

A Commentary on Hideki Imaoka's "Japanese Management in Malaysia"

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Introduction

The purpose of this paper is not to criticize but rather to supplement Imaoka's "Japanese Management in Malaysia," which focuses upon the process of "localization." The research in Malaysia constitutes only a small part of a larger comparative study dealing with the same problem area in the ASEAN countries, Hongkong, Taiwan and Korea. The present author participated in the program, helping Imaoka carry out the questionnaire survey made in Malaysia in the summer of 1982, when he and I had the opportunity to visit Japanese joint ventures to observe factories, to talk with Japanese and local managerial staff, and obtain first-hand information. The present comments are made on the basis of my personal experiences, data collected, and an analysis of the survey results.

The Local Situation

Malaysia, a new nation which attained independence from Great Britain in 1957, is rich in natural resources and politically stable, and is regarded as one of the most successful nations in the region in the field of economic development. Particularly since

the racial violence of 1969, the "May 13th incident," the country has endeavoured to further development and integration under the strong leadership of the Malays, at the same time placing emphasis on Malay cultural traditions and Islam. From the beginning, political leaders were acutely aware of the importance of the private sector and multinational corporations for capital accumulation and technology transfer, which they recognized as being indispensable for the attainment of their national goals. Accordingly, they tried to create stable political and social conditions and a hospitable climate for foreign business enterprises. The late 1960s witnessed, for example, the enactment of the Investment Incentives Act (1968), and other tax incentives which, together with the creation of Free Trade Zones (1973), encouraged foreign industrial enterprises and other businesses to open branches in Malaysia. The Federal Industrial Development Authority, a government agency, was established with offices in New York, San Francisco, London, Dusseldorf, and Tokyo to invite foreign capital into the Malaysian industrial sector.

The Malaysian economy has, on the whole, been developing steadily. The stage corresponding to the Second Malaysian Plan was reached in the early 1970s, the Third Malaysian Plan in the late 1970s, and

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now the Fourth Malaysian Plan is in progress.

The economy faces difficult problems, however, which were aggravated by the general recession of the world economy. An economic report issued by the Ministry of Finance in October, 1982, attributed the economic difficulties of Malaysia to the low volume of exports to the OECD countries, and especially to declines in the export of oil (down 13% from the previous year) and rubber (down 10.5%). As a result, the growth rate of the GNP in 1982 was 6.9%, or 0.7 points lower than the initial prediction.

The long-run picture of the Malaysian economy in terms of the export of manufactured products is, however, more rosy; while the value of exports between 1970 and 1981 increased almost fivefold, their composition changed drastically during those 10 years.

In 1970, the share of rubber in the total export value was 33%, and that of tin 20%, together they accounted for 53% of the total value of Malaysian exports. By 1981, however, the share of manufactured products (which was only 4% in 1970), had increased to 24%, while that of rubber and tin had decreased to 16% and 8%, respectively. At the same time, to the country's good fortune, the share of oil in the total export value had risen to 24% in 1981 (compared with 4% in 1970), due mainly to the sharp rise of oil prices in the early 1970s. The share-increase of industrialized products in the total value of Malaysian exports was the result of the determination of the government to industrialize the country with the active participation of foreign capital, including Japanese joint ventures.

Generally speaking, Malaysian attitudes toward Japan are relatively favorable, and this is reflected in the "Look-East-Policy" originally initiated by Dr. Mahatir, the prime minister. He seems eager to learn the secret of Japanese economic success, particularly the conditions underlying the high morale of Japanese workers and the excellent rapport between labor and management. The present M-M (Mahatir-Musa) regime of Malaysia proposed plans to train Malaysian industrial workers in Japan, soliciting assistance and cooperation from both the Japanese government and business circles. This was prompted by the shortage of skilled workers and managers in the industrial sector and the lack of adequate training institutions. This is undoubtedly a major area where problems of technology transfer are inevitable, but at the same time where Japanese joint ventures have much to contribute.

Japanese Joint Ventures

On average, the Japanese joint ventures in our sample began operating in Malaysia in 1971. This was earlier than in other ASEAN countries except Thailand. Of the top managers of these companies who responded to our questions, 87% stated that they try to adapt their management style to the local situations. Nevertheless, the Japanese principles of management such as groupism, human relations, mensualization, welfare benefits within the company, communication from the bottom up, on-the-job training, etc., have firmly become part of everyday practice in Japanese joint ventures in Malaysia.

In our sample companies, most middle

managers were recruited locally: 92% of the supervisors, 70% of the administrators, and 68% of the personnel managers. These local middle managers, whose average age is 36.5, and whose average working period in their respective companies is 7.1 years, showed a strong commitment to their companies. For example, 73% of them responded that they are ready to substitute for sick colleagues without receiving additional pay.

A special issue in employment in Malaysia is closely related to the government policy of Bumiputra Priority. This policy was introduced to deal with the problems and lower the tensions of this multiracial society. The tensions were largely a result of British colonial administration, which subordinated the Malays, mostly poor farmers in kampongs, to the Chinese, who were city-dwellers with economic power. The Malays' inferior socioeconomic status underwent a drastic change after the "May 13th incident" in 1969 as the New Economic Policy was forcefully carried out under the Constitution. In the economic sphere, it was decided to increase the Malays' share of employment in sectors of high productivity and capital accumulation in order to narrow the income gap among the different ethnic groups. By 1990, the economic plan calls for the share of workers in the secondary industry to be 50% Malay and 50% non-Malay, and the share of the capital to be 30% Malay, 40% non-Malay, and 30% foreign. Accordingly, joint ventures of foreign origin in Malaysia are compelled to employ a designated ratio of Malay workers. This may lead to problems when "talents" are unevenly distributed among the different ethnic groups. Fortunately, how-

ever, our sample shows a highly desirable picture in this respect. Whereas the ethnic breakdown of workers in Malaysian manufacturing industry as a whole is 36% Malay, 56% Chinese, and 7% Indian, that in our sample companies was 63% Malay, 19% Chinese, and 14% Indian.

Local Adaptations of the Japanese Style of Management

The Japanese style of management is often said to have contributed much to the miracle of economic growth in Japan after World War II. In this context there are two opposing hypotheses about Japanese management. One involves "specific culturalism" which emphasizes unique social and cultural traits in the Japanese style of management. The other denies such uniqueness and contends that Japanese principles of management are universal and, therefore, applicable elsewhere.

The opposition between these two hypotheses, "specific culturalism" and "universal rationalism," however, is not as stark as it might first appear. Although it is natural to expect that the Japanese style of management with its emphasis on the group might be more acceptable in Asia, where some of the basic Japanese values of collectivity are shared, than in Europe and America, where modern individualism is firmly established, it is also true that business behavior, the behavior of a "living system," should be a rational adaptation to the environment, at the least, for survival's sake. The factors which can be regarded as independent variables determining business behavior, regardless of whether a business is foreign

or local, can be separated into three groups. The first group is found in the nearest environment to the enterprise concerned, and consists of scale, capital share ratio (in the case of capital of foreign origin), the kind of industry (or major products), market share ratio, and so forth. These factors may be called "management-industry variables." The second group consists of such variables as the general economic trend or climate at a given point in time, and the government's economic policy, which are beyond the control of any single corporation. These factors may be called "politico-economic variables." Thirdly, there are the "socio-cultural variables," which include various conditions in the national and international societies in which the business concerned is located, and such cultural and symbolic idea systems as those of religious beliefs and traditional values. These stipulates the normative pattern of human relations or groupings, and are completely given to business corporations.

The present survey research is not aimed at clarifying systematically the pattern of management and labour relations of Japanese joint ventures in Malaysia in terms of these three groups of variables. But one of the merits of distinguishing these categories is that we can employ a much more comprehensive explanatory framework, for example, to understand job-hopping, a troublesome phenomenon widely observed in Southeast Asia, instead of simply attributing it to a lack of commitment or loyalty on the part of local workers. Other conditions being equal, we can reasonably anticipate that the fewer the job opportunities, the less common will be job-hopping, and that the stronger the

commitment of workers to other institutions such as family and neighbourhood community, the weaker their loyalty to the company where they work just to make a living.

It may be argued that the kind of wage-scale system, promotion system, general management strategy, and the method of decision-making a particular joint-venture employs are, primarily and directly, determined by the first group of variables: a larger capital share ratio (in the case of capital of foreign origin) can be interpreted as meaning a larger "size;" and a monopolistic market situation may permit companies to employ a softer system of wage, promotion, fringe-benefits, and decision-making than a competitive situation. Also large companies with relatively abundant capital can afford to pay more attention to the workers' benefits and welfare than smaller companies with poorer finances. In the second and third categories of variables, business rationality has to take cultural factors into consideration. It is necessary to recognize that to install a small "mosque" for factory workers next to the workplace (to allow Muslims to pray in the traditional manner) is not necessarily to give up rationality. It is a perfect example of adaptation to local conditions. A company sufficiently sensitive to the welfare of its workers (and sufficiently wealthy) would install a "mosque" in Malaysia and provide a tennis court in other countries.

Concerning the historical background of the country, it is appropriate here to mention briefly industrial relations in Malaysia. Among our sample companies, 47% of them (23 companies out of 49) responded that

they have trade unions. These were mainly industry-wide unions (as high as 82%), although in exceptional cases there were other types, enterprise unions and craft unions. This pattern can also be observed in Singapore, but contrasts clearly with that in the Philippines and Thailand, where enterprise unions are more common. Needless to say, the present pattern of industrial relations in Malaysia and Singapore is a historical product of the British colonial administration, where labor unions were organized along industrial lines and labor-capital negotiations took place at the national and central level between representatives of workers and employers.

Historically, Malaysia and Singapore (which were politically united from 1963 to 1965 as the Federation of Malaysia, before Singapore seceded as an independent state) were under British colonial rule; and during a long succession of independence movements a British tradition of labor movements and socialism became established in the region. Lee Kuan Yew, the present prime minister of Singapore, for example, having read jurisprudence in Lincoln's Inn, Cambridge University, began his career as a consultant lawyer to labor unions in the peninsula and in 1954 organized a democratic socialist party called PAP (People's Action Party). Currently, Malaysian politics is run by the Alliance (Barisan Nasional), whose three main pillars are, UMNO (United Malay National Organization), MCA (Malaysian Chinese Association), and MIC (Malaysian Indian Congress). There is also a viable opposition party, DAP (Democratic Action Party), which derived from the PAP in

Singapore. The principal supporters of DAP are mainly of Chinese origin, which reflects the historical fact that the main activists of labor movements in this area were never Malays who were engaged in rice-cultivation in insulated kampongs, but Chinese and Indians. The former were brought into this British colony to work the tin mines, and the latter to work the rubber plantations. As a result, the ideologically socialistic labor movements could not help but retain a certain element of anti-Malay sentiment. Even today, the DAP, representing the local Chinese, seems to resist the Malays who, in the citadel of power, propound the Malay Priority policies. As the British transferred political power to the local government rather effectively, socialist and labor movements have been successfully incorporated as part of the established social institutions. The Malaysian Trade Union Congress was organized on a nationwide level with different industry-wide unions as its members. This is why, in Malaysia, the enterprise unions widely observed in the Philippines and Thailand (as well as Japan) have not developed.

The analysis of the answers to our question asking what policy the top Japanese managers of our sample companies consciously adopt in order to promote the Japanese style of management reveals the following: the three most frequently adopted policies are, in order, (1) employment stabilization, (2) emphasis on management philosophy and objectives, and (3) emphasis on smooth human relations. Although the order of priority may differ from country to country, these three policies are universally adopted

by the top Japanese managers of Japanese joint ventures in Southeast Asia. These managers have also been trying to localize some of the typical Japanese organizational practices such as on-the-job training, seniority-based wages, internal promotion, and smooth human relations between workers and managers. QC circles had been introduced by 61% of the sample companies, the percentage being highest among the sample ASEAN countries.

As the traditional Asian value of mensuration is, in some form or other, shared in this region, it is understandable that many local managers are favorable to their company's policy of "equalizing" managers and workers. As a result, 80.5% of the local managers in our sample companies answered that they like to participate in games or club activities with general workers: 94.0% of them said that they like to participate in an annual dinner party sponsored by the company or a recreational committee: and 78.2% answered that they have lunch with workers at the company canteen.

These local middle managers, however, are not committed to their company for reasons of "humane sentiment." The reasons they cited as most important for choosing their present company were (1) better prospect of advancement, (2) more chance of learning new technology, and (3) stable employment, in that order. Closely related to this rational choice is the way they came to know of their present company. Not many learnt of their present company through friends or relatives who were somehow connected with it. Almost 40% of them said that they came to know the present company through a news-

paper advertisement. This figure seems to be higher than we expected, believing that networks of relatives and close friends are still very strong in this society. Perhaps this is part of a local (social) climate in which rational and universalistic organizational practices become accepted and established regardless of whether they are introduced by foreign business corporations or local entrepreneurs.

Concluding Remarks

Since early this century, Japanese have been economically involved in the Malay Peninsula to an appreciable extent, both in scale and commitment, running rubber plantations and exploiting iron ore. Japan also occupied this area under the presumptuous cause of the Great East-Asian Co-prosperity Sphere. By March 1982, Japan had reemerged as the largest investor in this nation (681 million dollars US), and this is paralleled by an ever-growing presence of Japanese joint ventures or subsidiaries. The main incentive for coming to Malaysia (as well as to other developing countries) is undoubtedly that they can obtain cheap labor of good quality (endurance, good sight, manual dexterity, and so forth), though other considerations like access to certain natural resources or to the nearby market are also involved.

Needless to say, when it comes to helping developing countries in their own efforts to help themselves, Japanese assistance should emphasize technology transfer and manpower training. So far, in this respect, Japanese joint ventures have done well in Malaysia, putting into practice such policies as on-the-

job training and sending trainees to Japan, and these programs are highly evaluated by the local managers. The subject-matter of this report has to be explored and analyzed further by specialists and this commentary only claims to be a stepping stone for such future studies.

References

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