

MANAGING ETHNIC DIVERSITY IN A JAPANESE JOINT VENTURE IN MALAYSIA

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Abstract

This paper uses data from a longitudinal study of a Japanese joint venture in Malaysia to examine the management of ethnic diversity, especially in the context of religion. The transfer of Japanese style management to a multi-ethnic workforce was a complex exercise for the Japanese managers themselves, who were largely untrained and inexperienced in international management contexts. Due to the Malaysian government's New Economic Policy of 1971-1990, which emphasised development through export-oriented manufacturing, the Malaysian employees in the venture were largely first generation urban working class or new middle class, a situation in which they had not only to adapt to Japanese work ethics but also to the experience of employment in a modern organization. Malaysian society was subjected to a process of rapid social change under the NEP but traditional values and practices remained from the peasant and pre-industrial cultural base of its three ethnic groups, the Malays, Malaysian Chinese and Indians. I examine this complex reality by focusing on the experience of employment in the venture for the Malay Muslims, and juxtapose their system of Islamic values and work ethics with the Japanese values arising from the Japanese Management System which was substantially transferred to the venture.

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INTRODUCTION

This paper provides an ethnographic view of the management of ethnic diversity in a Japanese joint venture in Malaysia, and situates this in the context of the “Japanese management transfer” debate. It is based on my detailed and longitudinal anthropological case study of the company, spanning the 1976-1991 period (Smith 1994a).

The management of ethnic diversity has become a key concern in studies of management in the globalized economy. As religion is often the main indicator of ethnic difference, the implications of religious diversity in the workplace deserve increasing attention (Ettorre 1996), especially in international management. Moreover, Japanese firms overseas have provided a niche of research and publishing in cross-cultural management studies, due to the peculiarities of the Japanese Management System (JMS) and the fact that they have a high level presence of Japanese nationals staffing their overseas ventures (Sim 1986). Hence the Japanese expatriate manager/local manager and expatriate manager/local worker interfaces demonstrate particularly striking dynamics of cross-cultural management. However in the case of Malaysia, a multi-ethnic society, the situation is complexified by the presence of three distinct local cultural traditions among the local Malaysian managers and workers, that of the indigenous Malays, and of the members of the former immigrant communities, the Malaysian Chinese and the Tamils and other ethnic groups from India.¹

My aim, as an anthropologist, is to elucidate the cross-cultural aspects of the DFI process, aspects which are not easily quantifiable, but which nevertheless have major implications for the profitability of the venture as they profoundly affect employee productivity, skill levels (Smith 1988), commitment and hence long term HRM strategy. In order to have open a window into the complex reality of operating a Japanese manufacturing venture in multi-ethnic Malaysia, I focus in this paper on the Islamic identity of the majority of its employees and investigate what happens when two powerful belief systems, “Japanese management” and “Islam”, meet in the confines of one organization.

The qualitative data in this paper is organized around four central questions:

- (Q1) in what way does Islam provide a source of work ethics for Muslim employees?** I also ask:
- (Q2) to what degree was the Japanese management system (JMS) and its accompanying values transferred to the venture?** and hence:
- (Q3) how compatible were the Islamic work ethics with the Japanese work ethics embodied in the JMS and the daily discourse of the Japanese expatriate managers in the venture?**

The demands of the Islamic lifestyle were often in conflict with the demands of the Japanese organization over the non-working hours aspects of employees’ lives (Smith, Nyland and Adlina, 2001). Therefore it is also instructive to examine

¹ Among examples of plural societies, Malaysia shows an unusually balanced ethnic structure of two dominant groups, the Malays who make up 61.9% and the ethnic Chinese who make up 29.5%. As well there are 8.6% Malaysians of Indian ethnic origin. The Malays are Muslim, speak Bahasa Malaysia, the national language, or English, dress according to the Islamic codes which emphasize modesty and head coverings for women, and strictly avoid eating pork and alcohol. The Malaysian Chinese are Buddhist, Taoist or Christian, speak the national language, the Chinese dialect of their group, plus Mandarin, if they are Chinese educated, or English, if educated in the English language schools which existed from colonial days prior to the establishment of a universal system of Bahasa Malaysia education in 1976. Malaysian Chinese dress in western style, which, given the hot climate, does not overly emphasize covering up the body. Food preferences are predominantly for Chinese dishes, and one of the main meat ingredients is pork. Malaysian Indians are either Hindu or Christian, although the Sikh community follow their own religion. They speak Tamil, Punjabi or English as well as the national language. Food is predominantly curry, Indian in style, with beef avoided or complete vegetarianism, depending on caste membership for those who follow the Hindu faith. Indian women wear the sari or western style clothing, and emphasise modesty.

(Q4) how much priority Muslim employees gave to their Islamic faith over the demands of the organization?

The paper begins by describing the role of Japanese management in Malaysian economic development. I then briefly explain the place of work and employment within Islamic thought and outline the key aspects of Japanese management transfer and accommodation to Islam in the Japanese joint venture in Malaysia. I conclude by presenting case studies of the careers of key Muslim employees within the Japanese venture. The dilemma of balancing Islamic piety in daily life with the cosmopolitan norms of conduct within a multinational organization is sharply illustrated in this case material which provides many insights into the dynamic of ideal type values vs. pragmatism in organizational behaviour.

JAPANESE MANAGEMENT AND MALAYSIAN ECONOMIC DEVELOPMENT

Japanese direct foreign investment (DFI) was a key ingredient in the success of Malaysia's New Economic Policy (NEP) (1971-1990), which sought to eradicate poverty and restructure society by overcoming the identification of the ethnic groups in Malaysia's post-colonial plural society with certain occupations, that is, the Malays with peasant agriculture, the Chinese with urban commerce and the Indians with plantation labour (Shamsul 1997). Japanese investment provided capital, technology and management expertise for the rapid export-oriented industrialization policy which was central to these reforms.

From Japan's perspective, heavy investment in countries like Malaysia in the 1970s was a strategy for capturing local consumer markets and utilizing cheap labour, in a politically stable environment. However the process involved considerable cross-cultural conflict, as the large numbers of Japanese administrative and technical managers sent overseas in this era of DFI expansion were untrained and inexperienced in international management. Moreover, the local managers and shop-floor workers in countries like Malaysia were predominantly first-generation members of the new middle and new working class, experiencing their own cultural dislocation (Abdul Rahman 2001). The issue then becomes not only a question of transferring "Japanese management" overseas but also of transferring modern organizational roles into a work context dominated by peasant values. In the Malaysian case the various community, family and religious obligations of the three groups of local employees and managers, their gender identities and economic survival strategies, gave further complexity to the process of management for Japanese expatriate managers (Smith 1999).

The experience of the Japanese managers themselves is also important, as the success of these overseas enterprises depended heavily upon their efforts and personal adaptability to local conditions. Japan's high rate of DFI in the 1970s meant that Japanese parent companies needed to find expatriate administrative managers and technical staff overseas in great numbers to staff their new overseas ventures. Most of those sent had no background in international management or the cross-cultural literacy and experience needed for managing in a foreign cultural environment. They had no awareness of styles of management other than the Japanese way, nor of other types of union cultures in foreign societies. In fact many of them were still union members in the parent company, who were given the status of "manager" overseas. They based their management practices on what they knew from the workplace in Japan and innovated situationally to cope with local factors. This has been called the ad hoc or hybrid style of Japanese management transfer.

As the investing companies in the 1970s were large multinationals, and small to medium subcontractors had yet to follow them, the management system in the minds of the expatriate Japanese executives closely approximated the ideal stereotype referred to in the literature as "The Three Pillars" – lifetime employment, a seniority principle in wage structures and promotions, and enterprise unionism. This system, with its accompanying work ethics of loyalty, efficiency, reliability, multi-skilling, cooperation through teamwork and information sharing, self-reflection and innovation, was seen as the main reason behind the spectacular success of the Japanese economy in the 1960s, 1970s and 1980s. Although the union system in Malaysia at the time, industrial unionism with collective bargaining and a bar-to-bar wage structure, precluded the application of the seniority principles, Japanese managers nevertheless still set up an internal labour market situation typical of the lifetime employment aspect of the Three Pillars, and expected the levels of dedication and productivity from workers and local managers which were typical of employees in Japan itself. (Smith,

1994a) Malaysian policy makers too, saw positive aspects of the JMS, which had become a best-selling theme in the popular management literature since the 1970s. The Look East Policy of 1981, along with its aim to develop the skills of the Malaysian labour force by sending young people to Japan to complete undergraduate courses and company employees to the Japanese parent companies for technical education, contained the recommendation that the Malaysian labour market should embrace Japanese work ethics (Machado, 1987).

Even more significant than the mere transfer of management practices and values, is the perspective that this joint venture in the newly industrialized Malaysian economy was a melting pot of powerful value orientations derived from the traditional cultures of the multi-ethnic Malaysian workforce (Asma 2001), many of whom were first generation urban residents, industrial workers and middle class professionals. This was especially true for the majority or employees who were Malay Muslims, and whose Islamic beliefs are the primary frame of reference for their daily lives. Even though Islamic work ethics are overlapping or highly compatible with Japanese work ethics, in terms of loyalty in prioritising aspects of daily life and career strategies, Muslim employees were observed to give their primary allegiance to their Islamic duties and values as the case material below demonstrates. The context of a foreign venture highlights the dynamic tension between the ideal and the real that may be created when foreign managers place the demands of the modern organization upon Islamic employees without thought of how these may conflict with the employees' religious obligations, especially the five daily prayers, the fasting during the lunar month of Ramadan, the pilgrimage to Mecca and the prohibition on consuming pork and alcohol. That the Muslim identity of employees can become an issue of significance to firms was highlighted in 1999 when two senior expatriate managers of a large multinational company were threatened with deportation from Malaysia after allegations that, without consulting the union, they had extended working hours on the basis that Muslims were taking extra time off work to attend Friday prayers, cut pay by 10% in response to supposed time lost for Muslim workers' religious observances, and changed holiday schedules for publicly gazetted religious festivals (See *The Age*, Tuesday 16 Feb 1999).

ISLAM AND WORK

Islam arose as a system of daily spiritual practice at the community level after the Prophet Mohamed, who lived in what is now Saudi Arabia in the sixth century A.D., received divine revelations, which are recorded, unmodified, in the holy book of Islam, the *Qur'an*. This sacred text delineates codes for human behaviour, at both individual and social levels, reinforced by records of the way the Prophet Mohamed conducted himself in daily life, the *Hadith* or *Sunna*. Hence the behaviour of Muslims, from the most basic survival actions, like procreation, eating, washing, etc, to the attitudinal and moral basis of social interaction, is codified in minute detail. Adherence to these practices, some obligatory, others discretionary, is strongly emphasized in daily life to promote individual communion with God, *Allah*, and harmonious relations with others in the community, which is also seen as a way of experiencing the divine. Hence in Islam, daily social life becomes spiritual practice, and the community of Muslims takes on a sacred quality transcending mere secular concerns.

There are five fundamentals of the Islamic faith: belief in one God, *Allah*; performing the ritual prayers five times a day at the designated times; fasting during the lunar month of *Ramadan* between first light and sunset; annual payment of the *zakat*, a religious tax to be used as alms; and performing the *haj*, the pilgrimage to Mecca, once in a lifetime for those Muslims financially able to do so. The performance of the five ritual prayers daily makes the average Muslim's life one of spiritual preoccupation and the fact that *Allah* should be remembered before performing any act, with the silent recitation of the statement, *Bismillah-Rahma-nir Rahim* (In the Name of *Allah*, the Beneficent, the Merciful), reinforces the attitude that the world and its activities, human beings and human relations, are part of a spiritual system.

Hence the performance of work is seen as a way of worshiping God and making spiritual progress (Bazargan, 1980) and no task is too lowly for this to be the case (Khalil-ur-Rehman, 1995, p.8). Moreover, as in Islam, one's spiritual development takes place in the context of daily social relations, the community (*ummah*) of Muslims is the only context for religious practice, as opposed to the seclusion or monasticism of other spiritual traditions (Q1). Thus Muslims have a moral obligation to work rather than become a burden

on the community. While high value is placed on diligence (Q1, Q3) at the same time, individual striving for profit and affluence, intrinsic to the capitalist system, is seen as antithetical to Islam, which offers a detailed system of distribution within the community, based on principles of equality and fairness (Anjum, 1995). This mirrors the lack of distinction between private and social action in Islam and the secular and spiritual aspects of work. Thus the annual payment of *zakat*, a religious tax of one's wealth to be used as alms for poorer members of the community, is one of the five pillars of Islam. Some economic inequality is tolerated in the society, to promote striving and the development of skills (Khalil-ur-Rehman, 1995, p.100; see also Faruqi and Banna, 1984, pp.15-16), but this is tempered by the underlying principle of moderation and equality of opportunity in augmenting one's wealth. The overall sanction against amassing too much wealth is that, if one is devoting so much time to it that one neglects one's daily prayers and community obligations, then this is excessive (Q4). Similarly, the relationship between employer and employee is conceptualised as one of cooperation and siblinghood – employers are obligated to look after the welfare of their workers, give them safe working conditions and just compensation for their labour – employees are obligated to perform the work with due diligence and treat the job as if it were for their own enterprise (Q3) (Khalil-ur-Rehman, 1995, p.165). Thus, if they are pious in their observance of the faith, Muslim workers would ideally have a deep sense of commitment to work, a desire to improve community and societal welfare, and be creative, cooperative and loyal to their employer and the organization (Q1, Q3) (Ali, 1988 & 1992; Abu-Saad, 1998. See also Smith, Nyland and Adlina, 2001)

However, these ideas and concepts are ideal types operating in an exclusively Islamic community context. It is important to see how they manifest in a foreign business organization, where the employers are non-Muslim and moreover, where many co-workers are non-Muslim also. I now discuss the social reality of Islam in Malaysia and in the Japanese Malaysian venture.

Islam is the official religion of Malaysia, but it is not an Islamic State. Freedom of religion is provided under the Constitution and while there are many cases of conversion to Islam, it is the norm that Muslims do not convert to other faiths. When the fourth Prime Minister of Malaysia, Dr Mahathir, came into office in 1981 he began a series of campaigns to bring about awareness amongst the Malays that jobs, which were seen primarily as a source of status and money, were in fact equivalent and equitable to work in the spiritual sense. These campaigns involved publications, seminars, religious sermons, external and in-house training, mass advertisements and posters in offices as well as employee performance and innovation awards. Official opening ceremonies by Dr Mahathir and other Ministers also included speeches on Islamic work identity.

IROHA (M) BERHAD – A JAPANESE JOINT VENTURE IN MALAYSIA

Let us now examine actual case material on the interplay of Islamic values and Japanese work ethics in the Japanese joint venture in Kuala Lumpur which I call Iroha (M) Berhad (a pseudonym). The company was established in the 1960s and was one of the earliest Japanese manufacturing companies in Malaysia. Though it predates the Look East Policy, the company had grappled with the issue of integrating Japanese work culture and the Islamic values of the majority of its employees for many years. The parent company in Japan has many ventures throughout Asia and the west. Although Iroha (M)'s top posts are filled by expatriate Japanese, local managers are present at all managerial levels in the organization. Many of them were recruited in the 1960s and, due to the Japanese policy of 'Lifetime employment' and a seniority system in promotions, these early recruits now fill the top senior local posts of Production Manager, Engineering Manager, Human Resource Manager and so on (Q2). As was typical of companies in the 60s and 70s, supervisory and management positions were top heavy with Malaysian Chinese managers, but as tertiary education opportunities, especially in engineering and the sciences, became available to Malays from the rural areas under the NEP affirmative action policies, the company recruited Malay graduates into the lower managerial ranks and promoted existing junior Malay managers to senior positions, in order to fulfil the government requirements under the Industrial Coordination Act of 1974, that population percentages of the three ethnic groups be reflected in the ethnic breakdown of employees at all levels of the organization. These promotions put pressure on the relatively young and inexperienced Malay graduates, who had to cope with ethnic rivalries, jealous accusations and also the demands of their own families and community to fulfil their kinship and religious obligations while leading busy professional middle class lives. Hence the

examination of their work ethics in the context of their careers in a Japanese company reveals the importance of their religious identities in the context of rapid social change (Q4).

The Japanese managers in Malaysia were not able to implement the wage structures used in Japan due to limitations arising from the local union culture. They did set up an internal labour market situation, developing the skills of existing employees and promoting internally to fill vacancies rather than recruiting from outside, except when special expertise was needed (Smith, 1994a). They attempted to instill Japanese work ethics through personal example values that were shared by the Japanese managers and Chinese staff but less easily adopted by Malays. In the case of the latter, primary loyalties were still towards the family and the religious community, though the Islam-based values of '*cekap, amanah dan bersih*' (efficient, trustworthy and clean) which were advocated as slogans for public service employees, created a general awareness in the wider society and reinforced the meaning of the Japanese work ethics in private companies as well (Q2, Q4).

Sixty percent of the employees of Iroha(M) were Malay Muslims. The population percentages of the three major ethnic groups in Malaysia, Malays, Chinese and Indians, were mirrored in the ethnic breakdown of the workforce although there was a slight loading of Chinese at the managerial level where numbers of Malays and Chinese were equal. The company recognized the need of the majority of its employees to practise their Islamic faith in the commonly accepted ways for firms in the region. Three of the five Muslim Pillars of Faith, five daily prayers, including Friday prayers' attendance at the mosque for men, fasting during *Ramadan* and the pilgrimage to Mecca, were issues which impinged on the employer-employee relationship. Other issues such as dress codes and food taboos also affected company policies.

Daily Prayers: A small *surau* (place of prayer smaller than a mosque) was built near the security buildings near the entrance to the factory. In this case, as with many companies, it was a small room, kept clean and used exclusively for the five daily prayers which are mandatory for Muslims. **Friday Prayers:** As is customary in Malaysia, the company had a longer lunch break on Fridays, from 12.15 to 2.45, to enable the male Muslim employees to attend the nearby mosque to perform the mandatory Friday prayers. However, here a compromise was evident as production involved a continuous chemical process and some staff had to be present at all times to regulate the machines. So attendance at Friday prayers was on a roster basis and not all the male Malay employees attended every week. **Fasting during the month of Ramadan:** Fasting involves not eating or drinking from first light, around 5.30 am, until sunset, around 7.30pm. This is very physically demanding in the tropical heat, yet Muslims find it relatively easy due to the grace of *Allah* and the community *esprit de corps* which is generated at this time. For a Muslim to eat or drink openly in public during the hours of fasting is prosecutable by the religious authorities. Malay employees therefore fasted at the workplace, except for some manual workers who, for instance, were carrying heavy loads in the tropical sun and found it impossible to do so. Fasting did make people sleepy during the day and slow them down in their job performance. The Japanese expatriate managers had no choice but to tolerate the state of their employees during fasting month. Indeed it was a symbol of the discipline and resolve of the Malay employees, characteristics which are highly prized in Japan, but the Japanese saw it rather as a potential hindrance to productivity and something which distinguished the Malays as "different" from other employees (Q3, Q4). **Pilgrimage to Mecca:** It is obligatory for Muslims to make the pilgrimage to Mecca (*haj*) once in their lifetime, if they can afford to do so. The Malaysian institution of *Tabung Haji* (Pilgrims' Fund) makes it possible to perform the pilgrimage for a total outlay of MYR 7,000, an amount accessible to waged workers if they save carefully. It takes about one and a half months to carry out all the elements of the pilgrimage in Mecca, Medina and other locations. Hence employees usually take around 44 days annual leave. Thus they need to accumulate around two to three year's annual leave in order to be away from the job for such a long period of time. With the Islamic revival of recent years more young couples are performing the *haj*, although it would still be difficult for those of the working class to do so. The company was reluctant to grant leave of absence to employees for such a long period of time, as it would mean temporarily promoting subordinates into "acting" roles to replace supervisors and managers. However, it was very difficult for the company to refuse leave for this purpose, despite the fact that in Japan itself, employees voluntarily take only very short holidays of not more than 5 days, in order not to inconvenience their work groups. The performance of the *haj* was a very strong goal for Muslim employees who could afford it and possible negative impact upon their careers did not deter them (Q4). **Eating and drinking together:** On the whole, social interaction between the Japanese and the local managers was based on

formalized invitations in the context of company business or the ritual yearly events of the Malaysian cultural calendar, such as the festival days. The fact that Malay managers could not drink alcohol, an essential ingredient of male socializing in Japanese and Chinese culture, made social interaction for business reasons very complicated. Malays would feel uncomfortable at a venue where alcohol was openly consumed and Japanese and Chinese managers would not enjoy an occasion where only soft drink was available. Hence the organization had to find contexts where all present would enjoy themselves. One solution was to have informal lunches at the local Kentucky Fried Chicken outlet. Evenings were trickier. In the 1970s there was an annual ten-pin-bowling night for the local and Japanese managers, a very middle-class activity at that time. Afterwards they went for dinner at a *halal* Chinese restaurant, where those non-Malay managers who wished to drink alcohol could order beer, but at least the Chinese food was prepared in a way that was acceptable to Malays under the Muslim dietary rules.

Because of the prohibitions on consuming pork and alcohol for Malays, the local senior managers only got together for eating and drinking on the occasion of a work-related event (Q4), for instance, a dinner in the general manager's house, or when entertaining a former Japanese expatriate manager who was passing through Kuala Lumpur, and so on. On such occasions *halal* Chinese restaurants in the large hotels - increasingly patronised by the Malay middle class - or other restaurants associated with Japanese, French or other national cuisines would be chosen. The managers did visit each other's homes for the 'open house' gatherings (see Armstrong, 1988) of their respective festival days, Chinese New Year, Deepavali, Hari Raya, Christmas and so on. To do so was not merely an expression of friendship, but a mandatory demonstration of respect for a work colleague. Non-Malays went to great trouble on their festival days to purchase ingredients which would be acceptable to their Muslim friends, for instance, correctly slaughtered (*halal*) chicken, from the Malay section of the market. Thus Malay colleagues were able to visit the open-house gatherings of non-Malays on their religious festival days. At Chinese New Year, Chinese would need to have alcohol ready to welcome their Chinese friends, but the Malays accept the serving of alcohol in this context, in the same way that Malays would serve beef *rendang* at their Hari Raya festivities and this would be tolerated by Indian friends visiting their homes. **Dress:** The company uniform did not pose any problems for Muslim males, for whom it is only mandatory to be clothed from waist to knees. Muslim women however must cover themselves from ankles and wrists, and also their neck and hair completely, if strictly adhering to the Islamic dress codes. Malay women in the company were allowed to wear their style of dress freely. The female packers had a uniform, but this was modified in the case of the Malays. A special cap was worn for hygienic reasons but this could be made to cover the hair anyway. **Religious holidays:** All major religious holidays for all the major religious groups in Malaysia are gazetted public holidays, so this was not a problem for the Muslim employees. The company conducted its annual shutdown for the repairing and servicing of the machines at the time of the Hari Raya festival, the major religious festival for Muslims, which follows the fasting month. At this time, Malays take about two weeks holiday and return to their villages. It was remarked that the engineering department, who conducted the repairs, etc, was mainly composed of Chinese, precisely because they would be available during the Hari Raya shutdown period. It was no coincidence that the Engineering Manager was always a Chinese for this reason also. Thus religious factors were accommodated in the structure of the organization (Ettorre 1996).

Thus we see that organizationally there was very little discrimination against Muslim employees; rather the mood was one of accommodation on the part of the Japanese. (Q2) However, this was more a result of conforming to wider social norms, rather than an active appreciation of the Islamic lifestyle. Individually, and at an informal level, it could be said that Muslim employees suffered a slight handicap in their career advancement through factors like not being able to socialize freely with the Japanese, or having wider community and religious loyalties which conflicted with loyalty to the company, in terms of the way they allocated their daily time (Q4). But the *bumiputra* (pro-Malay affirmative action) policies inherent in the NEP counteracted this, in the sense that companies had to give priority to Malays in recruitment and promotion, in order to fulfil the guidelines of the ICA.

CASE STUDIES

This section contains case material (see Smith 1995) of three Malay Muslim employees of Iroha(M) who attained the status of manager through different routes. All were pious Muslims in their individual ways and their approach to Islam and their traditional family and community obligations tempered the way each interpreted and internalized features of the Japanese management model as shown by their approaches to work and their career paths in the Japanese enterprise.

Case 1: Sanusi – Member of the ‘Old Guard’

Sanusi, one of the 'old guard' recruited in the 1960s, was in the production side until the early 1970s, after which he was moved to personnel and administrative roles. He became personnel manager in the late 1970s, and by the early 1990s had become personnel and general affairs manager, and a director of the company. Sanusi's father was an English-educated bureaucrat, giving the family a footing into the old middle class. As is the case with such families, Sanusi's wife stayed at home, a sign of their affluence. They lived in a middle-class area of Petaling Jaya, adjacent to Kuala Lumpur. Sanusi sent one of his sons overseas for tertiary education.

Unlike the new middle class, where it is common for both husband and wife to have professional jobs, and to be concerned with maximising only the interests of the nuclear family, Sanusi's concern extended more widely. He was careful to fulfil the traditional obligations of rural peasant society in taking care of a wider circle of kin and community members. This is coterminous with the Islamic ethos of not separating work and community roles (Q1). Thus, when new employees were needed, the company advertised internally for friends or relatives of existing employees, as is the practice in Malaysia. Sanusi recruited many relatives and other residents of his native village. He was close to most of the veteran workers, in the older village-style patron-client sense, and went out of his way to assist them in various ways. For instance, a Malay worker asked the company - through Sanusi, in the latter's capacity as personnel manager - for a loan to purchase a motorcycle. Sanusi's Japanese superior refused the request, so rather than pass on a flat refusal, Sanusi lent the worker money out of his own pocket. This was both to save face personally, and to smooth over relations between workers and the Japanese management because Sanusi knew that the latter did not understand workers' real needs. Over the years Sanusi made personal loans to many workers, which were quite unrecoverable, and in this way personally diffused dissatisfaction with the Japanese management's policies. But the Japanese did not observe these activities and gave him no credit. Rather, the Japanese were more impressed by the behaviour of some of the Chinese managers who always stayed back late at work and was seen to be busy on the job. But these managers did not establish personal links with workers outside of the factory context, and conformed more to the established middle-class mode of behaviour which preserves class and status differences. Ironically, Sanusi's personal patronage was a pre-modern, face-to-face version of the institutionalised patronage, or 'welfare corporatism' (Dore 1973) listed as a major characteristic of the JMS (Q3).

Sanusi's career in the Japanese company had generally served him well, while not making him extremely wealthy. It provided him and his family with security and a comfortable middle-class lifestyle. In the Japanese management system of the time, there was no likelihood that talented juniors would leapfrog over him (Q2). Though Sanusi displayed managerial skills based on village-style patron-client ties, he also showed a degree of Japanese-style' loyalty to the company; as a *bumiputera* manager, he could have moved to another foreign company quite easily, but did not. Instead he had used the context of the Japanese company, where he had recognition and influence, to foster the interests of the workers and those from his community of origin whom he was able to help. As a Muslim, he was not ostentatious in his piety but he nevertheless embodied the principles of Islam, making an adequate, comfortable living for himself and his family through his own efforts, while helping those around him as much as he could, rather than seeking to maximize his own career interests alone (Q1, Q4).

Case 2: Rahman – NEP graduate to manager

The first new top-management candidate to be recruited after the old guard was an NEP Malay science graduate, Rahman. He was appointed section chief in the technical department in the mid 1970s, several

years after the position had been left vacant. Rahman was being groomed for a manager's post after the Japanese were to leave in 1980, before the Look East Policy (LEP) reversed the 'nationalisation of top management' policy of the first decade of the NEP.

In the 1980s, as the NEP incentives for Malays to enter business brought concrete results, a business ethic emerged which overtook the old Malay world-view that jobs in the civil service had the most prestige. Making money for its own sake and acquiring status through the possession of certain material goods - like European cars, renovated houses and elaborate furniture - became legitimate goals for Malays in the latter half of the NEP era (Smith 1999). Not only did Prime Minister Mahathir introduce the LEP as a source of work ethics, but he also introduced the 'Look to Islam' campaigns which linked 'productivity and piety', and extolled success in business, as long as it did not involve cheating people or usury. This shows that at the level of national policy, the Japanese and Islamic work ethics were perceived as having no incompatibility (Q3). The first wife of the Prophet Mohamed, Khadijah, a wealthy and successful businesswoman, was quoted as a role model. However, the Japanese managers failed to convert the primary loyalty of Malay managers to the *kampung*, the family and Islam into loyalty to the firm, as had been more possible in the case of most Chinese. The firm was large, its market position was very secure and its remuneration of local executives was reasonable, so Malay managers did stay, and to a certain extent were influenced by the lifetime employment aspect of the corporate culture. But the case of Rahman illustrates a common pattern: it was his relatives' perception of the company as a good long-term economic prospect that caused him to stay, rather than an intrinsic loyalty to the firm. His loyalty as a member of the new Malay middle class lay elsewhere, particularly towards Islam. The following case demonstrates this (Q4).

In the late 1980s, when he was about to be promoted to one of the most senior roles for local managers, upon the retirement of one of the old guard from the post, Rahman asked for two months' leave to perform the *haj*, or pilgrimage to Mecca, one of the five pillars of Islam and mandatory for all Muslims who are able to do so in terms of health and wealth. But the management refused to give Rahman the leave because the Japanese had made a policy not to give leave longer than fourteen days at a stretch. They said that if they could do without him for two months, the time taken for the trip to Mecca, then they could do without him for good. However, the Japanese were not able to refuse his request, as it would have become a sensitive issue under the pro-Malay, pro-Islam mood of the NEP. Rahman performed the *haj* and was away for over two months, without being dismissed.

For Rahman, performing the *haj* involved choosing between identity and productivity. He felt that he needed to make the pilgrimage to get respect from people in his community. As he came from a pious family and had always been pious in his outward presentation of self, there would have been pressure on him to perform the *haj* once his income made it possible for him to do so. As he explained to me, family and friends would have questioned his religious devotion had he, for instance, purchased an expensive car before making the pilgrimage.

Upon his return to Iroha (M), Rahman wore his white *haji* skull-cap to work. Despite his absence, he was soon promoted to deputy manager status and became the first NEP graduate to achieve this level of seniority. He was recently promoted to Factory Manager. While his dedication to his work at Iroha was considerable, maintaining a stronger loyalty to his religious beliefs was a priority for Rahman. Nevertheless, he still reaped the benefits of the Japanese system in his career, because the Japanese valued his personal qualities which were, after all, intimately bound up with his religious approach to life (Q3).

Case 3: Ridzuan – a Manager Promoted from the Ranks

Ridzuan became an assistant section chief largely due to Sanusi's influence. Sanusi managed to have him shifted to Administration in the early 1980s as a security officer, to be in charge of security, which was under Sanusi's jurisdiction. This phenomenon of transferring staff around the organization to quite unrelated areas, especially when it involves deploying a person whose talents have reached a ceiling, to a less demanding role, is common in Japanese management due to the lifetime employment informal contract (Q3). Sanusi foresaw the policy of recruiting many new NEP graduates and realized that the veteran unit chiefs who had no tertiary qualifications would not be made section chiefs within this policy to upgrade the educational standing of management.

Experience in security matters was valuable in terms of his later career, as on that basis, Ridzuan could always get a job in another company.

Ridzuan's case is one of the most interesting in the company. In the early days of his employment as a union level employee, he had been a successful union leader at the national level. However he was soon promoted to unit chief level, the lowest rung of management. It is typical of companies in Japan to promote union leaders (Q2). This is not so incongruous in an enterprise union context. Union leaders are evaluated for their demonstrated leadership potential and also they are seen as good potential managers as they understand the minds of the workers and labour matters very well. Ridzuan received a \$100 a month pay rise through this promotion, a very substantial rise at the time. He said it was most welcome as his wife had just had their second child and his father in law was helping him to buy a house (a small single storey bungalow) in a new middle class housing estate on the outskirts of Kuala Lumpur.

Ridzuan had become deputy secretary of the works committee in the company when one of the other leaders, a Malay, got a job outside the company and resigned. This was half way through the first collective agreement negotiations in the mid-70s. He said that at the time he was respected by both his fellow workers and by management and although he supported the union, he was worried to become a union official: "If I come to the union, I may lose my good name. I just want to have a peaceful life, rest, enough food and money. But I didn't see anyone else who could do the job".

This is a typical statement of a Malay of that era, and has overtones of the wish to live a pious life with priority given to one's religious duties (Asma 2001, Westwood and Everett 1995). That is, one should accept one's station in life, so long as it is adequate to live with a reasonable degree of comfort and security for the family, and not be greedy and spend time and energy to attain possessions over and above a reasonable level. (Q1) This attitude has been blamed for the economic backwardness of the Malays, who, although having been repressed through economic and educational policies during colonial times, nevertheless had a life in the *kampung* based on the abundance of agricultural products in the tropical environment and the rearing of their own livestock, which provided for their basis subsistence needs and gave them ample time for religious observances.

After the promotion, Ridzuan went on to be a popular junior manager, and his career was nurtured by Sanusi. He was moved from security to public relations under the new manager, Mohamed Othman, for a time and came under his patronage also. The two played golf together at a budget golf club with nine holes. Ridzuan aspired to a middle-class lifestyle, but his income was not yet sufficient to participate in the truly middle class lifestyle of buying imported goods and having membership in the mainstream golf clubs. (Abdul Rahman 2001)

Ridzuan was caught between the generations, a phenomenon experienced by all educated Malays in the NEP era. He had respect for the opinions of his family regarding his career, and he had the simplicity of life values of the pious, but not fundamentalist, Malays of the old *kampung* society. He was a pillar of the prayer group in his neighbourhood and tried to avoid work engagements which conflicted with the timing of the after-sunset prayers, considered by some to be the most important prayers of the day (Q4). As with many of the Malays of his generation, Ridzuan was touched by the new middle class consumerist values of fast food outlets, shopping complexes and golf clubs. On top of this, he had internalized the Japanese value of hard work in concert with the Islamic value of prospering through one's own efforts (Q4) (Faridi, 1997, p.87).

CONCLUSION

The Japanese Management model was brought to the venture by the first wave of Japanese expatriate managers in the 1960s and 70s, who had no alternative models of management in their minds. They were able to implement a lifetime employment/internal labour market system for local managers and workers and, even when forced to recruit in the 1980s many new graduates who were more skilled and capable than the earlier recruits, they were careful to find a place for the older members, even if it involved transfers to newly created departments which were not so strategically important, such as "Factory Environment" (Q2).

Even though all the factors operating within the logical system called the Three Pillars in Japan were not present in the Malaysian venture, the Japanese managers, through their statements, work practices, study

sessions and personal mentoring of local managers and employees, managed to create a semblance of the Japanese model at Iroha (M). Even though not all employees conformed to the Japanese managers' expectations of hard work, they all knew what those expectations were and described it to me in interviews. Those who had been to Japan as technical trainees, an average of two employees per year, were genuinely in awe of the dedication of Japanese workers in the parent company. Thus the model had a powerful presence in the minds of both the Japanese expatriates and the local employees, and this was reinforced by the advent of the Look East Policy and the widespread existence of Japanese home appliances, automobiles, and popular cultural forms in Malaysian consumer society since the 1970s (Smith, 1994b) (Q2).

Local employees welcomed the degree of stability of the Japanese management system and, to varying degrees, gave loyalty and dedicated service in turn. We have seen in the case material however, that Muslim employees adopted different strategies for fulfilling their obligations to the company and to the wider community. For Muslim employees, Islam was the central point of reference for their identity and also the major frame of reference from which they derived values and modes of action in daily life, including at work (Q1). This is shown by the fact that they gave priority to their wider family and community roles as Muslims, rather than their role as employees of the Japanese company, when it came to making decisions about daily life or about their careers (Q4).

The work ethics derived from Islam are highly compatible with the Japanese work ethics which Japanese managers attempted to transfer to the Malaysian venture; honesty, diligence, loyalty, these all had a central place in both value systems. The fact that government campaigns such as the Look East Policy and the Productivity and Piety campaign existed concurrently attests to this (Q3). However difference lay in the fact that the Islamic system saw work as merely one way in which human beings expressed their spirituality, whereas the Japanese work ethics were successful in locating an individual's loyalty and efforts within the bounds of the organization, rather than in the context of a higher spiritual state of existence. Moreover the system also diverted these away from the family and the wider community in the first instance. But the Muslim employees in my case studies were able to fulfil their obligations to God and the wider community of Muslims in their urban neighbourhoods and villages of origin while working in the Japanese organization by not giving priority to organizational demands over their identity as Muslims. They participated in a complex set of social relationships, exacerbated by the state of rapid social change during the NEP. They fulfilled their traditional kinship and community obligations and at the same time, the demands of a busy professional working life and middle-class lifestyle. Despite their primary loyalty to their Islamic identity (Q4), they nevertheless achieved success in the Japanese organization precisely because of those personal qualities which were part of their Muslim personae.

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