
Sentosa Engineering – Managing in an eastern culture

Dolores Thompson Yong

The increasing internationalisation of business has led to considerable interest in the extent to which the Western assumptions underlying organisational design and managerial styles can be applied in different cultures. Such issues as communication and management control are particularly significant where employee attitudes to work are different to those on which much organisational behaviour material is based.

This case examines a number of organisational issues arising from rapid industrialisation in Singapore in a company employing a multi-ethnic workforce. It provides the opportunity to examine the problems faced in formalising organisation structures in a climate of rapid expansion. These issues are considered in the context of a multicultural interplay between Western and Eastern attitudes which accentuate a number of human relations problems.

BACKGROUND

Ship-repairing is a profitable activity for Singapore due to its strategic position and the fact that there are no other major ports in the vicinity offering major repair facilities to ships taking the long journey via South Africa to countries in the Pacific Basin.

Sentosa Shipyard handles the repair of all large vessels including warships and, by local standards, is a large company with 3,000 employees on a permanent basis. It is located in an isolated part of the island and there are a number of buildings on the site used for different aspects of the company's work. A common building houses the three catering facilities and, as the shipyard is located in a remote part of the island, staff from all levels inside the organisation make use of them. Manual employees are provided with a self-service canteen offering different types of local food. Middle

management and clerical staff use the second canteen which also serves local food. The directors and guests have a restaurant with a luxurious decor where both local and Western food are served. The division of halls is such that users of each canteen can view the others through glass doors.

Sentosa Engineering, the focus of this case, is a subsidiary of Sentosa Shipyard and occupies buildings within the shipyard. It was set up two years ago in response to oil being found in neighbouring Indonesia and other nearby countries. These countries lack the facilities for the construction and installation of equipment for oil-drilling and it was believed that the expertise already existing in the company could be used to exploit this new market opportunity. The company has extended its range of products to include the building of dry docks.

The company is involved in diverse work of short duration, lasting up to six months. Such construction activities, for example, the fabrication of a pressure vessel, are carried out in fabrication workshops and are supervised by a foreman. A middle manager monitors progress closely and supplies technical expertise when needed. Alongside this work there are projects of a longer duration, typically one year in length, which comprise the majority of the company's work. These can involve a diversity of skills and are normally sub-contracted to external agencies who bring in their own employees to work on the project. This work is supervised by a team from the engineering company and, by the nature of the contracts, can generate very high profits for Sentosa Engineering.

It is a common practice for companies in developing countries who lack sufficient technical and/or managerial expertise to 'buy in' such skills through the employment of staff from developed Western countries. The employment of 'expatriate' staff at Sentosa is arranged through Lloyds Shipyard (UK) Ltd, a company with considerable experience in ship-repairing in the UK. It is associated with Sentosa Shipyard as a managing agent to supply specialist personnel as and when necessary. When Sentosa Engineering was established a similar arrangement for the supply of managerial and technical staff to the subsidiary was utilised. However, where those from the indigenous population can occupy such positions it is policy to have local personnel employed in these jobs. Lloyds' personnel are recruited under 'expatriate' conditions which can mean benefits amounting to three times the equivalent salary of local personnel. Such benefits include annual paid home-leave, air-passages for family, private schooling for children etc. The proportion of 'expatriate' personnel holding middle and senior management positions amounts to about one-third of the total.

Sentosa Engineering shares a number of facilities with the shipyard, including the catering provisions. It is also still in the process of devising its own systems for dealing with paperwork, including invoicing and payments. There is, as yet, no formal control system to predict costs. While orders are increasing the company is not clear on its profit margin on work

undertaken. It is estimated that this may be as low as 4 per cent of turnover. Without any formal system for costing, the company's policy is to bid for contracts on the basis of fixed materials costs and to add on a percentage to cover labour and profit. However, since it has to pay 15 per cent materials handling costs to the shipyard some of its potential profits are being diverted to the parent company rather than being retained within the subsidiary.

As the organisation chart in figure 2.1 shows, Sentosa Shipyard's senior personnel comprises the managing director, the financial director and the personnel director who are also the senior executives of the engineering company. The personnel department of the shipyard has full responsibility for all matters related to staffing within Sentosa Engineering. As it is only in matters relating to work operations that the engineering company is autonomous it effectively operates as a sub-department of the shipyard adopting its overall policies and objectives. Both the shipyard and the engineering company come under the auspices of a board on which prominent local citizens serve.

The managing director of the Sentosa Shipyard is Norman Hodgson, an engineer by training from the North of England. He has overall responsibility for Sentosa Engineering and takes an active interest in all matters within the engineering company.

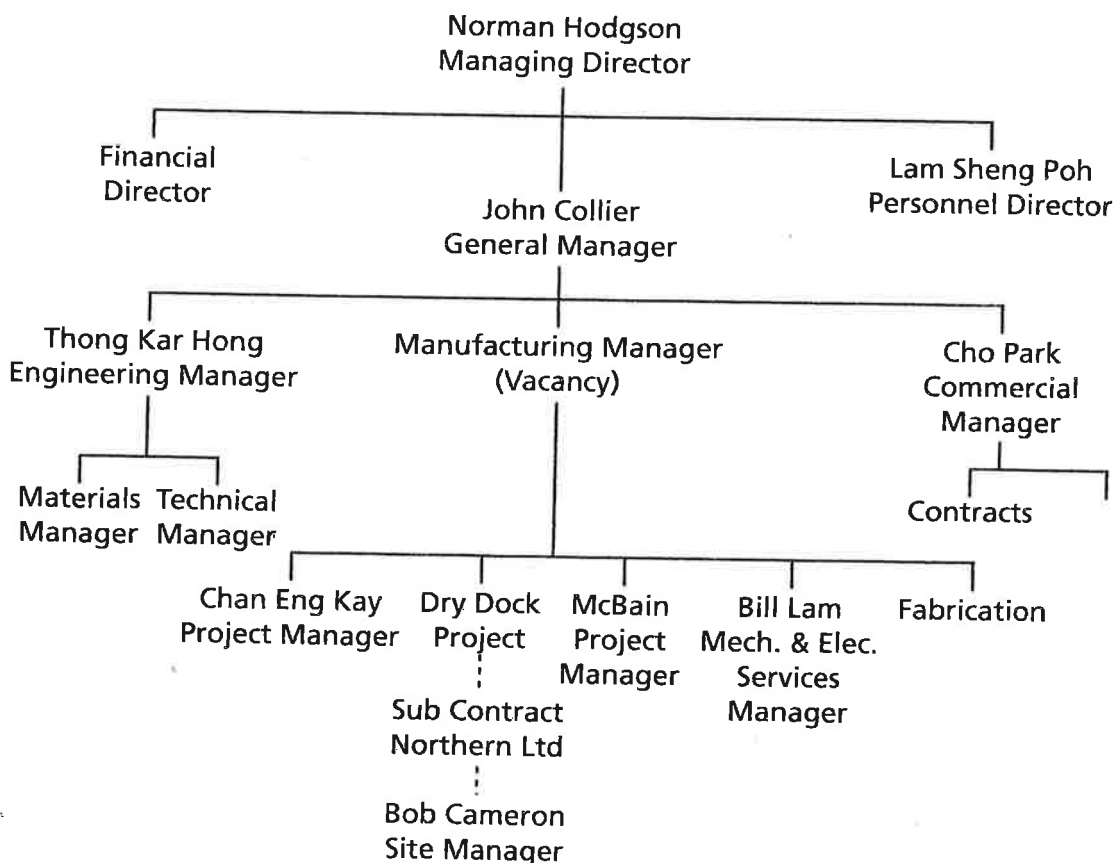


Fig 2.1 Sentosa Engineering: outline organisation structure

When the shipyard proposed the creation of Sentosa Engineering, John Collier, a middle manager at the shipyard with experience in this field, participated extensively in the plans. Subsequently the board decided to appoint him to head up the new organisation with the title of General Manager of Sentosa Engineering. Collier exercises complete autonomy in the production and project management of the company. He is responsible for the financial profitability of the company although expenditure accounts come under the auspices of the main shipyard. While the engineering company draws its expenditure funds from the shipyard's financial department, it bears responsibility for its own profits.

John Collier's management team is recruited by the personnel department of the shipyard. As the nature of most projects is such that shop-floor labour would be employed by outside contractors who bid for tenders, the only section that the general manager closely supervises is middle management. Shop-floor workers for short duration work are supplied by the shipyard as and when necessary.

As the organisational chart shows, the general manager is head of three divisions, each headed by a manager. The divisions function independently but the accomplishment of company objectives depends on successful passing of information and co-ordination of activities. At the time of writing there is no manufacturing manager as the last one returned to England and no replacement has been appointed.

The middle managers at the company are nearly all local Chinese personnel who have received their training in Singapore. Some expatriate engineers from England work alongside middle managers as part of the project team. At any point in time, there is more than one project under construction and a member of middle management may find themselves in various projects at different stages of completion.

The Singapore executive

In Singapore professional staff, particularly engineers and accountants, are highly valued in the labour market. Many professionals work for Western multinational companies in positions that usually offer substantial fringe benefits and entertainment allowances. It has been estimated that such benefits could accrue to an extra (Singapore) \$200 alone per month in expense accounts. As Sentosa Engineering is a local concern these benefits do not apply and current salaries are not competitive with those offered by multinationals.

Indigenous young executives in Singapore today are exposed to both Eastern and Western influences. They aspire to rapid career advancement and have a materialistic outlook supported by fast economic growth within the Republic. Much emphasis is placed on the status derived from salary, size and make of car and official job title as well as the size of the expense

account. On the other hand, the educated Singaporean is also exposed to Western management literature which stresses themes such as job satisfaction and self-fulfilment. The impact of large organisations on working life is relatively new. This is the first generation to operate in an industrial economy comparable to the First World. With rapid economic expansion and technological advance the indigenous executive is exposed to material goods and standards of living from the West. With this, goes however, the burden of the high cost of housing and the high tax imposed on motor cars. University graduates find themselves in a labour market where there is a wide choice of jobs. It is the expectation of local people that after making much sacrifice to achieve a university education that reward will come in the form of employment carrying a good remuneration package.

THE SITUATION

The board of Sentosa Shipyard is becoming increasingly anxious over a number of organisational issues and symptoms of discontent including the high turnover of staff in middle management amongst both indigenous and expatriate personnel. It is feared that if this trend persists, the very continuation of Sentosa Shipyard, and particularly Sentosa Engineering, is threatened.

While there seems to be no lack of orders to keep the engineering company in business the continuous exodus of middle-ranking university-trained managers is of major concern. The rapid expansion of the Republic's economy adds to this problem as most university-trained graduates find themselves with at least four good jobs to choose from. Indices of turnover are difficult to obtain but a major consulting firm has reported the following leaving rates for 48 leading companies in the Republic. These figures are shown below together with comparative figures for Sentosa Engineering.

Overall Executive Turnover*

	48 Orgs	Sentosa
At senior level	25%	40%
At middle management level	56%	75%
At junior management level	52%	70%

*Figures were calculated by dividing the numbers leaving each company during a year by those employed at the end of that year.

A number of issues have been suggested as possible contributing causes. The significant differences between indigenous and expatriate pay and conditions

of employment leads to feelings of inequitable treatment. Senior management at the company are perceived to be poor communicators and variation in management style causes uncertainty amongst staff. Some employees are concerned about an overzealous application of security rules, whilst others feel that the company provides insufficient recreational facilities.

Examples of some of these issues are well demonstrated by the following incidents:

1. Ships docked at the shipyard can come from all over the world including naval warships, and some could be politically sensitive. In addition, it is estimated that in the preceding year the shipyard suffered a loss equivalent to \$1,000,000 worth in tools which mysteriously disappeared. It has been deemed necessary therefore, to install security checks for all employees entering the shipyard. Every morning all personnel seeking entrance to the shipyard have to report to security and display identification including a photograph. John Collier, general manager of Singapore Engineering, occupies his office in the grounds of the shipyard. The guards have come to recognise Collier's (Mercedes) car and normally exempt him from being checked. However, when Collier was showing overseas visitors around the shipyard his car broke down and the guard on duty failed to recognise him. Collier and his visitors were subjected to the routine check. Feeling humiliated by the incident Collier made it known to the personnel department that the guard should be demoted. The guard was subsequently demoted to the job of a truck driver.

2. John Collier's team of middle management have to go through the same 'guard checking' routine every day. They claim this to be a source of frustration for them and that the apparent low morale in the company relates directly to this humiliating start to the day. The general manager feels that he is not in a position to deal with this matter as the security guards come under the responsibility of the personnel department.

3. Collier is not sympathetic to the managing director's efforts to promote good working relations by providing facilities for recreation. In his view work is business and the shipyard should not be viewed by employees as a playground. However, he reluctantly accepted the managing director's suggestion that once a month, they would sit in on a meeting with middle management to provide a forum for discussion on any topic. These meetings were set up in response to personnel department's initial alarm over the discovery that most executives stay with the company less than six months.

4. John Collier's opinion is that his hands are tied where manpower problems like labour turnover and salaries are concerned as he only sits in on

appointments; he exercises no power on staff conditions. The personnel department has a fixed scale of remuneration for engineers and middle managers which needs to be in line with that of the rest of the shipyard. He believes the experience gained working on oil out-rigger construction is invaluable and that after a year or two at Sentosa Engineering, engineers are in a position to command far better remuneration in other companies, particularly multinationals. According to him, this may have promoted the rapid mobility of managers.

Profile of key managers

The following profiles provide an introduction to the background and views held by a number of key managers within the company.

Norman Hodgson, Director, Singapore Shipyard, age 45 years

Norman Hodgson came to Singapore after holding many appointments for Lloyds Shipyard (UK) Limited throughout the world. He has been in Singapore for almost a decade and shows signs of wanting to stay semi-permanently, actively participating in local life. His appointment at Sentosa Shipyard has come only recently.

Hodgson is an engineer by profession and accepts that the skills of management is something which he has had to pick up through experience. However, his view of successful management (in the Eastern context) is very much the same as it is for the West. He wishes to provide middle management participation in decision making within the company. He is campaigning for more recreation facilities to be built within the shipyard as he realises that being in an isolated locality employees have few places to dine and meet and is aware that eating out with friends is a popular local activity. However, the personnel director, does not share these views and Norman consequently feels that his style is cramped by the personnel department.

Hodgson has introduced a series of monthly meetings involving himself, the general manager and middle management to encourage free discussion. However these meetings have not been as successful as he had hoped as although attendance is compulsory, participation is voluntary! Such meetings have resulted in the managing director and the general manager doing the talking with few contributions from other staff and no discussion of any problems. It is not customary in Eastern settings for subordinates to raise issues openly. Indeed, expatriate families who choose to leave their children in local schools find that the teacher talks most of the time and does not encourage participation. Even British personnel in middle management positions find it uncomfortable to contribute towards problem solving in such an environment. As a final effort, Norman Hodgson has

resorted to summoning individuals for personal interviews with him on any topic which they choose. This he feels may give some clues to the problem of high turnover.

John Collier, General Manager of Singapore Engineering, age 42 years

John Collier worked for an engineering company in England which specialised in oil out-rigger component parts before he joined the Lloyd's Group. After three years of experience with the company in another European country, he agreed to work in the Far East as part of the management team for Sentosa Shipyard. He had already worked for the shipyard for three years as part of the Lloyds' management team in a middle management position before taking up the appointment of general manager of the engineering company.

Collier describes himself as an engineer first and a manager second. He dedicates his time to the company and takes little time off, arriving at the office at 8.00 a.m. without fail and never leaving till 7.00 or 8.00 p.m. When there are important negotiations, he will stay up until 4.00 or 5.00 a.m. but still appears promptly for work. He expects his divisional managers to do likewise. He takes upon himself all aspects of the functioning of the company and will only delegate other functions if this is absolutely necessary. He is the sales organiser, the project thinker, materials purchaser, etc. and his one aim is for the company to show immediate profits.

The general manager admits that he has difficulties in the area of communication between himself and his immediate subordinates. He is not certain whether the difficulty is one of a cultural nature or just an issue of different personality types. He claims to react best when he knows what the other person is thinking. In his experience discussions with Chan Eng Kay, a new appointee to the position of a project manager, are the most fruitful. Chan has been trained in England and is by nature outspoken. Collier finds empathy with, and co-operation from, Chan who shouts back at him. According to Collier this helps to clear the air and there are no hard feelings between them. The rest of middle management consider Chan to be Collier's protégé and favourite. They keep their opinions on the general manager to themselves.

This is Collier's first post in senior management. He has a strongly held opinion that it is impossible to combine high productivity with good human relations. This has been reinforced by suggestions made to him that Eastern workers respond better to autocratic management.

His contract with the company is due to expire in a year's time but the chairman of the board has already approached him with an offer of a renewal of his three year contract and has already raised his present salary. His know-how of out-rigger constructions is highly valued in this part of the world.

Lam Sheng Poh, Personnel Director, age 57 years

The personnel department is headed by Lam Sheng Pot, a local man from what can be described as the 'old school'. Lam was educated at the local university and views work firmly in the Eastern tradition that employees come to work to *work*, not to find other fulfilments. His view of the personnel function is that it should be restricted to that of hiring and firing. The 'softer' personnel functions, such as employee welfare and job enrichment schemes are not seen by Lam as being part of the personnel role. Lam is therefore against the introduction of recreational facilities and believes that people should come to the shipyard to do a good day's work. The staff at Sentosa Engineering feel that if they were to approach the personnel department with their problems they would be chased out, since personnel does not see its role as being responsible for employee counselling or handling grievances.

Poh is widely known to have former association with the Anti-Corruptions Board which commands some amount of awe. The Government was keen to rid the Republic of corruption and a board was set up to detect unfair business dealings.

Cho Park, Commercial Manager, age 32 years

Cho works closely with the general manager. He graduated from Singapore University and has come to Sentosa Engineering from Sheraton (one of the largest multinationals on the island). Cho is ambitious and believes that as long as he remained with a foreign company he would never move into top management because these positions would be reserved for nationals from the mother company. He joined Sentosa Engineering because he was offered a managerial promotion and also for patriotic reasons as it is directly contributing towards the growth of the Republic. In leaving Sheraton he sacrificed the considerable fringe benefits foreign firms provide such as longer holidays and expense accounts.

He describes his six months' employment period with Sentosa Engineering as being stressful and one of continual involvement in crisis management. He dreads coming to the shipyard every morning and he is tired before he begins work. Frustrations encountered on the job affect his home life and health. Often managerial personnel are expected to attend work when there are important projects in progress. His job does not have set hours, and when he puts in extra hours on Sundays he receives no acknowledgement from any member of senior management.

As commercial manager, Cho is responsible for marketing and sales transactions. He feels he does not have sufficient authority to make decisions when bidding for tenders. His frustrations at work partly stem from not being given sufficient knowledge of jobs which are in the pipeline. Cho

misses the 'push button' costing system he was used to at his last job and the facilities which enabled him to make quick decisions. His chief frustration relates to the general manager's unwillingness to delegate. He thinks the general manager has no clear objectives and this affects the rest of the organisation. He perceives Collier as being particularly bright in business acumen but inconsistent in policy matters. Cho also feels unhappy about the fact that the engineering manager, Thong Kar Hong, who was his junior in college, has been in a senior position for the last five years. This is considered by Cho to be humiliating (status is an extremely sensitive point in the achievement conscious society of the overseas Chinese). He feels he is bypassed in the communication flow. New recruits who have joined Singapore Engineering refer directly to the general manager instead of coming to him for the information necessary to complete work on a project. In general Cho resents top management posts being filled by expatriates and suggests that this is the source of difficult interpersonal relations. He agrees with others in middle management who believe that these personnel should be replaced by local Singaporeans.

Cho is thinking seriously of leaving the company as he feels that he is on the verge of a nervous breakdown.

Bill Lam, Mechanical and Electrical Services Manager, age 29 years

Bill Lam has already given in his notice of resignation and is due to leave Sentosa Engineering in two months' time.

Bill Lam trained in Scotland. Since his return to Singapore five years ago he has had four jobs prior to joining Sentosa Engineering where he has been for six months. He joined the company to obtain experience in heavy engineering work but he has been responsible for estimating during most of his time with the company. He formerly worked as a regional representative of a British firm and has now decided to go back to the same company. He has been offered a better salary and as the job offers fringe benefits such as car and petrol allowance, he estimates the real gain to be as much as 1,200 Singapore dollars more per month. He is ambitious and thinks that eventually when the British company has to employ local personnel for its top management posts he would stand a good chance of a position.

He too considers that there are many frustrations within the company. Policies seem very rigid and render it impossible for staff to function at maximum potential. There is a lack of autonomy and he has not found a definite role within the organisation after six months. He is also bitter about his position in the organisational structure which he claims to be the source of much personal discontent. He is sensitive to the vertical delin-eations in the organisation and believes that engineers feel inferior to

others when placed in a line lower than other functions. The general manager, when told about these feelings, has responded by arguing that the chart is only a means of finding out who is with what team and that people should not be so concerned with the status symbols attached.

Bill Lam finds the high turnover rate of engineers difficult for the establishment of social relations. In his words 'there are new faces so often that you don't bother' and feels that socialising is confined to top management. He thinks that the general manager lives in an ivory tower and has made no effort to mix with the staff. On the whole he feels that he is overworked at Sentosa Engineering and that there is no feedback or appreciation of work done.

Thong Kar Hong, Engineering Manager, age 32 years

Thong has been in the shipyard for many years and has worked with John Collier for five. He describes himself as very much a technical man. He is one of the few who seems unworried about company problems. He believes that if others would concentrate on the job in hand everything else would fall into place. Unlike Bill Lam he places little importance on positions in the organisation chart and like the general manager believes that other engineers should only use the chart as a guideline to trace individuals involved in various projects.

Thong obtained his engineering degree from Singapore University. There is mutual respect between himself and the general manager and he has no thoughts of leaving. He has a high regard for the quality of the work undertaken in the machine shop, and is satisfied with his salary package. He is directly responsible to John Collier and admits that at times he suffers the pressure of work at Sentosa Engineering. This he attributes to factors like 'lack of men available' and 'lack of help from the shipyard'. He does not believe in rigid job demarcation and suggests that staff in a position to know more about a project than others should be prepared to help out for the sake of the company. He has no sympathy with the prevalent discontent in the company.

Bob Cameron, Engineering Site Manager, age 50 years

Scotsman Bob Cameron is site manager for Northern Ltd, a construction company, and is currently engaged in contract work in the Republic for the major project of the year – the 40,000 dry weight tonnage dry dock which the engineering company is building. Bob is not employed by Sentosa but frequently deals with middle management at the company. In his view the engineers he encounters are first class workers. He has seen little evidence of humour on the construction site and he has been made very much aware

of ethnic consciousness not only between Europeans and locals, but also between locals (Chinese and Indians mostly). He feels that he is dealing not with a team but with separate individuals and finds that most personnel never admit to errors. He gets the impression that the engineers are not trained in the management of people, but have had to pick this up the hard way, through bitter experience. Bob works closely with McBain who is from the Lloyd's Shipyard team and who is a project manager for Sentosa Engineering at the same grade as other local personnel. He thinks that McBain has found the formula for leading a team, since McBain's strategy of socialising with staff appears to pay dividends.

In Cameron's view the structure used to manage the company would cause problems in any country and understands why the one at Sentosa has been a source of contention. His general view is the British in Singapore manage in the wrong way – as though they were in nineteenth century England. In addition he believes that the managing director's recent introduction of three separate staff restaurants has been bad for human relations.