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Book Review

OIKOS : The Two Faces of Organization

HILDA C. HAMOY*

A review of Leonardo R. Silos, *OIKOS: The Two Faces of Organization* (Manila: Asian Institute of Management, 1991), ix + 250 pp.

Oikos is Greek for house or household family. It is also the root word for the English word economy or *oikonomia*; and *oikonomos* or economist, meaning house administrators. Generally, it also refers to the administrator or manager. Hence, oikos invariably conveys the notion of management.

Hence, the central themes of the book around which the subject of inquiry evolved are: organization, management, authority, family, and the economic orientation of the house.

> ...It conveys the dual concern for the household and its economy, reflecting the concern of the business firm for its business and its organization (p. 1).
>
> The two faces in our title refer to this dual interest. They formed a spontaneous unity in the oikos, for its economic concern dovetailed with the concern for the well-being of its members. But these two faces constitute a problem and an issue in the business house today. How and why they have become an issue and a problem, how they are being addressed, these are the general questions that frame our inquiry (p. 1).

The book is made up of two parts. The first traces the evolution and applications of the idea of organization as contained in the works of selected writers of organization. It analyzes the basic concepts upon which modern organizations are built and then determines their fundamental orientation which the author calls the bureaucratic premise. He then uses this premise as a kind of homing device in pursuing the direction of modern management via its own internal logic. It commences with Frederick W. Taylor, the father of modern management, moves on to decision and motivation with Herbert Simon, Abraham Maslow, Douglas McGregor, and Frederick Herzberg. On the subject of structure and system, the author looks into the works of Rensis Likert, Tavistock and Henry Mintzberg.

The development of modern management theory was momentarily set back by the findings of the Hawthorne experiments. However, the human relations movement somehow found its way to rejoin the mainstreams. Finally, after an analysis of David McCleland's theory of the achievement motive, its characteristics as well as the achievement motive vis-a-vis economic development and tradition, the author ends Part One with a critical assessment of the achievement motive.

*Doctor of Public Administration student, College of Public Administration, University of the Philippines, Diliman, Quezon City.

The second is a description of the traditional organization. It begins with the concept of paternalism and its fundamental orientation which continues to shape the relevance of traditional assumptions to the management of modern business firms and how modern management theory and practice in fact are anchored on it. Although there exists a polarization of the two types, the author succeeds in discussing the ideology and ethics and finally to the appropriate methodology necessary to understand human organization.

The book ends with an Epilogue which relates the parable of a man who dropped a coin and looked for it under the light of the street lamp. However, the man admits that he might have dropped it instead in the darkness. Asked why he was looking for it there, the man replies: "Because the light is here."

Silos uses the parable as it relates to theorizing, particularly, theorizing to understand an equivocal set of facts. He believes that managers in the non-Western countries can be compared to the man in the parable. Non-Western managers always look only where the light is. Instead of building on data and facts in their respective countries, they prefer to use data derived elsewhere.

To drive home this point, the author utilizes a local illustration, the Masagana 99 rice program of the 1970 crop years which envisioned a self-sufficient Philippines in terms of rice production. Masagana 99 was a catchphrase for a bountiful harvest of 99 cavans per hectare. Credit was the key variable supervised rather than technology. When the program started in 1973, majority of the rice farmers had adopted the required technology for the high yielding miracle rice variety developed by the International Rice Research Institute, except for its fertilizer component which the farmers could barely afford. The program therefore made credit available to the farmers for the purchase of fertilizer inputs and with it, profits for the rural banks. However, as stated earlier, the Masagana 99 was a failure.

It was shown in a survey conducted in 1982 that the informal credit market in the rural areas was thriving at the time the rural banking system was collapsing. It is quite interesting to find out whether "the informal system [was] thriving because the formal system was failing or was the formal system failing because the informal system was thriving" (p. 211).

Silos answers these queries with:

> The previous chapters should have made it clear whence proceed these two different systems. They are the bureaucracy and the clan. Unlike the Japanese, the Philippine bureaucrats were trying to borrow Western technology and Western spirit.
>
> . . . Let us abstract the informal credit system from its rural setting and transfer it to a developed and industrial economy. Enlarge the roles of the players; transpose the relationship of trader-miller-lender and the farmer-producer- borrower into the relationship of a large corporation and its clients, where the corporation not only extends credit to its clients but also represents them in the marketplace, services their organization

> needs, provides financial, marketing and production assistance in a network of contractors and sub-contractors, so that they are interdependent like an extended family.
>
> . . . It is the image of the Japanese trading corporation. We hypothesize that the characteristic relationships of the Japanese trading corporation with its clients finds a parallel in some older, traditional and smaller scale trader-client relationship (p. 217-218).

In a closing note, Silos wraps up the two parts by differentiating two models. One is the impersonal culture which is a straightforward instrumental rationality represented by a single arrow:

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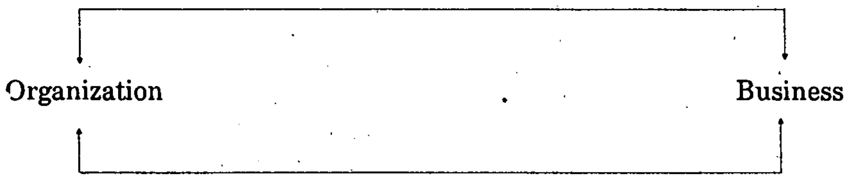
This model is "buttressed by a theory of intrinsic motivation reinforced by a reward system called meritocracy " (p. 223).

The second model is natural and commonplace. It is a personal model which integrates the technical system and the social system. "It is indeed in how we integrate these two faces of organization that we reveal our option between the two models" (p. 223). This model is represented by a circular flow.



Critique

At first blush, *Oikos: The Two Faces of Organization* appears to be a review of the history of organizational theory and for all intents and purposes, it could very well be. Although the author himself denies this, the book reasonably serves the purpose of self-starters. Though not necessarily a complete one, it presents a substantial review of the literature.

This is one end of the scale. On the other end, are the sophomores who are likely to be intimidated at the drop of so many names largely unheard of, such as Edward L. Deci, Hans Georg Gadamer, Bernard Lonergan, Fred Luthans, Karl Polanyi and a host of several others. It evokes a strange feeling of inadequacy and insecurity among the readers, knowing that there are other writers, presumably theorists, whose works have been "unexplored ."

Generally, the book merits the attention not only of students and writers of organization but also of practitioners, particularly the managers. The book has opened the way to what was once an uncharted course, that is, a closer look on Asian values and organizational modes. Where before, non-Western enterprises relied solely on Western thought and ideas, Silos says there is much to look into at our own modalities that could be better off than Western ideas for the simple reason that they imbue in them the Asian spirit of family and family systems. He goes on to cite the phenomenon of the Japanese enterprise which has not only turned Japan into an economic power at par with the Western world. He further underscores its success by showing that Japanese products are now placed alongside US made products in American homes and garages. The Japanese has a name for this process-*wakon yasai*-Western technology, Japanese spirit.

It is this spirit that Silos focuses on the transformation of the internal character of the individual business enterprise. For the Western firm, a "paradigm shift" maybe necessary.

To do this, Silos begins with a thorough discussion of the development of ideas using Max Weber's *Bureaucracy* as his major premise or a sort of homing device upon which all other theorists are anchored. Although this approach has its limitations, still, the author winds up successfully and interconnects the major luminaries of organizational theory "until they all converge in issues of methodology" (p. 8).

Although Silos focused his discussions on what he calls the bureaucratic premise, one cannot help but see the respect accorded to Herbert A. Simon's insight into the decision process, facts and value premises, administrative man vs. economic man, rationality and irrationality. It is therefore easy to see a parallelism in the very thoughts and ideas developed by Simon to those posited by Silos. Because of this, Simon is interwoven invariably into every chapter of Silos' book. Obviously, a writer of organizations must contend with Simon's *Administrative Behaviour*, today a classic on its own.

Although the author offers his book, like Ariadne's thread, as a way out of the labyrinth of ideas and suggestions, he also cautions the reader that "it does not necessarily promise an easy passage for all readers, for they still have to trace their way through and the more familiar they are already with the terrain, the easier the passage" (p. 7).

However, the pitfall that a reader is likely to fall into is the difficulty of distinguishing the author's own ideas or opinions from the rest of the organizational theorists whom he so thoroughly studied and analyzed. Sometimes the distinction is hardly discernible.. "Who says so?" is an oft repeated question and one must backtrack and backtrack often to find out.

Interspersed into the text are German writers of organization, their concepts and their language. "Bureaucrat has become a *Schrimpfwort" (p. 19)*. "Under the name of *Geisteswissenchaften*, the human sciences were being radically distinguished from the *Naturwissenschaften* etc." (p. 201). "One now spoke of *Verstehen* (understanding) rather than *Erklaren* (explaining) as the way to a knowledge of man's world. "There are many others."

To cap his book, Silos chose the Masagana 99 program for local flavor and purpose of illustration. Personally, the choice of an agricultural program although of national magnitude was a letdown, even if as the author points out that was no mean achievement in management if we remember that the program involved a million people (p. 210). The Masagana 99 rice program was shortlived and though admittedly successful in certain aspects was a dismal failure. Somewhere out there, there must be a highly successful business firm epitomizing the focus of his book: .Western in organizational ideas but non-Western, perhaps Filipino even, in spirit. Are there so few of them that finding one is like the proverbial needle in the haystack? A study of such business firm would have proven the objective of his book even more succinctly. It would have served a better reality check.

As it were, Silos found the empirical test or evidence in the Masagana 99 program appropriate enough for his purposes. After a careful analysis of data and figures from a seminar-workshop entitled. "Financial Intermediaries in the Rural Sector: Research Results and Policy Issues," Silos concluded that the failure of the program was largely due to the imposition of a formal credit system on an existing informal system. What could be intrinsically wrong about this? The fault lies in the nature of the two systems. That is, one is impersonal, the other personal. The farmers were known to pay back their loans in the informal system (trader, miller and the entire gamut of the extended family) but not in the formal system (the rural banks). Thus the funds for the program all but dried up. This spelled the death of the program and the reasons for its failure are varied. Firstly, although the farmers were known to divert their loan proceeds from production to consumption uses, it is because the farmers look at credit from the point of view of their integrated needs. They expect their creditors to understand this. After all, as the farmers said, if they had nothing to eat, they would not also be producing. Secondly, the informal system must be giving the farmers other services that the formal system would not give. Some of these services are: the farmers got the kind of credit they needed; the system was always there for him even when he fell on hard times; and, the informal system provided marketing and other services. Because of these, the farmers opted for the informal system regardless of the higher interest rates charged the borrowers. More importantly, the borrowers were able to repay their loans.

The logic is a puzzle, a perplexity. More so because it is believed that even if the usurious practices were eliminated, the informal system will remain intact and in place.

However, as thorough and as credible Silos might be, the conclusions he derived from his analysis of the Masagana 99 program do not jibe with the findings of other similar studies on rural credit. Foremost of these is a fairly recent study done by E.P. Esguerra and R.V. Fabella of the U.P. School of Economics on "Screening and Loan Determination by Trader-Lenders in the Rural LDC" (May 1991). One of the significant findings of this study is that the trader-lender in the countryside thrives because his dealings with his clients are impersonal and business-like. In an econometric model using regression analysis on the various determinants of "loan" approbations, it was discovered that

> the commercial nature of trader loans is underscored by the weak and insignificant influence of personal relations - represented by the dummy variable Relatives or Friends - on the probability of obtaining trader loans as well as on the amount actually borrowed. This result was expected. Trader-creditors may be expected to have a lower preference for dealing with persons with whom they have close personal relations. While these relations are important information-producing mechanisms for lenders, their open-endedness often blurs the distinction between a debt that requires prompt repayment and a personal favor that may be reciprocated at any time. This weakens repayment incentives. The nature of his buy-and-sell business requires that the trader be sufficiently liquid. Thus, he can ill afford to tie up his working capital in outstanding loans. Enforceability of the credit contract requires that the trader choose those borrowers with characteristics that facilitate contract enforcement. Impersonal, business-like dealings are therefore preferred over open-ended transactions with relatives and friends (p. 17).

These findings reinforce an earlier hypothesis that " as commercialization spreads in an economy, kinship and other personal ties tend to loosen, becoming less important in economic transactions" (Ben-Porath 1980).

There appears to be a polarization of the two studies even as both were conducted in the rural Philippine setting. Based on the study made by the University of the Philippines School of Economics, it appears that Silos' conclusions are purely conjectural. Perhaps although the credit system is informal, it does not necessarily mean it is personal but is in fact impersonal. The success of the informal credit system lies not on whether it is personal or impersonal. On the other hand, the significance of the screening and loan determination process makes it crucial to its success.

This does not in any way disregard Silos' postulate that in this analysis he has contributed to a theory of the firm that is

> an interpretative reconstruction of the constructions of the human spirit. The impersonal and personal organizations are constructions of man, the distinction between the bureaucracy and the clan is a distinction in meanings and values. The relevance of the clan, in theoretical terms, is that it recognizes and does not abstract from the human in the human organization. To manage the human organization as human is to manage through the mediation of the 'intervening variables' of meanings and values. Now the clan, in its common sense, recognizes and deals with people in this manner (p. 221).

The book can be described with 'Sixto K. Roxas' analogy, a rich mine with ore deposits at many levels: first, visible outcroppings that can be extracted immediately; second, a vein that needs a little more work but from which some high grade ore can be gotten; third, for those disposed to invest somewhat more effort and time for contemplation, the author reserves the ore body to which those will give the highest assay that are eager to understand our complexifying (sic) society (p. viii).

However, the book failed in its choice of illustration to prove its point. In this regard, a more enterprising reader as contemplated in number 3 may rightfully claim "the ore body which will give the highest assay."

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