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**Formal Organizations in the Philippines:  
Motivation, Behavior, Structure, and Change**

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This paper is an attempt to review from available sources patterned characteristics of Philippine organizations, and to indicate the probable directions that development of these organizations may take. The first brief section places current organizations in a societal perspective to indicate the influence that the society makes on organizational patterns. The findings from empirical data themselves are presented in the next two major sections, namely, individual motivation and the characteristics of formal organizations. The concluding section discusses the future development of organizations in the Philippines.

**SOCIETAL BACKGROUND**

In the 1950s, under powerful government incentives granted to private entrepreneurs, industrial activity in the primarily agricultural Philippines surged ahead; by the end of that decade "the process of industrialization was well underway."<sup>1</sup> More recently, another writer notes, "As the 1950s was the decade of the Filipino entrepreneur, the 1960s was the decade of the rise of the Filipino manager. Important organizational changes occurred in many large corporations during this period."<sup>2</sup> Even more recently, a noted economist and head of the largest investment house in the country observed that Filipino businessmen are relying less on sheer

1. John J. Carroll, *The Filipino Manufacturing Entrepreneur: Agent and Product of Change* (Ithaca, N.Y.: Cornell University Press, 1965), p. 37.

2. Alfred B. Bennett, Jr., "Managers and Entrepreneurs: A Comparison of Social Backgrounds in Philippine Manufacturing," in Frank Lynch and Alfonso de Guzman II, eds., *Modernization: Its Impact in the Philippines*, IPC Papers no. 1 (Quezon City: Ateneo de Manila, 1971), p. 103.

ownership and more on professional and efficient management for effective control of their enterprises.<sup>3</sup>

In this paper, we begin with the above ideas in mind for at least three reasons. First, we focus our discussion on industrial organizations, and a limited number of organizations at that. We thus exclude from consideration other types of organizations such as government bureaucracies, trade unions, voluntary organizations, and the like. Secondly, these industrial organizations are relatively new. Spain, the Philippines' colonial master for over four hundred years, did not have an industrial tradition to begin with; she could not have passed on to her colony what she herself did not possess. The United States, the subsequent colonial power to take over the country, *has* an industrial tradition of its own, but the influence of that tradition probably gained more momentum during the past two decades than during the half-century of colonial rule that ended in 1946. Thirdly, the newness of the industrial tradition in the Philippines is bound to have profound consequences on the directions that development of organizational patterns will take.

Writing about Indonesia, one author has argued that the traditional village organization provided limited models for the organizational, behavioral, and normative patterns required by modern complex organizations.<sup>4</sup> The same might well be said of the Philippine case. Up till 1960, more than 80 percent of the Philippine population still lived in settlements of 1,000 or less — communities that reflected the traditional, subsistence agriculture base of social life. It is thus not far-fetched to assume that much of the average Filipino's socialization for and exposure to organizational life has been in terms of the more traditional forms — the family and the larger kin group, friendship groups, neighborhood groups, and the like. It bears no saying that the characteristics of these groups and the demands that they make on the individual's behavior and values are different from and more often the exact opposite of what one would expect to find in the modern corporation. These groups are typically small in membership. Within them

3. Sixto K. Roxas, "Christian Humanism for our Time" (Address delivered at the Commencement Exercises of the Ateneo de Manila University School of Arts and Sciences, Quezon City, 23 March 1975).

4. Ruth Ann Willner, "Problems of Management and Authority in a Traditional Society," *Human Organization* 22(1963): 133-45.

relationships are personal and nurtured by frequent face-to-face interaction. Norms for behavior are tacit but well-understood and internalized by the individual member. Group leadership is diffused, or exercised over a broad sphere; the group itself performs not just an economic function but other functions as well.

We do not here ignore the more complex, formal and specialized groups and relationships that existed even far back in Philippine colonial history. The Spanish colonial bureaucracy, the Church organization, the commercial establishments in the primate city of Manila and in secondary urban centers — all this must now be considered part of Philippine traditional society. Our contention, however, is that the structures that the average individual in traditional society was exposed to remained basically small, simple, and personalistic. Where complex and impersonal structures did exist, they were largely non-indigenous and urban-based. For the majority of Filipinos who have always been rural-dwellers, their psychological reality was weak, the behavior called for unfamiliar, and the organizational norms not well understood, much less internalized.

If the Filipino does not find models for the modern industrial organization in the traditional society that he was familiar with, how has he organized his industrial enterprise? Not unexpectedly, he has turned to the Western, more precisely the American, model. The influx of American ideas and social patterns on a broad range of institutions and the Filipinos' receptivity to them are well known. The study of entrepreneurs that we have referred to suggests more precisely how this influence begins in the industrial organization. It begins with the entrepreneur being "subjected, far more than the average Filipino," to "cultural transfer from abroad."<sup>5</sup> Effective channels of this transfer are:

The foreigner resident in the Philippines who married there and communicated something of his own culture to his *mestizo* children; the modern school system; opportunities to study business administration, law and engineering, to study abroad, particularly in the United States, and to work for American firms in the Philippines; local centers of industry in the Philippines as they developed, partly under foreign auspices; and finally the railroad, by which these and other forms of foreign influence, originally concentrated in Manila, spread outward to the provincial towns through which it passed.<sup>6</sup>

5. Carroll, p. 189.

6. *Ibid.*, pp. 189–90.

Although managers, in at least one study, are found to be less exposed to this kind of influence than entrepreneurs, they are also said to be exposed to "indirect foreign" influence.<sup>7</sup> The components of this influence (e.g., urban residence, education, travel abroad) are almost certain to be higher among managers than the general Philippine population.

The unqualified adoption of Western organizational patterns in Philippine culture is undoubtedly a hazardous enterprise. The difficulties inherent in the process of adaptation have been experienced, realized, and discussed, and this discussion has prompted the inevitable question: "Given the movement of *technological* developments from West to East, is it imperative that the organizational structures and operations that characterize these technologies at their place of origin also be adopted unchanged?"<sup>8</sup> In the concluding section our views on this and similar questions will become apparent. But since these views depend in part on the findings from empirical data, we now turn to a discussion of these findings.

## MOTIVATION

Several concepts representing values in traditional Philippine society have proved helpful in explaining motivation and behavior in general. They also provide useful points of reference in interpreting motivation and behavior in the workplace in particular; hence a summary of these concepts might be useful at the outset.

One complex of values avidly sought has to do with maintaining smooth interpersonal relationships (or its acronym, SIR) and avoiding the opposite, namely, hostility or any indication of friction.<sup>9</sup> To make relations run smoothly and avoid stressful confrontations, other related values are pursued. One is *pakikisama*, or concession: "yielding to the will of the leader or majority so as to

7. Bennett, p. 132.

8. J. B. M. Kassarian and R. A. Stringer, Jr., *The Management of Men* (Manila: Solidaridad Publishing House, 1971), p. 451; also Frank Lynch, "The Man in the Middle," *Philippine Journal of Public Administration* 22(1976): 206-9.

9. The discussion of smooth interpersonal relationships, *pakikisama*, euphemism, and the role of the go-between in this paragraph, and *amor propio*, below, are based on Frank Lynch's "Social Acceptance Reconsidered," in Frank Lynch and Alfonso de Guzman II, eds., *Four Readings on Philippine Values*, IPC Papers no. 2, 3rd edition revised (Quezon City: Ateneo de Manila, 1970), pp. 1-63.

make the group decision unanimous.”<sup>10</sup> Another is euphemism, or the use of metaphoric language in stating an unpleasant truth, to cushion the impact of the statement on the feelings of the person affected. A third related value is the use of a third party, or go-between, to forestall a stressful confrontation or remedy an existing state of tension.

Still having to do with smooth interpersonal relations are norms governing reciprocity. Reciprocal relationships are universal in human societies. In lowland Christian Philippines at least three types have been identified.<sup>11</sup> The type that Westerners might find unusual is the *utang na loob* relationship, so-called because the Tagalog phrase literally means “a debt inside oneself”; thus, the reciprocal obligations imply an inner compulsion on the part of the individual to make the appropriate repayment. This type of reciprocal obligations begins when an individual does a favor for another who does not belong to the same group. Since *this* particular giver is not culturally expected to give a favor to *this* particular receiver, the latter feels duty-bound not only to repay the favor with something of equal value, but also to show gratitude by repaying with interest.

The social sanction applied for violation of norms related to the above is *hiya* (shame), defined as a “sense of social propriety.”<sup>12</sup> To be labelled “shameless” (*walang hiya*) is to be deeply censured. One who does not recognize a “debt inside oneself” is shameless. One who treats another harshly for no socially acceptable reason is shameless. The person so treated is also placed in a shameful situation (*napapahiya*) and must vindicate himself through commensurate steps if he wants to preserve his self-esteem, in his own thinking and that of his fellowmen.

Self-esteem, or *amor propio*, the term that is more commonly used, thus counts as a final important concept in the complex of values that we have briefly summarized. *Amor propio* is sensitivity to the norms of good behavior, thus helping to preserve one’s acceptability among his fellows. It is also sensitivity to personal affront, or the violation by another at one’s expense, of these same norms.

10. Lynch, “Social Acceptance,” p. 11.

11. Mary R. Hollnsteiner, “Reciprocity in the Lowland Philippines,” in Frank Lynch and Alfonso de Guzman II, eds., *Four Readings in Philippine Values*, pp. 65–88.

12. *Ibid.*, p. 71.

There are other important values, to be sure. Anthropologist Frank Lynch has presented a comprehensive if tentative outline of these.<sup>13</sup> Psychologist Jaime Bulatao has made a detailed analysis of individual responses to a Thematic Apperception Test and finds that high value is placed on family, authority, economic sufficiency and patience.<sup>14</sup> These values are usually interpreted to mean that the individual places great stress on relationships within his small primary group of close relatives and allies. Personalistic rather than universalistic norms are thus emphasized.

It is not clear at this time to what extent these traditional values are carried into present industrial organizations by their participants — whether they be managers, employees, or workers. For one thing, systematic analyses of empirical data on Filipino motivation in the workplace have only begun, and virtually none have seen print. But in criticizing worker behavior, managers often explain it in terms of these values. Specific instances have been recorded in some of the case studies compiled and reported by Kassarian and his associates from a cross section of business firms.<sup>15</sup> Arce has also obtained extended interview data from three manufacturing firms. In the section that follows, several of Kassarian's case studies as well as the raw data Arce obtained from one firm are examined.<sup>16</sup>

#### DATA FROM QUALITATIVE STUDIES

A case study by Kassarian and Stringer narrates a situation in one textile manufacturing company where authority and control over the quality control staff is autonomous of the production department — a setting which assures the desired independence of quality control inspectors but also invites recurrent wounding of *amor propio* on the part of the production personnel.<sup>17</sup> Indeed a prevalent attitude among the production people is conveyed by

13. Lynch, "Social Acceptance Reconsidered," pp. 17–20.

14. Jaime Bulatao, "The Manileño's Mainsprings," in Frank Lynch and Alfonso de Guzman II, eds., *Four Readings in Philippine Values*, pp. 89–114.

15. See the study cited in note 8.

16. The firm involved is a subsidiary of an American candy manufacturer; it is, however, completely Filipino in personnel. The interviews were conducted in February and March 1969. The respondents totalled 15; 10 were from the managerial staff; 5 were workers. The following graduate students conducted the interviews: Amado A. Cruz, S.J., Jose R. Nacu, M.S., Leonel W. Sumpaico, S.J., and Nina Valmonte-Bley.

17. Kassarian and Stringer, pp. 108–21.

these remarks "I don't like the idea of inspectors policing us around. We look as if we're up to do some foolish things, you know . . ." <sup>18</sup>

The situation is highly conducive to breakdowns in SIR. An encounter between a professionally competent but behaviorally inept quality control inspector head ("Tina") and a production supervisor ("Rene Bisnar") on the production floor in front of workers initiates the breakdown in this particular ease:

Tina: Rene, how come your men are working on these defective bobbins? (Hands in a sample.) Here, look at the shades. It's terrible.

Bisnar: (Inspects the bobbins). What's wrong with this? Are you color blind? (laughs) This is okay, ah.

Tina: Okay? That's way off the standard. I'm sure my own inspectors spotted these bobbins. I'm beginning to suspect . . .

Bisnar: Oh, you don't have to. I'll tell you what . . . I told my Section Head to go on with these. Why, your standards can be wrong. Do you think we don't know anything about quality? *Hindi kami tanga*. (We're not stupid.)

Tina: You just can't do that. *Aba*, I'm to blame for all defects in this mill. You just can't play around with our standards.

Bisnar: What are you talking about? You're the one playing around with our production. Who told you to pull out these bobbins? You better put them back, or else.

Tina: Or else what? *Hindi ako takot sa 'yo*. (I'm not scared of you). <sup>19</sup>

Tina begins the conversation with a correction that is harsh in its bluntness. Bisnar's retort starts with commensurate sarcasm, but the laughter that follows may have been an attempt to deflate the tensing situation. Tina, however, pushes on, and SIR is irreparably lost. Bisnar's *amor proprio* is evidently pierced; he has been shamed. His behavior in the remainder of the confrontation is true to form. After that encounter communication lines between production and quality control fall silent, and quality of production deteriorates further.

A contrasting case is that of a new division manager who attempts to forestall conflict in a differentiated structure by, among other things, assuming an integrative role for himself:

When I took this job, my biggest problem involved the department heads under me. Without their cooperation, I was blocked. These men had grown too independent of PLC, so I called a conference and got right to

18. *Ibid.*, p. 116

19. *Ibid.*, p. 119.



the point. I told them that my job was to assist them. I told them I was to be a coordinator; they were going to have to carry the ball.<sup>20</sup>

The same division manager goes through the process of dealing with both superiors and subordinates, and it is evident that he is an adroit interactor. With the former, he is "relaxed and sincere," now listening intently, now replying seriously, now participating in a humorous exchange, now listening intently again.<sup>21</sup> With subordinates, his approach is summed up in the words of a lower-level manager. "He uses the sandwich approach with people: a joke, an order, another joke. He seems to get the job done so much easier now."<sup>22</sup> Thus, instructions are adequately conveyed while the requirements of SIR are fulfilled.

In the company that Arce and his students studied, pursuit of traditional values begins with the manager encouraging lower-level officers to hire "their own men." The manager explains: "This way, loyalty is given to an immediate head and not to a centralized position." Predictably, many of those who were interviewed had previous personal ties with the superiors who hired them. Most had worked for their superiors before, and most expressed some debt of gratitude to the persons who hired them.

One salesman had been recruited into the company by his supervisor who was also a townmate. Subsequently, the supervisor began keeping for his own use the money that the salesman was turning over to him. The salesman was aware of what was happening; he was also aware that his own job was in jeopardy if he concealed the fact. But he made no report, and the anomaly was discovered by somebody else. He explained: "How could I, seeing that the fellow was the one who recommended me for this job?"

There seems to be a consensus that the company rule barring the employment of an individual who is already related to someone in the company is a good thing. Theoretically, even fictive kinship (*kumpadre*) is included in the prohibition. Among the workers, however, contracting fictive relationships with one another is much sought after. The managers frown on the practice but admit that there is not much that they can do to curb it.

Four out of five managers interviewed explicitate the undesirability of reprimanding a person in front of other people. One supervisor makes a point of combining good-natured joking when

20. Ibid., p. 161.

22. Ibid., p. 166.

21. Ibid., pp. 161-62.

correcting a technician on the factory floor; thus SIR continues at the same time that correction is made. Supervisors and managers cultivate *pakikisama* by involving themselves in the activities of their subordinates both in and outside the plant. Extraplant involvement includes honoring invitations to fiestas, birthday and baptismal parties, drinking sessions; and judicious intervention in such personal difficulties as family quarrels. In the plant, says one supervisor, one does not "order people around," and on occasions some employees may even need shielding from higher management for infraction of company rules. The negative effects of some of these practices on company procedures are apparently recognized. But, in sum, the cooperation and loyalty that is obtained from the group of subordinates in this manner are considered to generate greater efficiency than would otherwise be the case.

As stated previously, the extent or prevalence of traditional values and motivations in the universe of Philippine firms is not known. The discussion above simply records the fact of their existence in at least the firms mentioned, although it would be surprising if similar patterns are not found in other firms. However, it should also be noted that the values of organizational participants are neither that traditional nor exclusively so. In fact, the human conflicts that occur in the organizational setting may be attributed in part to the behavior of individuals who are carriers of values deviating from usual expectations.

In the case study of "Regal Textiles, Inc.," decision-making is shown to be highly centralized in the president. But the same man has commissioned an organizational study of his firm, and he is said to be impressed by the recommendations which might have the effect of diluting his authority. "It reaffirmed his conviction that if Retex was going to grow as he had planned, a level of 'professionalism' would have to be added to the organization and management."<sup>23</sup>

A field operations supervisor in "Rizal Equipment Company," complaining about his difficulties, hints at his own contrary values.

It's a funny thing, but sometimes I feel like I'm bucking our entire culture. *Pakikisama*, *hiya*, the whole mass. I keep after my men. 'Why are you getting paid?' I ask them. But each PE (project engineer) is different.<sup>24</sup>

Neither is criticism of traditional values made only by upper-echelon management people. In the factory studied by Arce and

23. Ibid., p. 256.

24. Ibid., p. 373.

his students, an accounting clerk criticized one of his more immediate superiors for relying too much on "friendship" (i.e., pakikisama) to have his orders carried out. As a result, he averred, company policies are not adequately enforced and decision-making is slow.

#### EVIDENCE FROM TESTS AND SURVEYS

Another attempt at identifying values of industrial participants is made through tests and surveys. For the past few years, the Central Guidance Bureau of the Ateneo de Manila University has been conducting tests among supervisory and managerial personnel.<sup>25</sup> More recently, they have used a standardized test called the Minnesota Importance Questionnaire. Basically, the instrument attempts to measure the degree to which the respondent considers each of 20 intrinsic and extrinsic characteristics of a job important or ideal.<sup>26</sup> We were given access to the profiles for eight groups of individuals considered for promotion to higher positions in their respective firms.<sup>27</sup> Sight examination of these profiles indicate that each group of individuals consistently assign the highest im-

25. The tabulated data were obtained through the courtesy of Ma. Carmen Alcuaz Reyes, director; and Felipe Garcia, psychometrician.

26. The self-administering instrument presents the subject with 190 pairs of statements dealing with various aspects of a job, and he/she is asked to select the statement in each pair that he/she considers more important. Then an additional set of 20 statements are presented and the subject is asked to indicate by a *yes* or *no* whether he/she considers the aspect contained in the statement important to an ideal job. The theory behind the instrument is discussed more fully in David J. Weiss et al., *Instrumentation for the Theory of Work Adjustment*, Minnesota Studies in Vocational Rehabilitation, vol. 21, bulletin 44 (Minneapolis, Minnesota, December 1966); and Rene V. Dawis et al., *A Theory of Work Adjustment (A Revision)*, Minnesota Studies in Vocational Rehabilitation, vol. 23, bulletin 47 (Minneapolis, Minnesota, 1968).

27. The number of respondents totalled 109. They were drawn from three companies, namely, a drug manufacturer, a bank, and a car manufacturer. The tests were administered to eight groups of respondents at various times in 1975. The pertinent data on the respondents are as follows:

Group No.	Type of firm	Job designation	Total
1	drug manufacturer	salesmen	28
2	bank	branch managers	11
3	bank	audit supervisors, assistant accountants	9
4	bank	assistant cashiers	9
5	car manufacturer	engineers	28
6	car manufacturer	engineers	8
7	car manufacturer	engineers	12
8	car manufacturer	engineers	4

portance to these characteristics of a job: (1) being able to make use of individual abilities; (2) getting a feeling of accomplishment in the job; and (3) having opportunities for advancement. The two characteristics that are consistently regarded as less important are (1) the pay comparing well with that of other workers, and (2) the job enabling the individual to be "somebody" in the community. Thus, among these potential recruits to higher positions in three organizations, the ideal job is one that is personally and intrinsically challenging and rewarding. Extrinsic rewards in the form of higher pay and greater approbation by others are of little consequence.

The only empirical data on job attitudes among rank and file workers that we have had access to come from a study of 73 women workers in a Manila garment factory.<sup>28</sup> Part of the study recorded worker's responses to 16 Likert scale items measuring degree of satisfaction/dissatisfaction with various aspects of the job; the items, in turn, are basically a variant of those developed by Herzberg and his associates.<sup>29</sup> The responses were factor-analyzed, and the analysis yielded four interpretable factors or underlying attitudinal patterns.

The first factor or attitudinal pattern is called *intrinsic rewards* because it is best defined by the individual's attitudes on such issues as the sense of accomplishment that she derives from her job, the extent to which she finds the work interesting, the extent to which appropriate recognition is given to the importance of the work she performs, and the extent to which the work provides opportunities for advancement. In brief, the intrinsic rewards factor of the job has to do with the worker's concern that the job be personally and inherently rewarding.

The second attitudinal pattern has to do with material rewards, more precisely, satisfaction with bonuses, fringe benefits, and the like.<sup>30</sup> Because, in contrast with the components of the first factor, these attitudes have to do with rewards external to the job, the factor is called *extrinsic rewards*.

28. Wilfredo F. Arce with Emma E. Porio, "Exploring Explanations for Job Attitudes and Behavior in a MetroManila Factory," Forthcoming in *Philippine Sociological Review*.

29. Frederick Herzberg, *Work and the Nature of Man* (Cleveland: World Publishing, 1966); and Frederick Herzberg et al., *The Motivation to Work*, 2nd ed. (New York: Wiley, 1959).

30. Perhaps not surprisingly, salary (or wage) does not enter into this dimension. This concept probably subsumes a more complex set of phenomena than the mere transfer of money from the company to the worker.

The third attitudinal dimension found is called *relationships – people*, which subsumes the worker's satisfaction with her relationships with co-workers and with management personnel. The authors suggest, however, that this dimension might be delineating more precisely patterns of dependence attitudes – with the worker feeling a dependency relationship toward other workers and, in particular, toward her superiors in the firm.

The fourth attitudinal dimension, called *relationships – system*, circumscribes items that have to do with machinery, supplies, conditions in the plant, and supervision. The pattern thus delineated would describe the worker's attitude toward the various aspects of the mechanistic system that she has to relate to. The inclusion of the supervisor in this system is taken to mean that the supervisor is considered neither as part of management personnel nor co-worker; rather she is seen more as a part of the mechanistic system that gets the job done.

How would the worker rank these attitudinal patterns in terms of importance? Unfortunately, the study is unable to answer this question. What we do have is the identification of four attitudinal patterns that seem to follow some taxonomic logic. According to this logic, there are two broad areas that concern the worker. One is the area of rewards, the other of relationships. Rewards, in turn, consist of two types: the intrinsic (personal) and the extrinsic (material). Similarly, relationships consist of two types: relationships with people and relationships with machines and the like.

The data reviewed in this section are too disparate, the methods used in their collection and analysis too different, and the population studied too few and heterogeneous to warrant any generalizing statement about the motivations of Filipino managers, or employees, or workers in general. In fact, what impresses us about the present data is the difficulty of fitting them precisely into such current analytical patternings as traditional-modern, rational-nonrational, and intrinsic-extrinsic. For instance, there is a common unstated assumption among observers of organizations that the participants in the higher levels of the organizational hierarchy tend to be more rational and modern in their decisions while lower-level participants tend to be more personalistic and traditional. This assumption is to some extent, supported by the data. Yet, it is impossible to ignore deviations from this expected pattern in both values and behavior among participants at either end of the

hierarchy. It is also reasonable to assume a priori that participants at lower levels of the organizational structure would emphasize extrinsic rewards of the job while those at the higher levels would emphasize the intrinsic; this is a pattern observed in American organizations. The data that we have show that higher level participants do put a high value on intrinsic rewards, but whether lower-level participants would rate extrinsic rewards higher is another question. Perhaps these difficulties are simply a function of the kind of data that we have. But perhaps they are also a negative commentary on current hypothesizing on organizational motivation and attitudes.

### SOME STRUCTURAL AND BUREAUCRATIC CHARACTERISTICS

In carrying out their day-to-day activities, formal organizations institute certain modes of intraorganizational relationships and adopt more or less fixed patterns of status and role structure. These internal arrangements determine the manner in which decision making, control, communication, and other organizational processes are performed. It is clear therefore that the structuring of relationships and functions is a major determinant of organizational productivity and effectiveness.

The structural and bureaucratic characteristics of complex organizations are in turn determined by several factors, both external and internal to the organization. These include the organization's technology, its size, and a whole set of sociocultural, economic, and other external parameters.<sup>31</sup>

In order to attain their objectives, indeed, in order to survive, formal organizations have to continually adapt to their external environments. By this adaptive process, the different variables pertaining to organizational structure, process, and performance will be expected to assume values that are compatible with the demands of the larger social system in which the organization is embedded. If we accept this systems view of social processes, we would expect the structural and behavioral characteristics of

31. N. S. Poblador, *Technology, Human Interaction, and Organizational Structure*, Working Paper No. 74-16 (Quezon City: Division of Business Research and Publication, University of the Philippines, 1974).

formal organizations in the Philippines to reflect the character of Philippine culture, society, and economy.

#### STRUCTURE OF REWARDS

An essential characteristic of formal organizations relates to the manner in which material and monetary rewards are distributed among the members of the organization. In "traditional" or "transitional" countries such as the Philippines, formal organizations, like society itself, tend to be characterized by a high degree of inequality of distribution of monetary rewards. Wage and salary data developed in a recent study of Philippine and American commercial banks seem to bear out this observation.<sup>32</sup> On the average, the 5 or 10 percent highest-paid employees of the Philippine banks in the sample receive a much larger share of total wages and salaries than their corresponding numbers in the American banks. Table 1 shows the average values of the "wage concentration index" in the Philippine and American banks studied.<sup>33</sup>

**Table 1.** Ratio of salaries received by the top 5 percent\* of total employees to total wages and salaries in Philippine and American commercial banks

Size Category (number of employees)	Sample Means	
	Philippine banks	American banks
Stratum 1 (100–299)	35.14 <sup>a</sup>	28.14 <sup>a</sup>
Stratum 2 (300–700)	26.42 <sup>b</sup>	17.07 <sup>b</sup>

\*Top 10 percent for Stratum 1

<sup>a</sup>Difference of means significant at the 5 percent level.

<sup>b</sup>Difference of means significant at the 0.5 percent level.

SOURCE: N. S. Poblador, "Sociocultural Environment and Organizational Structure and Performance: A Cross National Analysis" (Ph.D. dissertation, University of Pennsylvania, 1972), p. 111.

The relatively high degree of inequality of distribution of monetary rewards in Philippine organizations is the result of

32. N. S. Poblador, "The Structure of Authority and the Distribution of Rewards in Philippine and American Banks," *Quarterly Journal of Management Development* 4 (1973): 47–61.

33. The wage concentration index is the ratio of total wages and salaries accruing to the highest ranking 5 percent (10 percent for the smaller banks) of employees to total salaries and wages paid during the year.

a number of characteristics of Philippine society and culture.

First, developing economies like the Philippines typically have a relative shortage of entrepreneurs and top-echelon managers, and a surfeit of formally trained and educated employees and potential employees. Such an imbalanced supply-demand situation in the labor market will invariably result in high salaries for top-level executives and low wages for rank-and-file workers.

Second, as a general rule, part of the rewards or inducements given by organizations to their members takes the form of appointments to positions that carry high status and prestige. This practice is much more acceptable in societies that attach high value to social position and stature. If low-level and middle-level employees are willing to accept payment for their contribution to the organization partly in the form of status, then, their monetary incomes from the organization may be expected to be comparatively small.

Third, business enterprises in the Philippines, as in most other developing countries, are largely owned and controlled by a single family or a small group of individuals who are often related to each other. In many of these business establishments, key executive positions are parcelled out to members of this small group who invariably receive inflated salaries and all sorts of emoluments. The excess of their actual incomes over the true market values of their services are, in effect, profits in disguise, and an important contributory factor to the highly skewed distribution of wages and salaries in Philippine commercial, financial, and industrial firms.

#### STRUCTURE OF AUTHORITY

The structure of authority in formal organizations is a set of characteristics that describe the manner in which functions, statuses, and decision-making prerogatives are allocated among the members of the organization. This patterning of authority and control responsibilities has both vertical (level of decision) and horizontal (function or task) dimensions, and the maze of interlocking roles are linked together by formal lines of authority and communications.

As a general rule, the administrative hierarchies of Philippine organizations tend to be rather long, whether "length" is measured in terms of number of administrative levels or in terms of status or rank categories. This seems to be indicated by the bank study



which shows that Philippine commercial banks, on the average, have larger numbers of ranks and administrative levels than American banks in the same size range (see Table 2).

The fine distinction typically made between ranks and levels of administration in Philippine organizations (e.g., the distinction usually made between *senior* assistant vice-presidents and assistant vice-presidents, between senior and junior clerks) is a consequence of the premium placed on status by the average Filipino employee, a trait which in turn reflects the high status orientation in Philippine society.

Another distinctive characteristic of Philippine organizations is the typically large supervisory and managerial components of their employees. The bank study shows that officers and supervisors constitute a much larger proportion of total employees in Philippine commercial banks relative to American banks of comparable sizes. A similar conclusion is reached with regard to officers alone, but the data suggest that non-officer supervisors are even more numerous in Philippine organizations.

Considering the high authority orientation of Filipinos, it would seem surprising indeed to find a comparatively small average span of control in Philippine organizations. This characteristic of Philippine organizations is probably a reflection of the usual practice of awarding positions of status to deserving employees. A low span of control also reflects the highly personalistic and authority-based control systems that are typical in Philippine organizations (as compared with the predominantly administrative and mechanized systems that are found in organizations in industrialized societies).

Easily the most outstanding and pervasive characteristic of formal organizations in the Philippines is the high degree of centralization of decision-making and control. Typically, both major and minor decisions in private corporations and public offices are made by a core of top-level executives. Frequently, formal approval of the chief executive is needed for all but the most trivial decisions.

The degree of centralization of decision-making in formal organizations can be viewed in either of two ways: (1) the extent down the administrative hierarchy to which the chief executive directs authority; and (2) the extent to which certain classes of decisions are made by managers other than the chief executive (or the degree of delegation of authority).

The bank study measured the extent of the chief executive's

**Table 2.** The structure of authority in Philippine and American commercial banks

Measures of authority structure	Sample Means			
	Stratum 1		Stratum 2	
	Philippine banks	American banks	Philippine banks	American banks
1. Number of administrative levels	6.14 <sup>e</sup>	5.33 <sup>e</sup>	7.08 <sup>a</sup>	5.92 <sup>a</sup>
2. Number of ranks	9.29 <sup>c</sup>	7.86 <sup>c</sup>	9.08 <sup>c</sup>	8.31 <sup>c</sup>
3. Officers and supervisors as a percentage of total employees	28.86 <sup>d</sup>	23.14 <sup>d</sup>	23.23 <sup>c</sup>	19.46 <sup>c</sup>
4. Number of officers as a percentage of total employees	19.7 <sup>f</sup>	17.3 <sup>f</sup>	16.5 <sup>e</sup>	13.8 <sup>e</sup>
5. Measures of centralization of decision-making				
a. Lowest relative rank appointed by the chief executive <sup>1</sup>	0.626	0.664	0.622 <sup>f</sup>	0.552 <sup>f</sup>
b. Relative administrative level at which the lowest level personnel are hired <sup>2</sup>	0.258 <sup>e</sup>	0.412 <sup>e</sup>	0.398 <sup>e</sup>	0.488 <sup>e</sup>
c. Lending authority of Loans Officer as a proportion that of the chief executive	.100 <sup>c</sup>	.533 <sup>c</sup>	.102 <sup>a</sup>	.772 <sup>a</sup>
d. Composite centralization index	11.86 <sup>e</sup>	9.43 <sup>e</sup>	11.08 <sup>a</sup>	7.08 <sup>a</sup>

Superscripts *a, b, c, d, e, and f* indicate that the differences of means are significant, respectively, at better than 0.5, 1.0, 2.5, 5.0, 10.1 and 15.0 percent levels.

1. The value of this index is given by the ratio

$$\frac{\text{number of rank levels above}}{\text{total number of ranks in the organization minus 1}}$$

2. The value of this index is given by the ratio

$$\frac{\text{number of administrative levels above}}{\text{total number of administrative levels in the organization minus 1}}$$

SOURCE: N. S. Poblador, "Socio-Cultural Environment," pp. 125-26.

direct authority in the administrative hierarchy by identifying the lowest level of administration in the appointment or promotion to which he plays an active hand. Another measure used considered the point in the administrative hierarchy at which the major decision to hire rank-and-file employees is made. The average values of both indices generally indicate a higher degree of centralization among Philippine banks when compared with the American organizations, although the data yielded rather weak, sometimes even conflicting results (see Table 2). More conclusive results were obtained in terms of a third centralization measure, intended to gauge the extent of delegation of authority. The study showed that almost without exception the chief executives of Philippine banks enjoy near monopoly powers, at least when it comes to decisions regarding the granting of loans. In both size categories, the maximum amount of secured commercial loans that the ranking loans officers of Philippine banks can authorize without consulting higher authorities is significantly smaller in relation to the corresponding ceilings for the chief executives, when compared with their counterparts in the American sample.

Hence a comparison of Philippine and American banks in terms of a weighted composite index of centralization of decision-making indicates that Philippine banks, especially those in the larger-size category, have much more centralized decision-making processes than do American banks of comparable sizes.

The high degree of centralization of decision-making and control in Philippine organizations is a direct reflection of certain aspects of social structure and processes. In the first section of this paper we spoke of Filipinos as being socialized primarily for participation in groups that are basically small, simple, and personalistic. Elsewhere Carroll has spoken of the "toughness and supportive nature of family and small-group ties" in this society, and how in many areas of activities it is only in members of one's small group that one can find a satisfactory level of trust and support.<sup>34</sup> McHale's comment that "organizational flexibility is precluded by the highly static 'area of trust'" was made in reference to Southeast Asia as a whole, but it might well be applicable here also.<sup>35</sup> The

34. John J. Carroll, "Philippine Social Organization and National Development," *Philippine Studies* 14(1966): 576.

35. Thomas R. McHale, "Econological Analysis and Differential Economic Growth Rate," *Human Organization* 21(1962): 31.

delegation of authority by a superordinate to middle-level subordinates in the organizational hierarchy is a process that has little "analogue" in traditional societies where vertical relationships are prevalently dyadic, personal, and face-to-face; this point has been argued persuasively by Lynch for the Philippines and Willner for Indonesia.<sup>36</sup> We suggest, therefore, that the Philippine social system has not generally prepared the superordinate to share authority with other people than those belonging to his small group of trusted relatives and friends, nor subordinates for exercising such delegated authority. Further, even within this small group, authority tends to be highly structured, with one individual making most of the decisions. This authority structure is complemented at the level of values by what we have referred to as a high level of authoritarian orientation.

Another factor contributing to the high degree of centralization in Philippine organizations, especially among business firms, is the relatively homogeneous and static nature of the relevant external environment that existed during most of the 1950s up to the mid-1960s. Under such comparatively placid, and hence predictable, environmental conditions, where market, technological, institutional, and social parameters are relatively stable, formal organizations tend to be highly structured and centralized. Such a description of the external environment applies to Philippine banking and most other industries in the Philippines, as well as to government, religious, and service organizations.<sup>37</sup>

#### BUREAUCRATIC CHARACTERISTICS

As we shift focus to certain bureaucratic characteristics of formal organizations, we find a number of interesting points of contrast between Philippine organizations and those in the industrialized societies.

36. Lynch, "Man in the Middle,"; Willner, "Problems of Management."

37. Here we express a conclusion that is contrary to that arrived at by Jose A. Gatchalian ("Management for Development: New Rules for an Old Game?" *Philippine Sociological Review* 20(1972): 376-77) and Meliton V. Salazar ("Management in a Developing Society," *Philippine Sociological Review* 20(1972): 378-80). These authors characterize the Philippine business environment as generally unpredictable and unstable. Salazar cites the lack of information-gathering, processing, and producing-infrastructure; international developments that disturb the domestic economy; and changing government policies as the major factors bringing about environmental uncertainty (Salazar: 370). We grant the antecedents but contend that the resulting uncertainty is not as high as the

Organizations in the Philippines, as in many other societies in the process of modernization, tend to be highly formalized in terms of their activities and institutional arrangements. Communications in large social structures in the Philippines, especially between hierarchical levels, typically conform to certain officially prescribed formats. As a general rule, persons of authority are addressed by their formal titles or by some form of respect. Moreover, several facets of organizational life are governed by officially sanctioned rules and regulations. These organizational prescriptions are either part of a published manual for employees, or in the form of official memorandums and circulars.

Using a formalization index based on the existence of written rules governing (a) personal behavior, (b) punishments for various types of rule infractions or offenses, (c) safety and security, and (d) recruitment and promotions procedures, the study shows that Philippine banks are considerably more formalized in their operations than are American banks.<sup>38</sup>

A high degree of formalization is only to be expected among complex organizations in societies like the Philippines in which social relations are intrinsically formal and ritualistic in nature.<sup>39</sup> Furthermore, formalized organizational procedures and power relations are partly a reflection of the proclivity of Filipinos to avoid face-to-face problem-solving situations, and their preference for referring to formal rules and procedures (as well as to authority) in resolving personal differences.

In adapting to their environments, all forms of social systems need a wide range of informational inputs regarding both their activities and internal relationships and their external settings. Considering the relative stability and homogeneity of Philippine society, there would be less need in Philippine organizations for current information about their relevant external environments. With the future a little more predictable, managers would tend

analysis seems to imply. Further, we believe that the relative stability of consumer preferences, of domestic and foreign markets for Philippine products, and of certain other factors, together with the nature of the banking system have contributed to a business environment that has been basically static and predictable.

38. Poblador in his study, "Technology, Human Interaction and Organizational Structure" shows that cement plant operations in the Philippines score even higher than commercial banks in terms of this composite formalization index.

39. This societal attribute is not confined to traditional societies; see Michel Crozier, *The Bureaucratic Phenomena* (Chicago: University of Chicago Press, 1965).

to depend less on organizational plans as a basis for decision-making. There would be less need for the types of data required in the formulation of plans. Finally, research and development activities in Philippine organizations would tend to be minimal, considering the present stage of scientific and technological development which is characterized by the use of techniques, processes, and products that have been developed in the industrialized countries.

Yet, quite surprisingly, one typically finds in Philippine organizations a good deal of search activities. The proportion of employees who devote at least one-fourth of their time to some form of external data gathering (e.g., credit investigation, research on business prospects preparatory to setting up a branch office) is considerably larger in Philippine than in American banks. The reason is that in developing countries like the Philippines there is typically a dearth of reliable published business, economic, and social data, making it necessary for organizations to produce their own data requirements. Because of the absence of credit bureaus, for example, financial and marketing firms are constrained to search out credit information on prospective clients on their own.

We have noted earlier that a preponderance of Filipino-owned business firms are either owned by one family or by a small group of individuals, and that key managerial positions are typically assigned to members of the owning families. As a result, the areas of concern of the owners and the managers overlap, and consequently, the management of the firms enjoy very little autonomy. In many organizations, even such trivial decisions as the hiring of clerks or the purchase of office calculators requires the formal approval of the board of directors, whose chairman, all too often, is also the chief executive of the company.

From the bank study, one concludes that American bank managers enjoy a much larger measure of autonomy than their Filipino counterparts. In both size categories, the American bank presidents have far greater lending authorities in comparison with the chief executives of the Philippine banks.

The bank study shows that there are apparently no significant differences between Philippine and American organizations in terms of the number of titles and designations given to company officers. The titles of American executives, however, reflect an emphasis given to tasks or functions performed, while the titles

given to Filipino managers stress rank and status, and give very little indication of the nature of the job performed. For example, such titles as "Investment Officer" and "Trust Officer" are commonplace among the American banks studied, while titles like "Assistant to the President" or "Technical Assistant" are preferred by the Philippine organizations. These findings clearly indicate that American organizations generally stress functional division of labor as the basis for assigning titles, while Philippine organizations place greater importance on status. The Philippine government bureaucracy is especially notorious in this respect.<sup>40</sup>

The high status orientation in Philippine organizations has been mentioned earlier as one of the major factors underlying the observed high degree of inequality of distribution of monetary rewards among organizational members. Using a composite status orientation index based on the number of officers and supervisors and the number of ranks, the bank study concludes that the degree of status orientation is substantially higher in Philippine than in American organizations.<sup>41</sup>

Philippine organizations as a rule rely on the threat of punishment as a mode of control. This stress on the stick rather than the carrot as a means of encouraging behavior that is consistent with organizational objectives is characteristic of social systems in societies with high authority orientations. A very large proportion of both private and public organizations in the Philippines (13 out of 20 Philippine sample organizations in the bank study) have officially sanctioned lists of punishments applicable to a whole range of offenses and rule infractions. Many have elaborate juridical procedures that range from the formal filing of charges to the final adjudication by the highest authority appropriate to each case. Not one of the American banks studied had such judicial procedures.

Table 3 provides a comparative summary description of American and Philippine commercial banks in terms of measures of some selected bureaucratic characteristics.

40. A student of Philippine public administration once expressed amazement over the proliferation of official positions in the government service, which includes such improbable titles as "special technical assistant to the vice-mayor."

41. Poblador's cement study cited in note 31, however, shows that the degree of status differentiation is considerably smaller in Philippine cement plants than in commercial banks.

**Table 3.** Bureaucratic characteristics of Philippine and American Commercial Banks

Bureaucratic Characteristics	Sample Means			
	Stratum 1		Stratum 2	
	Philippine banks	American banks	Philippine banks	American banks
1. Degree of formalization <sup>1</sup>	2.86 <sup>c</sup>	1.57 <sup>c</sup>	2.85 <sup>c</sup>	2.00 <sup>c</sup>
2. Search orientation <sup>2</sup>	3.78	0.44 <sup>a</sup>	3.55 <sup>a</sup>	0.25 <sup>a</sup>
3. Managerial autonomy <sup>3</sup>	.081 <sup>a</sup>	.672 <sup>a</sup>	.127 <sup>b</sup>	.534 <sup>b</sup>
4. Status orientation <sup>4</sup>	7.43 <sup>a</sup>	4.86 <sup>a</sup>	6.00 <sup>b</sup>	4.62 <sup>b</sup>
5. Punishment orientation <sup>5</sup>	0.71	0.00	0.62	0.00

1. Number of activities governed by written rules of a total of four.

2. Proportion of employees who devote at least one-fourth of their time to external data gathering.

3. Lending authority of the chief executive as a proportion of the maximum allowed.

4. This composite index is based on the number of officers and supervisors, and the number of ranks.

5. An index value of "1" was assigned to banks with formally prescribed punishments for various types of offenses, a value of "0" to those without.

Superscripts a, b, and c, indicate that the differences of means are significant, respectively, at better than the 0.5, 1.0, and 2.5 percent levels.

## EMERGING ORGANIZATIONAL PATTERNS

We began this paper with a brief summary of the societal background of Philippine organizations. This beginning seemed appropriate because we see organizational structure, motivation, and behavior as being influenced greatly by the social and cultural milieu in which they are found. Mainly because of this influence also, the different aspects of organization that we have reviewed are likely to remain unchanged for many years. For instance, the highly unequal distribution of monetary rewards and of power in organizations has been explained in terms of the small-group orientation of organizational participants. They may also be seen as part of, and paralleling, other inequalities in the larger Philippine society, e.g., the disparity between upper class and lower class, between landlord and tenant. These organizational patterns are unlikely to



change in a significant and enduring way without concomitant, if not prior, changes in the larger society itself. The authoritarian orientation both of superiors and subordinates in organizations is something generally associated with a host of societal variables, among them, child-training practices that stress obedience rather than self-reliance. The societal changes required are thus of such a magnitude that they are unlikely to take place overnight. Even after the societal changes have taken place, the so-called "cultural lag" — the time it takes for changes in one aspect of the society to effect changes in other aspects — may make further changes very slow.

However, the Philippines is a changing society. Analyses of social institutions and of the more common and measurable indices of change — population, urbanization, economic activity, monetization, education, and communication — show the dynamism of the society.<sup>42</sup>

We note the pressures for a shift in values among organizational participants — from personalistic, small-group-oriented values and motivations to others that are usually identified with modern industrialism. We have noted some of these as "deviant" values in organizational participants. We have likewise seen that attitudes stressing the "intrinsic" value of a job, attitudes considered important because they indicate high achievement orientation in the *individual*, have been expressed even by blue collar workers. In the future, these values are likely to receive more reinforcement, both from the changing society and from organizational arrangements themselves, as the search for the appropriate individual outlook in organizations continues.

In no area of Philippine society are the signs of change more visible than in the business and economic sphere. It has been observed, for example, that the markets for a number of consumer and industrial products have been expanding from metropolitan centers to the outlying areas of the country. Made possible by great

42. See, for instance, Thomas R. McHale, "The Philippine Society in Transition," in Frank H. Golay, ed., *The United States and the Philippines* (Englewood Cliffs, N.J.: Prentice-Hall, 1966), pp. 32-49; John J. Carroll et al., *Philippine Institutions* (Manila: Solidaridad Publishing House, 1970); Lim Yoon Lin, ed., *Trends in the Philippines* (Singapore: Singapore University Press, 1972); and "Population, Resources and Environment: Phase I Report," vol. 2 and vol. 4 (Development Academy of the Philippines, University of the Philippines School of Economics, and University of the Philippines Population Institute, 1975).

strides in the government's infrastructure development efforts and its programs for the regional dispersion of economic activity, this development has far-reaching consequences on the structural configuration and decision and communication processes, not only among business firms but among government and service organizations as well.

Significant changes in Philippine industry, finance, and commerce are taking place, inducing greater dynamism, complexity, and heterogeneity in the economy. As a consequence, organizations now face a more uncertain environment than the one they have been accustomed to. Under these conditions, survival requires the ability of organizations to respond readily to exigencies as they occur. Many reflective business leaders have at various times sounded the call for more professional management.<sup>43</sup> Change in this direction seems inevitable and, as earlier noted, Roxas in fact sees it as already in process. As this and attendant changes (e.g., increasing organizational size and complexity, greater public participation) become more prevalent, formal organizations may be expected to adopt less rigidly structured administrative hierarchies and less centralized decision-making processes.

Finally, through all these change processes, the imitation of Western models of organization will continue — just as the imitation of Japanese and other models will intrude as our relationship with industrialized nations other than the United States increase. Even so, the refinements on these models to make them suitably adapted to the Philippine social milieu at a given time will also continue. Thus, the model of the Philippine organization of the future will be a product of an evolutionary process, an interplay of indigenous and foreign elements. It will inevitably bear the marks of participation in the world-wide industrialization process; just as significantly it will have its own distinctive characteristics that will make it truly Filipino.

43. Washington Z. SyCip, "Address delivered to the Management Association of the Philippines," in J. B. M. Kassarian and R. A. Stringer, Jr. *Management of Men*, pp. 438–441; see also Roxas, "Christian Humanism for Our Time."