereby Malaysian public enterprises employees can be sent for training in Japanese subsidiaries located in Malaysia. This suggestion is based on the assumption that these Japanese subsidiaries are managed under Japanese-style management (with some modifications of course). Why should the industrial training in Japanese management be done far away in Japanese firms in Japan when it can take place in one's own backyard? It must be remembered that many employees detest being sent to Japan to undergo training for many boring months, with their family members left behind. This sort of training arrangement will come as a big relief to many who fear having to endure the feeling of loneliness in a foreign land. This approach of transferring Japanese-style management is a viable one not only to Malaysia but to also other parts of the world. It will surely cut costs and most important of all, the people who are selected for training would be happy to undergo the training close to their homes.

6. In the process of trying to transfer elements of Japanese management into the country, the government as



the initiator of the "Look East" policy, must take account of many factors especially the historical events that had developed to form her present day's management system. It will be useful to know why Japanese are willing to work very hard for and very loyal to their company (i.e. they have to in order to survive and also because the nation lacks natural resources); it is beneficial to understand how enterprise unionism, lifetime employment and recruitment practices were formed (i.e. due to the shortage of labour after the war); it is necessary to study the reasons for using ringi and nemawashi systems and it would help to trace the origin of groupism in Japanese companies. Imitating Japanese management techniques without accounting for its historical, political, cultural, socio-economic background is an invitation to disaster. In view of the fact that Islam is the official religion in Malaysia and that the incorporation of Islamic values at work is increasing emphasised, the author strongly recommend that the government policy-makers should take the elements of a Japanese technique and see if they reproduce it as an Islamic management technique.

7. The Malaysian public enterprises may have everything to gain by making more effort and greater investment in training Japanese-style because it has been seen from this study that Japanese training's philosophy and methods

(OJT and Off-OJT) have proven to be highly effective in creating a highly skilled labour force. The government of Malaysia can also model on Japanese education system in an effort to make a well-balanced, educated workforce of the future. Japanese government has made a tremendous investment in education, making Japanese people the most literate people in the world. Malaysia should follow the Japanese example in this respect.

8. It has been pointed out that Japanese-style management alone cannot cope with the problems faced by Malaysian public enterprises. Other means have to be found to solve these problems. Corruption and inefficiency can be tackled by introducing a attractive formula of remuneration (i.e. giving bonus and profit sharing during profitable year) that is attractive and competitive with the private enterprise sector. The government should consider enacting law or public enterprise act towards this direction. Also, Malaysian public enterprises should consider privatisation as was done by JNR in Japan in order to improve their financial position and earn profit. If public enterprises are privatised, perhaps the problem of bureaucracy may be minimised. The practice of politicians holding positions as chairman or board of directors in public enterprises needs serious reevaluation because examination of public enterprises's problems showed that mismanagement in public

enterprises have often caused by politicians or political appointees misusing their power.

### 9.3. Implications of Study.

This study is an exploratory study on Japanese-style management and its transferability to Malaysian public enterprise sector. In the Malaysian context, it is a new area of studies and its findings can be considered an additional contribution to existing management literature. It provides some interesting openings for future researchers who wish to study Japanese-style management with regards to certain aspects of the transferability issues in Malaysia. For instance, future researchers can examine the transferability issues from the aspects of costs or strategies used; or a comparative study on the transferability of Japanese management techniques to public enterprise sector versus the private enterprise sector etc. It is hoped that others can pick up from the point where the author stops.

The findings from this study will surely be of special interests to those senior government officials in Malaysia who are entrusted with the task of carrying out "Look East" policy in the country. This study can assist them in their evaluation of the present programs under the "Look East" policy.

To a lesser extent, this study provides a good insight of the mechanics of Japanese-style management. This thesis has summarised in a simplified form the features, strengths and weaknesses of Japanese-style management for the reader. Many of the myths about the Japanese-style management can perhaps be uncovered from this study.



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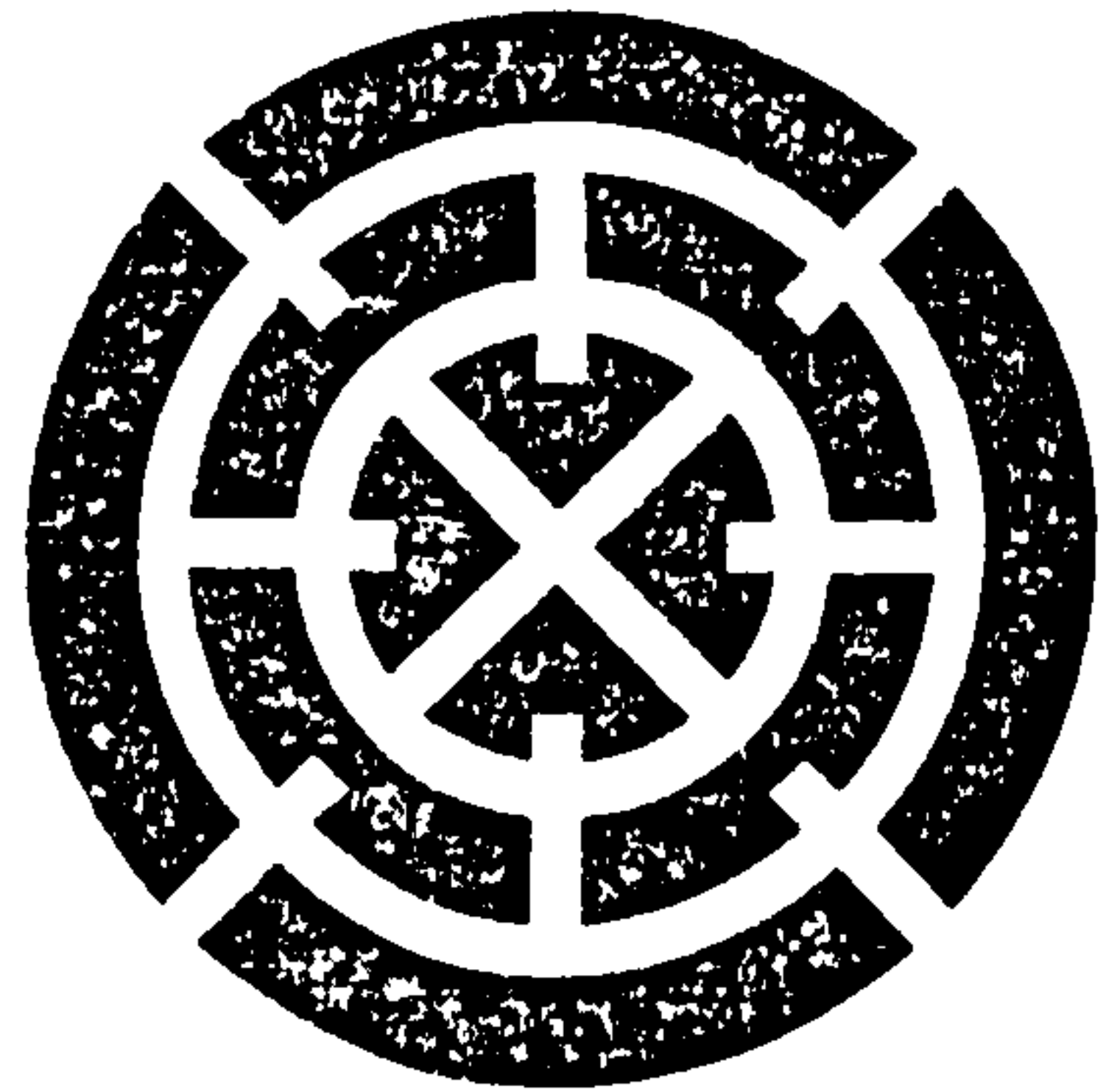
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APPENDIX A

DEPARTMENT OF BUSINESS AND MANAGEMENT  
UNIVERSITY OF STIRLING  
STIRLING, SCOTLAND FK9 4LA  
TELEPHONE: (0786) 73171  
TELEX: 777557 STUNIV G  
FAX 0786 63000



December 15, 1988.

Dear Respondent,

RE: RESEARCH SURVEY

I am conducting a survey for my thesis on the Japanese-style management and its practices in Malaysia with regards to the following aspects:

- a. The major features, strengths and weaknesses of Japanese-style management;
- b. The feasibility of adopting Japanese-style management and its implications; and,
- c. The prospects, problems and related issues of transferability of Japanese-style management into the public enterprises in Malaysia.

I need your whole-hearted support in this research survey by providing appropriate answers to all questions in the questionnaire enclosed.

I believe that you are aware of our government's recently launched "Look East" policy which calls for Malaysians to emulate the Japanese. This research can provide insights into some of the issues regarding the transferability and applicability of Japanese-style management to Malaysia. Your participation in this survey would surely be of great significance because you are contributing a part in the governments' call to look "East".

Please be rest assured that your identity as well as your opinions and views recorded in the questionnaire will be accorded the highest confidentiality.

Thank you very much for your cooperation.

Sincerely yours,

---

Mohd. Trudin Hj. Yasin,  
Department of Business and Management.

INSTRUCTION TO RESPONDENT: PLEASE ANSWER IN THE BLANK SPACES PROVIDED. WHERE ALTERNATIVE ANSWERS ARE GIVEN, PLEASE CHOOSE THE MOST APPROPRIATE ANSWER(S) BY PUTTING A TICK TO THE ALPHABET BEFORE EACH ANSWER. WHERE NECESSARY, YOU CAN PICK MORE THAN ONE ANSWER TO CERTAIN QUESTIONS.

Question Number	Variable	Computer Code/Column
<b>DO NOT WRITE HERE</b>		
<b>SECTION A: RESPONDENT'S PROFILE</b>		
1. Your Job's Title: _____		4 
2. Name of Your Organisation: _____		5 
3. Your Race: a. Bumiputra b. Chinese c. Indian d. Others; Please specify _____		6 
4. Your Religion a. Islam b. Christianity c. Buddhism d. Hinduism e. Others; Please specify		7 
5. Your Age Group; a. Below 25 years b. 25-35 years old c. 36-45 years old d. 46-55 years old e. Above 55 years old		8 
6. How long have you been in the present job ? a. Less than 1 year b. 1 year c. 2 years d. 3 years e. 4 years f. 5 years and above		9 
7. Prior to assuming this position, how long have you been in other managerial position ? a. Less than 1 year b. 1 year c. 2 years d. 3 years e. 4 years f. 5 years and above		10 

8. What is your area of responsibilities/duties at present ?

- a. General Administration
- b. Accounting and Finance
- c. Personnel/Training
- d. Sales/Marketing
- e. Production/Engineering
- f. Others; Please specify \_\_\_\_\_

11  
| |

9. Which category would your job be classified ?

- a. Senior Management Group
- b. Middle Management Group
- c. Line/lower Management Group

12  
| |

10. What type of educational background do you have ?

- a. Have completed primary education
- b. Have completed secondary education
- c. Have completed technical/commercial colleges and institutes
- d. Have completed university

13  
| |

11. If you have completed college/university education, can you list your diplomas and degrees and areas of your specialisation.

Name of Diploma Degrees	Areas of Specialisation
a. _____	_____
b. _____	_____
c. _____	_____
d. _____	_____

12. Where did you undertake your tertiary (college and university) education ?

- a. Local institution
- b. United Kingdom
- c. United States of America
- d. Japan
- e. Taiwan
- f. Middle East
- g. Others: please specify \_\_\_\_\_

14  
| |

13. Please list your professional qualifications, if any.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_
- d. \_\_\_\_\_

14. Can you speak the Japanese Language ?

- a. No
- b. A little
- c. Reasonably well
- d. Very well

15  
| |

15. If you have chosen to "b", "c" or "d" as your answer in Q.14, where and way did you learn to speak the language ?
- a. From school/college university as part of the curriculum
  - b. From the Intensive Course Program which I attended before I was sent for training/course in Japan
  - c. From the Language Correspondence Course which I took to assist me in communicating better with my Japanese counterparts.
  - d. From private tuition as part of my interest in studying foreign language.
  - e. From the Foreign Language class at local institution that I took in order to prepare myself as a better executive in the light of the "Look East" policy by the government.
  - f. Others: please specify \_\_\_\_\_

16  
| |

16. Can you write in and read the Japanese Language ?
- a. No
  - b. A Little
  - c. Reasonably Well
  - d. Very Well

17  
| |

17. If you have chosen "b", "c" or "d" as your answer in Q.16, please tell where and why you learned to write in and read the Japanese language?
- a. From school/college/university as part of the curriculum
  - b. From the Intensive Course Program which I attended before I was sent for training/course in Japan
  - c. From the Language Correspondence Course which I took to assist me in communicating better with my Japanese counterparts.
  - d. From private tuition as part of my interest in studying foreign language.
  - e. From the Foreign Language class at local institution that I took in order to prepare myself as a better executive in light of the "Look East" policy by the government.
  - f. Others: please specify \_\_\_\_\_

18  
| |

18. How many times have you been to Japan ?
- a. Never
  - b. Once
  - c. Two Times
  - d. Three Times
  - e. Four Times
  - f. Five or more Times

19  
| |

19. If you had been to Japan, please indicate the minimum duration of your stay there.
- a. Less than 1 Week
  - b. 1 - 8 Weeks
  - c. 9 - 16 Weeks
  - d. 17 - 24 Weeks
  - e. 25 Weeks and Above

20  
| |



20. If you had been to Japan, what was the nature of your trip ?
- Undergoing training/attachment/course
  - Attending Conference/Seminar on Japanese Management
  - Doing my tertiary education there
  - Business trip
  - Holiday

**SECTION B: YOUR ORGANISATION**

21. Under which category of corporation does your organisation belong to ?
- Federal Public Corporation
  - State Public Corporation
22. Under which type of Public Enterprise (Corporation) is your organisation categorised?
- Departmental-form Enterprise
  - Statutory Body
  - Government-owned Company

(Note: Department-form enterprise is in-fact a government department such as Electricity Board (LLN), Civil Aviation, etc; Statutory body refers to a public corporation that is formed under different statutes both at federal and state levels such as SBDC, MARA, etc.; Government-owned-company is a public enterprise established under the Company Act 1965 such as MAS, PETRONAS, etc.)

(Note; Q.23 and Q24 are to be answered if you have chosen "c" as your answer to Q 22 )

23. Is your organisation a joint-venture with foreign firm(s) ?
- Yes
  - No
24. If yes, which country or countries has/have interests in your organisation ?
- U.S.A
  - U.K.
  - Japan
  - Others; please specify \_\_\_\_\_
25. What is the size of your organisation ?
- Less than 100 employees
  - More than 100 but less than 200 employees
  - More than 200 but less than 300 employees
  - More than 300 but less than 400 employees
  - More than 400 but less than 500 employees
  - More than 500 employees

**SECTION C: JAPANESE STYLE MANAGEMENT**

**DO NOT WRITE HERE**

26. Do you know what the "Look East" policy is all about ?

- a. Yes
- b. No

27

27. In your opinion, is the "Look East" policy a good idea for your organisation ?

- a. Yes
- b. No
- c. Don't know

28

28. Please indicate your familiarity with the following elements of Japanese-style management by placing a circle to the number provided after each answer.

*(Use the key below in answering this question)*

- Key:
- 1 - Not familiar at all
  - 2 - Know a little
  - 3 - Know reasonably well
  - 4 - Know very well

	Familiarity				
a. Quality Control Circle	1	2	3	4	<u>29</u>
b. Sub-contracting system	1	2	3	4	<u>30</u>
c. Seniority-Wage system	1	2	3	4	<u>31</u>
d. Lifetime employment	1	2	3	4	<u>32</u>
e. Company-oriented Union	1	2	3	4	<u>33</u>
f. Paternal Leadership Style	1	2	3	4	<u>34</u>
g. Job-Rotation Policy	1	2	3	4	<u>35</u>
h. Ringgi System	1	2	3	4	<u>36</u>
i. Just-in-Time System	1	2	3	4	<u>37</u>
j. Kanban System	1	2	3	4	<u>38</u>
k. Less Dependence on Manual	1	2	3	4	<u>39</u>
l. Open Office System	1	2	3	4	<u>40</u>
m. Group Responsibility	1	2	3	4	<u>41</u>
n. Loyalty to Company	1	2	3	4	<u>42</u>

29. Please indicate how you knew about those elements of Japanese-style management that you are familiar with by placing a circle to a number after each answer of your choice:

*(Use the key below in answering this question)*

- Key:
- 1 - Learned from workshop/seminar/course that I attended
  - 2 - Learned from my mentor/immediate superior
  - 3 - Learned through discussion with my working colleagues
  - 4 - Learned while on attachment/secondment/industrial training at Japanese firm
  - 5 - Learned from books/journals/newspaper articles that I read
  - 6 - Others

	Learn From						
a. Quality Control Circle	1	2	3	4	5	6	<u>43</u>
b. Sub-contracting system	1	2	3	4	5	6	<u>44</u>
c. Seniority-Wage system	1	2	3	4	5	6	<u>45</u>
d. Lifetime employment	1	2	3	4	5	6	<u>46</u>
e. Company-oriented Union	1	2	3	4	5	6	<u>47</u>
f. Paternal Leadership Style	1	2	3	4	5	6	<u>48</u>
g. Job-Rotation Policy	1	2	3	4	5	6	<u>49</u>

## Question 29 - continued

h. Ringgi System	1	2	3	4	5	6	_____	50
i. Just-in-Time System	1	2	3	4	5	6	_____	51
j. Kanban System	1	2	3	4	5	6	_____	52
k. Less Dependence on Manual	1	2	3	4	5	6	_____	53
l. Open Office System	1	2	3	4	5	6	_____	54
m. Group Responsibility	1	2	3	4	5	6	_____	55
n. Loyalty to Company	1	2	3	4	5	6	_____	56

30. Regarding those elements of Japanese-style management that you are familiar with, what is your personal comment? Please circle the number that represents the best answer and use the following key in answering the question:

## Key:

- 1 - I would recommend this style of Japanese management to my organisation  
 2 - I would not recommend this style of Japanese management to my organisation  
 3 - No comment

	Comment			
a. Quality Control Circle	1	2	3	_____
b. Sub-contracting system	1	2	3	_____
c. Seniority-Wage system	1	2	3	_____
d. Lifetime employment	1	2	3	_____
e. Company-oriented Union	1	2	3	_____
f. Paternal Leadership Style	1	2	3	_____
g. Job-Rotation Policy	1	2	3	_____
h. Ringgi System	1	2	3	_____
i. Just-in-Time System	1	2	3	_____
j. Kanban System	1	2	3	_____
k. Less Dependence on Manual	1	2	3	_____
l. Open Office System	1	2	3	_____
m. Group Responsibility	1	2	3	_____
n. Loyalty to Company	1	2	3	_____

31. To your knowledge, is your organisation consciously promoting some elements of Japanese-style management ?

- a. Yes  
 b. No

\_\_\_\_\_

71

\_\_\_\_\_

32. If so, which features of Japanese-style management do you practise in your organisation ?

- a. Quality Control Circle  
 b. Sub-contracting system  
 c. Seniority-Wage system  
 d. Lifetime employment  
 e. Company-oriented Union  
 f. Paternal Leadership Style  
 g. Job-Rotation Policy  
 h. Ringgi System  
 i. Just-in-Time System  
 j. Kanban System  
 k. Less Dependence on Manual  
 l. Open Office System  
 m. Group Responsibility

\_\_\_\_\_

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84

**Question 32 - continued**

- |                                 |       |     |
|---------------------------------|-------|-----|
| a. Loyalty to Company           | _____ | :85 |
| o. Annual Sports Day            | _____ | :86 |
| p. Others: Please specify _____ | _____ | :87 |

**33. Regarding those features that have been practised, when were they first implemented in your organisation ?**

- |                                 | <u>Date/Mth/Yr.</u> |      |
|---------------------------------|---------------------|------|
| a. Quality Control Circle       | _____               | :88  |
| b. Sub-contracting system       | _____               | :89  |
| c. Seniority-Wage system        | _____               | :90  |
| d. Lifetime employment          | _____               | :91  |
| e. Company-oriented Union       | _____               | :92  |
| f. Paternal Leadership Style    | _____               | :93  |
| g. Job-Rotation Policy          | _____               | :94  |
| h. Ringgi System                | _____               | :95  |
| i. Just-in-Time System          | _____               | :96  |
| j. Kanban System                | _____               | :97  |
| k. Less Dependence on Manual    | _____               | :98  |
| l. Open Office System           | _____               | :99  |
| m. Group Responsibility         | _____               | :100 |
| n. Loyalty to Company           | _____               | :101 |
| o. Annual Sports Day            | _____               | :102 |
| p. Others: please specify _____ | _____               | :103 |

**34. Which of the above features have been dropped or discontinued and when?**

- |                                 | <u>Date/Mth/Yr. Discontinued</u> |      |
|---------------------------------|----------------------------------|------|
| a. Quality Control Circle       | _____                            | :104 |
| b. Sub-contracting system       | _____                            | :105 |
| c. Seniority-Wage system        | _____                            | :106 |
| d. Lifetime employment          | _____                            | :107 |
| e. Company-oriented Union       | _____                            | :108 |
| f. Paternal Leadership Style    | _____                            | :109 |
| g. Job-Rotation Policy          | _____                            | :110 |
| h. Ringgi System                | _____                            | :111 |
| i. Just-in-Time System          | _____                            | :112 |
| j. Kanban System                | _____                            | :113 |
| k. Less Dependence on Manual    | _____                            | :114 |
| l. Open Office System           | _____                            | :115 |
| m. Group Responsibility         | _____                            | :116 |
| n. Loyalty to Company           | _____                            | :117 |
| o. Annual Sports Day            | _____                            | :118 |
| p. Others: please specify _____ | _____                            | :119 |

**35. As a measure of employment stabilisation, which of the following measures have your organisation adopted ?**

- |  |       |      |
|--|-------|------|
| a. Improvement and expansion of welfare facilities | _____ | :120 |
| b. A Pension scheme                                | _____ | :121 |
| c. Seniority-Based wage                            | _____ | :122 |
| d. Internal Promotion                              | _____ | :123 |
| e. Job-Rotation                                    | _____ | :124 |



## Question 35 - continued

- |  |     |
|--|-----|
| f. Good relationship between workers and the management group  | 125 |
| g. Commendations/Award for long service  | 126 |
| h. Small Group Activities  | 127 |
| i. Continuous Training   | 128 |
| j. High-Productivity-High Wage Policy  | 129 |
| k. Others; please specify _____  | 130 |
| <hr/>  |     |
| 36. In an effort to increase productivity, which of the following measures have your organisation adopted ?    |     |
| a. Suggestion scheme   | 131 |
| b. QC Circles  | 131 |
| c. Zero-defect Movement  |     |
| d. Others; please specify _____  |     |
| <hr/>  |     |
| 37. What is the criteria that your organisation uses in determining the wages and salaries of the employees ?  |     |
| a. Job category  | 132 |
| b. Merit   | 132 |
| c. Seniority   |     |
| d. Overall rating  |     |
| e. Others  |     |
| 38. Do you have a trade union in your organisation ?   |     |
| a. Yes   | 133 |
| b. No  | 133 |
| 39. If you do, what type of union is it ?  |     |
| a. Industry-wide union   | 134 |
| b. Craft Union   | 134 |
| c. Company-oriented union  |     |
| 40. Are you a member of a trade union ?  |     |
| a. Yes   | 135 |
| b. No  | 135 |
| 41. If so, has the union be very beneficial to you in safe-guarding your interests ?                           |     |
| a. Very beneficial   | 136 |
| b. Reasonably beneficial   | 136 |
| c. A bit beneficial  |     |
| d. Not beneficial at all   |     |
| 42. Who had been responsible for introducing the practices of Japanese-style management in your organisation ? |     |
| a. The Government through the "Look East" policy   | 137 |
| b. The Previous Chief Executive Officer  | 137 |
| c. The Top Management of this organisation   |     |
| d. My own initiative and recommendation  |     |
| e. The initiatives of some of the workers in this organisation   |     |

43. Do you see any major problems in trying to implement the Japanese-style management in your organisation ?
- a. No 138
  - b. Only some problems 1
  - c. A lot of problems 1

44. If there are problems, what are the most common ones ?
- a. Worker's suspicion about Japanese-style management due to lack of understanding of its' concept 139
  - b. Worker's preference for existing management practices 1
  - c. Lack of commitment on the part of the Management group in the organisation to implement the Japanese-style management
  - d. New problems crop up as a result of practising Japanese-style management
  - e. Others; please specify \_\_\_\_\_

45. In your personal opinion, can Japanese-style management be adopted in your organisation ?
- a. No 140
  - b. Yes, but only some aspects of Japanese-style management can be adopted 1
  - c. Yes, all aspects of Japanese-style management can be adopted

(Please only answer Q.46 if you had picked "b" as your response to Q.45.) 50

46. The reason(s) that may explain why ONLY certain aspects of Japanese-style management can be practised in my organisation is/are;
- a. Malaysia and Japan are at a different stage of technological development 141
  - b. Most organisations in Malaysia have strongly structured along western pattern 1
  - c. The top management in most organisations in Malaysia are western-trained and therefore not ready for Japanese-style management
  - d. The workers are not ready for Japanese-style management
  - e. Some Japanese-style management not suitable because they are in conflict with the cultures, traditions and religious values of the majority of the Malaysian workers
  - f. Some Japanese-style management will bring more problems than benefits to Malaysian organisations

47. Personally speaking, do you believe that Japanese-style management is appropriate for use in your organisation ?
- a. Yes 142
  - b. No 1
  - c. Not sure

48. If you believe in using Japanese-style management for your organisation, which positive attributes of Japanese-style management would you desire to achieve in your organisation? (This question is only to be answered by those who had picked "a" as their response to Q.47)

- a. The loyalty of workers to their organisation
- b. The high standard of quality produced by the workers
- c. The high ethics (i.e. low absenteeism) of workers
- d. The absence of strikes by workers
- e. The high level of productivity by the workers
- f. Others; please specify \_\_\_\_\_

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49. In your personal opinion, which of the Japanese-style management can be successfully practised in your organisation?

- a. Quality Control Circle
- b. Sub-contracting system
- c. Seniority-Wage system
- d. Lifetime employment
- e. Company-oriented Union
- f. Paternal Leadership Style
- g. Job-Rotation Policy
- h. Ringgi System
- i. Just-in-Time System
- j. Kanban System
- k. Less Dependence on Manual
- l. Open Office System
- m. Group Responsibility
- n. Loyalty to Company
- o. Annual Sports Day
- p. Others: please specify \_\_\_\_\_

144  
145  
146  
147  
148  
149  
150  
151  
152  
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154  
155  
156  
157  
158

50. Why would you think they can be practised in your organisation?

- a. They can be easily adapted to the existing system
- b. They are practical to use and easy to implement
- c. They do not conflict with the cultures, traditions and religious values of the majority of workers in any organisation
- d. They will be readily accepted by both the Management and workers because of the enormous benefits they provide
- e. Others; please specify \_\_\_\_\_

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51. If Japanese-style management is to be successfully transferred to the Malaysian public enterprises in general and to your organisation in particular, what are some of the best ways to achieve this objective?

- a. Strict enforcement of the government's "Look East" policy
- b. Appointment of Chief Executive Officer and the top management group who are adequately trained in Japanese-style management as well as highly committed to implementing Japanese-style management to all public enterprises

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Question 52 - continued

- c. A regular, systematic training for all employees of Japanese-style management for all employees of public enterprises
- d. Introduction of only those elements of Japanese-style management that are compatible with Malaysian culture and religious values
- e. Secondment of Japanese personnel to public enterprises for a certain period of time to speed up the transfer of Japanese technology and know-how
- f. Adopt Japanese educational system
- g. Others; please specify \_\_\_\_\_

52. Are you impressed by the technological and economic success of the Japanese ?

- a. Yes
- b. No

161

53. From a score ranging from 1 to 5, which factors do you think have contributed to the Japanese success as a superpower today ? Please circle the appropriate number by using the following key:

Key:

- 1 - Did not contribute at all
- 2 - Contribute a little
- 3 - Contribute reasonably
- 4 - Contribute strongly
- 5 - Contribute very strongly

a. The Japanese-style Management	1	2	3	4	5	<u>162</u>
b. The Government Support	1	2	3	4	5	<u>163</u>
c. Advanced Technology	1	2	3	4	5	<u>164</u>
d. Survival Theory Factor	1	2	3	4	5	<u>165</u>
e. The Industrial Workforce	1	2	3	4	5	<u>166</u>
f. Business & Trade Tactics	1	2	3	4	5	<u>167</u>
g. Japanese culture	1	2	3	4	5	<u>168</u>
h. Japanese Education system	1	2	3	4	5	<u>169</u>
i. Catch-up Mentality	1	2	3	4	5	<u>170</u>

(Note: Survival Theory means that the Japanese people have to work very hard in order to survive because they have to do so since their country is poor in natural resources while Catch-up Mentality refers to the determination of the Japanese industrialists to catch up with the West)

54. With regards to management style, what is your preference in running an organisation ?

- a. Japanese-style Management
- b. Western-style Management
- c. The present Management Style
- d. It depends on situation
- e. No preference at all

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55. To your knowledge, have there been any Japanese personnel attached to your organisation especially in transferring Japanese technology and know-how under the "Look East" policy ?
- a. Yes 172
  - b. Yes, but they have left
  - c. No
  - d. Don't know/not sure
56. If so, how many of them have been seconded to your organisation ?
- a. Less than 5 persons 173
  - b. Less than 10 persons
  - c. Less than 20 persons
  - d. Less than 30 persons
  - e. Less than 40 persons
57. In your observation, are the Japanese sincere in transferring their technology and know-how to the Malaysians ?
- a. No, they hold back many things 174
  - b. Only some are sincere; others only teach what Malaysians already know or those that are not relevant to Malaysia's needs
  - c. Yes, they are eager to teach the Malaysians their expertise
58. Regarding those Japanese personnel who have been or are still seconded to your organisation, in what capacity are they sent for ?
- a. As Consultants 175
  - b. As Engineers
  - c. As Technicians
  - d. As Senior Executives
  - e. Others
59. If it is possible to practice Japanese-style management in Malaysia, when do you think Japanese-style Management will dominate the public enterprise sector in Malaysia ?
- a. By 1990 176
  - b. By 1995
  - c. By 2000
  - d. Not sure
  - e. It will not dominate the public enterprises at all
60. In your judgement, which management style suits your organisation ?
- a. The British Management Style 177
  - b. The American Management Style
  - c. The "Incorporation of Islamic Values" Management Style
  - d. The mixture of various Management Styles
  - e. The Japanese Management Style
61. What is your opinion regarding the transferability of Japanese-style management to Malaysia ?
- a. All elements of Japanese-style management can be transferred in its pure form 178
  - b. Only some elements of Japanese-style management can successfully be transferred and that they may have to be modified to suit local environment
  - c. All elements of Japanese-style management cannot be transferred in either pure or modified form

62. What to your mind, are some of the serious defects of Japanese-style management that may cause it to be rejected in Malaysia ?

- a. It restricts freedom to change career
- b. It provides slow promotion prospects for high achievers
- c. Practice like ringgi system is time-consuming
- d. Practice like lifetime employment is costly to maintain
- e. Some aspects of Japanese-style management are not compatible with the cultures, traditions and religions practised in Malaysia
- f. Japanese-style management is just a fad
- g. Others; please specify \_\_\_\_\_

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63. Do you think there is any difference between the management style that is practised in the public enterprises and the management style adopted in the private enterprises in Japan ?

- a. I think there is a lot of differences
- b. I think there is some differences
- c. The management style used in public as well as private enterprises in Japan is the same
- d. I do not really know

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APPENDIX B

DEPARTMENT OF BUSINESS AND MANAGEMENT  
UNIVERSITY OF STIRLING  
STIRLING, SCOTLAND FK9 4LA  
TELEPHONE: (0786) 73171  
TELEX: 777557 STUNIV G  
FAX 0786 63000



9th.Aug. 1989

May I humbly introduce myself. I am a faculty member of Institute Teknologi MARA, Malaysia and I am now at the University of Stirling working on my Ph.D dissertation on Japanese-style Management. I came across your name from one of the articles written by you about Japanese-style Management.

I consider you an expert in the field of management in your country and would like to seek your opinion on Japanese-style management practices in public as well as private enterprises. I would be most grateful if you would fill the questionnaire enclosed and return it to me as soon as you possibly can.

Thank you for your cooperation.

Sincerely yours,

.....  
Mohamad T. Yasin

## QUESTIONNAIRE

Your Job Title: \_\_\_\_\_

Your Organisation: \_\_\_\_\_

*Instruction: Where alternative answers have been provided, please select the most appropriate one by putting a circle to the number representing the respective answer. In cases where personal opinion has been requested, please feel free to give unrestricted comments in the space provided. If necessary, use additional paper to write your comments. Thank you.*

Q.1. To your mind, are there any differences between the management styles practised in the private enterprises (firms) and those practised in the public enterprises in Japan?

- i. The Japanese-style management in private enterprises as well as public enterprises are more or less the same.
- ii. There are only some differences in the management styles between the private enterprises and the public enterprises in Japan.
- iii. There are a lot of differences in the management styles between the private enterprises and public enterprises in Japan.
- iv. I do not really know.

Q.2. Using the key below, which of the management practices are adopted in:

	(a). Private Enterprises				(b). Public Enterprises			
1. Quality Control Circle	1	2	3	4	1	2	3	4
2. Sub-contracting System	1	2	3	4	1	2	3	4
3. Seniority-Wage System	1	2	3	4	1	2	3	4
4. Lifetime Employment	1	2	3	4	1	2	3	4
5. Enterprise-Wide Union	1	2	3	4	1	2	3	4
6. Paternal Leadership	1	2	3	4	1	2	3	4
7. Job-Rotation Policy	1	2	3	4	1	2	3	4
8. Ringgi System	1	2	3	4	1	2	3	4
9. Just-In-Time System	1	2	3	4	1	2	3	4
10. Kanban System	1	2	3	4	1	2	3	4
11. Less Dependence On Office								
Manual and Procedures	1	2	3	4	1	2	3	4
12. Open Office System	1	2	3	4	1	2	3	4
13. Group Responsibility	1	2	3	4	1	2	3	4
14. Loyalty To Company	1	2	3	4	1	2	3	4
15. On-the Job-Training	1	2	3	4	1	2	3	4
16. Mentoring System	1	2	3	4	1	2	3	4

Key: 1 - Not adopted at all

2 - Adopted to a certain extent by only some enterprises

3 - Adopted quite extensively by the some of the enterprises

4 - Adopted quite extensively by the majority of the enterprises.



Q.3. In your opinion, what are the weaknesses of the management practices found in the public enterprises in Japan? What would be your suggestions to rectify or minimise them? (You may answer in Japanese Language)

Q.4. Do you think the problems associated with management practices in the public enterprises are also experienced by the private enterprises in Japan?

i. Yes

ii. No

Q.5. Can the management practices in the private enterprises which are said to have been used successfully in achieving Japanese economic miracle be adopted in the Japanese public enterprises? Why do you think so?  
(You may answer in Japanese Language)

## APPENDIX C

### List of Malaysian Public Enterprises from Respondents of the Survey Come From

#### Agricultural Development Enterprises

1. Malayan Pineapple Industry Board (MPIB)
2. National Tobacco Board (NTB)
3. Pepper Marketing Board (PMB)
4. Malaysian Rubber Development Corporation (MARDEC)
5. Malaysian Rubber Exchange and Licensing Board (MRELB)
6. Palm Oil Registration and Licensing Authority (PORLA)
7. National Padi and Rice Board (LPN)
8. Farmers Organisation Authority (FOA)
9. Federal Agricultural Marketing Board (FAMA)
10. Muda Agricultural Development Authority (MADA)
11. Kemubu Agricultural Development Authority (KADA)
12. Fisheries Development Authority (MAJUIKAN)
13. National Livestocks Development Authority (MAJUTERNAK)
14. Sabah Rubber Fund Board (SRFB)
15. Sabah Fish Marketing Authority (SFMA)
16. Pahang Agricultural Development Corporation (PADC)
17. Rubber Industry Smallholders Development Authority (RISDA)

#### Land Development Enterprises

18. Federal Land Development Authority (FELDA)
19. Federal Land Consolidation and Rehabilitation Authority (FELCRA)
20. Sarawak Land Consolidation and Rehabilitation Authority (SALCRA)
21. Sabah Land Development Board (SLDB)
22. Sarawak Land Development Board (SLDB)
23. Land Custody Development Authority (LCDA)
24. Johore Tenggara Development Corporation (KEJORA)
25. Terengganu Tengah Development Authority (KETENGAH)
26. Pulau Pinang Regional Development Authority (PERDA)
27. Kelantan Selatan Development Authority (KESEDAR)
28. Kedah Regional Development Authority (KEDA)
29. Jengka Development Board (JENGKA)
30. Pahang Tenggara Development Board (DARA)

#### Urban Development and State Economic Development Enterprises

31. Urban development Authority (UDA)
32. Bintulu Development Authority (BDA)
33. Sabah Housing and Town Development Board (SHTDB)
34. Sarawak Housing Commission (SHC)
35. Sabah Economic Development Corporation
35. Sarawak Economic Development Corporation
36. Negeri Sembilan Development Corporation
37. Terengganu Development Corporation
38. Perlis Development Corporation
39. Perak Development Corporation
40. Pulau Pinang Development Corporation
41. Pahang Development Corporation
42. Kelantan Development Corporation
43. Malacca Development Corporation

44. Kedah Development Corporation
45. Johor Development Corporation

Tourism, Trading, Marketing and Manufacturing Enterprises

46. Tourist Development Corporation (TDC)
47. Sabah Tourism Board (STB)
48. Malaysian Handicrafts Development Corporation (KRAFTANGAN)
49. National Film Development Corporation
50. Sabah National Parks Board of Trustees Promotion Corporation
51. Sabah Sports and Cultural Board
52. National Limited Corporation (PERNAS)
53. National Petroleum Corporation (PETRONAS)
54. Council of Trust for Indigenous People (MARA)
55. Sabah Forestry Development Authority (SAFMA)
56. Malaysian Timber Industry Board (MTIB)
57. Sarawak Timber Development Corporation (STIDC)
58. Sabah Marketing Corporation
59. Tin Industry Board
60. Food Industry of Malaysia Authority (FIMA)
60. Heavy Industries Corporation of Malaysia (HICOM)
61. Malaysian Industrial Development Authority (FIMA)

Banking and Financial Enterprises

62. Bank Negara Malaysia
63. Bank Malayan Banking
64. Bank Bumiputra Malaysia Malaysia Bhd (BBMB)
65. People Bank Malaysia
66. Malaysian Industrial Bank
67. National Savings Bank (BSN)
68. Development Bank of Malaysia
69. Agriculture Bank of Malaysia
70. Amanah Saham Nasional (ASN)
71. Sabah Development Bank
72. Sabah Bank

Welfare and Social Services Enterprises

73. Social Security Organisation (SOCSO)
74. Employees Provident Fund (KWSP)
75. National Family Planning Board
76. Pilgrims and Savings Board (LUTH)
79. Malaysian Lottery Welfare Board
80. Musuem Board
81. National Electricity Board (LLN)
82. Sabah Electricity Board (SEB)
83. Sarawak Electricity Board (SESCO)
84. Yayasan Sabah
85. Yayasan Sarawak
86. Yayasan Johor



### Transportation Enterprises

87. Malayan Railway
88. National Shipping Line Corporation
89. Malaysian International Shipping Corporation (MISC)
90. Klang Ports Authority
91. Sabah Ports Authority (SPA)
92. Kuching Ports Authority (KPA)
93. Rajang Ports Authority (RJA)
94. Bintulu Ports Authority (BPA)
95. Johor Ports Authority (JPA)
96. Miri Ports Authority (MPA)
97. Penang Ports Commission
98. Sabah Shipyards
99. Malaysian Shipyard and Engineering
100. Malaysian Highway Authority (LLM)
101. National Containers

### Educational and Research Institutions

102. University of Malaya (UM)
103. National University of Malaysia (UKMO)
104. University of Technology of Malaysia (UTM)
105. Northern University of Malaysia (UUM)
106. University of Agriculture of Malaysia (UPM)
107. University of Science of Malaysia (USM)
108. International Islamic University (UIA)
109. Institute Technology MARA (ITM)
110. Palm Oil Research Institute of Malaysia (PORIM)
111. Malaysian Agricultural Research Development Institute (MARDI)
112. Rubber Institute of Smallholders Development Authority (RISDA)
113. National Industrial Training & Trade certification Board
114. National Library of Malaysia
115. Dewan Bahasa dan Pustaka
116. Standard and Industrial Research Institute of Malaysia (SIRIM)
117. Malaysian Rubber Research and Development Board (MRRDB)
118. Rubber Research Institute of Malaysia (RRI)
119. Tin Industry Research and Development Board