The Filipino Family and its Influence on Business Ethics

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Abstract

Family-controlled businesses in the Philippines comprise 85% of all listed companies. This huge percentage is highly influenced by the culture of the Filipino family itself, which is shaped by the country’s history. The Filipino’s ethical belief is grounded upon the Catholic influence in the country - the most common judgment will rely on what is *makasalanan* and what is *mabuting gawa*. The Filipino family is the center of the society; it is the most basic unit that shapes an individual’s personality and perception of what is ethical or not. The culture is characterized by close family ties (attachment), the value of *utang na loob* and *pakikisama*, and the obligation of the parents and the children to each other. The purpose of this study is to understand how the Filipino family culture, traditions and beliefs influence the ethical practices of family-owned organizations in the Philippines.
I. Introduction

Ethical practices in the organization are highly influenced by the behavior of both customers and employees. What is often overlooked, however, is how the owners of family-owned businesses influence the ethical nature of the entire organization.

Defining business ethics requires an understanding of the interaction of the two separate concepts that make them up: business (organizational entities that share a common goal: maximizing the shareholder’s value) and ethics (moral principles of defining what is right or wrong behavior). It refers to the application of the analysis on making business decisions according to moral principles.

Business ethics in the Philippines is highly embedded on the country’s geography, demographics, culture and history. The country generally follows Catholic-based ethical practices (86% of the total population are Roman Catholics), as influenced by the 300-year Spanish invasion strategy. This influence steams not only through the business ethical standards, but through the formulation of laws and policy guidelines as well. Based on the Catholic doctrine, the most common judgement basis of business ethics lies on the concepts of what is makasalanan (sinful) and what is mabuting gawa (virtuous action).

However, the country’s geographical spread, language differences, and diversified traditions and practices, contribute on the complex perspective on business ethics, which may include the following:

- what is tama (right, correct) and what is mali (wrong)
- what is pwede (allowed) and what is bawal (prohibited)
- what is mabuti (good) and what is masama (evil)
- what is makatarungan (deserved) from what is not

II. The Filipino Family

The Filipino culture is a complex structure that highly reflects the complexity of the Filipino history. This diversity is a result of the blending of different cultures of several civilizations, which include local and foreign influences.

Historical Concept

Social classes were already present in the pre-Hispanic era of the Philippines. These social classes can be divided into three. The nobles are composed of rulers and their families and occupied the highest class, and are commonly addressed at gat, laka, raja or datu. The second social class is called freemen and refers to the working class. Slaves occupy the bottom class and were classified into two: aliping namamahay (those who can own their own houses and have families) and aliping sagigilid (homeless and forbidden to form their own families).

The Spanish colonization lasted for three centuries, and they left the Catholic religion as their biggest influence on the country. The Sunday Roman Catholic mass remains as a Filipino family tradition, and Filipino homes set-up altars adorned with images, flowers and candles. Church festivities are celebrated by the whole community with services and processions called fiestas.
The Philippines was a United States colony from 1898 up until World War II and brought education into the nation. Education is highlighted as the most important *pamana* (inheritance) that a parent can give to his/her child; hence, the Filipino child is brought up with high regards to the value of education.

*The Filipino Family Culture*

The Philippines is a mixed society with clear divisions: the Christians, Muslims and other religio-ethno-linguistic group; the city and the provincial people; and most predominantly, the rich and the poor. However, amongst this divide is the family – a Filipino’s *center of the universe*. The Filipino identity is strongly defined and influenced by his family in which harmony, respect for elders, fulfilling family roles and deference to parental authority are highly valued.

Among the common characteristics of a Filipino family are the following:

- **Roles of fathers**
  
  Fathers are expected to provide for the family, and this breadwinner role requires him to not only provide food on the table, but also to put his children to school. Filipino fathers also seek to provide inheritance in monetary or physical forms (such as land, house, car, etc.) to leave their children upon their death. Leaving something for their children translates to continually providing for them even when the latter is able to provide for themselves. Parents always think that it is their duty to provide a better life for their children than the one they had.

  Fathers also have the disciplinary figure in the Filipino household; and are often used by the mothers to threaten a child to obedience. The household *fear* towards fathers is observed in a Filipino home in situations such as when children must be quiet when he is asleep.

- **Roles of mothers**

  The Philippines, in general, is a highly matriarchal society where women empowerment is taken in high regard. In a Filipino home, the mother is in charge of household matters and the responsibility of the children lies mainly in her. With this household responsibility comes a great deal of power from the sense of obligation.

  Additionally, the sense of belongingness and ownership is also provided by mothers to their children. In the study of Dr. Lapuz (*A study in psychopathology*), it is said that the Filipino child grows up with a sense of belongingness as identified by his family. When he presents himself to others, it is with his family that he is identified with, and within the family, he identifies himself more with his mother. The child’s loyalty, allegiance, and sense of obligation is given more to the mother because of the emotional nurture received from her.

  The role of the mother does not end upon the marriage of the child. She remains powerful and influential even with the grandchildren and often gives rise on the common Filipino conflict between a wife and a mother-in-law.
- **Expectation among children**
  Filipino children are expected to obey parental authority and sacrifice individual interests to prioritize familial obligations. These expectations are rooted on the Filipino virtue of *utang na loob* (debt of one’s being) owed to the parents as a sign of gratitude. Children are expected to give back to their parents as a form of gratitude for their life, their upbringing and most specially, of their education. Otherwise, the child will be labelled as *walang utang na loob* or *walang hiya* (no honor or gratitude) which translates to the child being tagged as a “bad” child.

  A responsibility to provide and take care of his parents is also placed upon the Filipino child. This is predominant among low income families, where the child is expected to take over the parents’ role of providing for the family after graduation (either high school or college, depending on the family’s capacity). While foster homes are popular in the industrialized nations, a Filipino child is tied and expected to take care of his parents as they get old. This supports the family attachment of a child, as described in the next item.

- **Attachment**
  Close family ties are regarded with the highest extend in the Philippines. The family is considered as the basic unit of the society and acts as the primary social welfare system. While it is common for Western children to leave their homes at the age of 18, the Filipino child tends to live with their nuclear families up until they get married. An extended family home is also very common in the society, where several sets of nuclear families live in a single area or compound.

### III. Philippine Family Businesses

Family businesses constitute the world’s oldest and most dominant form of business organizations. They may range from small and medium sized companies to large conglomerates that operate in multiple industries and countries.

As of 2016, around 85% of all publicly listed companies in the Philippines are either family owned or are majorly controlled by a family. The governance of these businesses is usually spearheaded by the husband and the wife, with an expectation that their child will take control at the right time.

The evolution of ownership and management of most family businesses here in the Philippines goes through the following stages explained below. Each stage represents different challenges and issues that should be addressed to ensure the continuity of the business.

*Stage 1: The Founder(s) Controlling Owners*

In this stage, the entire business is owned and managed by the founder(s), who makes the key decisions. This stage is characterized by the strong commitment of the founders to the success of their company and a very small and simple governance structure. This stage has very simple governance issues, but succession planning needs to be addressed for survival.
Stage 2: The Sibling Partnership
In this stage, management and control has been transferred to the children of the founder(s). As more family members are involved in running the business, complexity in governance issues begin. Issues like maintaining sibling harmony, formalizing business processes and procedures, establishing effective communication channels, and ensuring succession planning for key management positions, should be given high importance.

Stage 3: The Cousin Confederation (Family Dynasty)
Children of the siblings, cousins, in-laws, and other extended family members become involved in the business. Business governance issues evolve due to these members belonging in different family branches, and generation differences. Their diverse ideas on how the business should be run and how the overall strategy needs to be set cause the most complex family governance issues which may include: family member employment and role, family shareholding rights, shareholding liquidity, dividend policy and family conflict resolution.

IV. Bloodline Culture in Businesses

Running a business and running a family are two different things. In the case of family businesses, the character developed within the family, their relationship ties with each other and the discipline fostered in the family contribute on how it is governed.

Promoting business value
In the initial stages of the family business, the founder, which is usually the father of the family, focuses on building the organization. In this stage, the father is driven by the responsibilities to provide for his family. This same goal is share by his workers; hence, this dedication of the owner is passed to its employees. This dedication promotes the desire to ensure the business to thrive, since this is the primary means for them to ensure that food is available on the dinner table. This desire is translated to utmost customer importance and value-driven strategies.

Business Failure is a Family Failure
Family-owned businesses often find it difficult to separately manage one from another. Hence, allowing the business to fail becomes tantamount to allowing the family to fail. While this drives the family members to strive for the continuous success of their business, this same drive may push them to pursue unprincipled actions during the time of distress. The dishonorable actions may be their desperate ways to save their business from failure.

When children take over
A family business is intended to be passed on to the founder(s)' offspring or immediate family member, however, not every child is prepared to take the role, and is often overwhelmed with the responsibility to manage the business. The pressure to learn how to manage the business may force a child to forgo his dreams to becoming someone else, other than being the heir to the business. This possible lack of desire may cause the child to devalue the business and pursue decisions that are not for the best outcome of the business, its stakeholders and its customers.
Employee succession

While the family business thrives, the vertical movement of employees is limited, since the company’s control will be passed through the children. As more and more family members get involved in the company, the less and less are the important management positions available for the company’s non-related employees.

This reality may promote a slack attitude among employees as their rewards are limited. They know that they can only reach a level up to a certain limit, and may constrict their actions and decisions onto a certain level only.

Pakisama and utang na loob

Trying to get along with everyone, especially to a co-worker who has relations to the owner of the business can lead to intolerance and hostility of differences and of individual liberty. Filipinos give deference to their superiors, most especially to those who have higher power, and a culture of pakikisama (trying to get along to please someone) and utang na loob is highly felt in family-controlled organizations.

While we can agree that most of the family members aim to keep the business afloat by managing the organization in the most honest and ethical manner, should there be any push for an unethical action from the family-owner-related boss – an employee will most likely oblige due to respect in authority, pakikisama, and fear. The general employee response is to please the boss, whether the action is ethical or not.

V. Conclusion

This policy paper outlines the influence of the Filipino-family culture and tradition to the ethical behavior of the owners and employees of family-owned businesses. As the business grows from being founder-controlled to a family-dynasty, more and more governance and ethical issues become influenced by the family-relationship itself. While the drive to provide for the family is translated into the passion towards building the business, this same drive can push the management and employees to pursue unethical actions during the time of distress. Heirs of family controlled organizations give up their personal aspirations to take over the business – this familial duty may push them to take dishonorable actions to get their way. Additionally, the Filipino culture of pakikisama and utang na loob promotes a to please attitude among employees that may be abused by corrupt family members.
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