TV stations in Japan and Latin America: a cross cultural comparison

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TV STATIONS IN JAPAN AND LATIN AMERICA: A CROSS CULTURAL COMPARISON

by

Oliver Trapp

Doctoral Thesis
Submitted in partial fulfilment of the requirements for the award of
Doctor of Philosophy of Loughborough University

1998

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Abstract

The object of this thesis is to explore the relative importance of industry versus national context in determining the particular operation of an organisation. This is done by comparing two companies in the same industrial sector in two radically different countries.

The central question is how much industry factors weigh on the shaping of management practices and business behaviour of companies (within the same industry) located in totally different cultures. For instance, the Asian culture and the Western culture? How much do industry factors count, when the national context does not only comprehend culture, but also economic and socio-political factors?

The following research addresses this problem by comparing two companies of the same industry (television networks) which are operating in totally different national contexts (Japan and the Dominican Republic). The analysis will encompass a comparison of industry, management, corporate culture and processes, structure and labour force, operations, competitiveness and overall strategy. Most important is the socio-economic background of both countries which will be examined in order to assess their effects on the management practices and business behaviour of the surveyed companies.

This research is, therefore, intended to determine the extent to which television networks in Japan, as well as in Latin America, do abide by specific functional factors imposed by the industry (production, post-production, broadcasting, engineering, sales of commercial time) as well as the extent to which environmental factors have an impact on the actual shape of the organisations in terms of size, structure, systems, and the working of the intra-organisational processes and corporate culture.
The Time Frame of Research:

9/94 - 8/95  Japan:
Scholarship of DAAD for intensive language study at Naganuma Language School, Tokyo.
• General research.

9/95 - 2/96  Dominican Republic:
• 1st field study Telecentro.
• General research.

3/96 - 5/96  Japan:
Intership TCJ – Television Corporation of Japan, Japan's oldest production company for TV commercials.
• Research of advertising market.
• Visit of TV networks.

6/96 - 12/96  Japan:
Internship TBS – Tokyo Broadcasting System
• Interviews with station's staff and management.

1/97 - 3/97  Realisation of a series of international reports for CNN and ZDF.

4/97 -  Dominican Republic:
Founding of World Images, a production company of TV commercials.
• 2nd field study Telecentro.

9/97 -  Mexico:
2 weeks of interviews at TV Azteca.
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Chapter I
Aims and Objectives

The objective is to explore the relative importance of industry versus national context in determining the particular operation of an organisation.

In the field of biology, scientists dispute the dichotomy between the influence of inherited factors and environmental factors on the development and behaviour of a human being. Are personal character traits or human behaviour in general inherited, are they innate, do they depend on information codified in the human genome? Or is human behaviour more dependent on environmental factors, on the process of socialisation and culture of the individual? The question about the relative importance of heritage and environment on behaviour is closely studied and will certainly be further explained by the rapid advances in the field of genetics.

In the field of management sciences, and specifically in the area of comparative management, a similar fundamental question is raised. What determines the behaviour of firms, that is to say their characteristic business activity and their management practices: Universal factors imposed by the industry, or specific environmental factors imposed by the national context?

The following line of argument has traditionally been proposed when claiming the universal character of business activity and management practices:

Companies have a common orientation as their ultimate objective is the maximising of profit. As companies share the same goal they, theoretically, resort to similar means in order to achieve it, namely, they rely on similar organisational structures and systems. The “travelling the same road to get to the same end”

1. Experiments conducted with identical twins who grew up separately also provide fascinating insights into the dichotomy between genes and the environment.
2. The following arguments are taken from the introduction (p.2) of the paper “Country versus Industry: the dynamics of strategic differentiation” by Edwards and Lawrence.
3. Profit can be described as the surplus of revenues over costs and maximisation is achieved by minimizing costs and maximizing the sales volume (quantity \times price).
results in the de facto convergence of the management practices of these companies.

The manufacturing process of a product, in particular, is not influenced by country-specific factors and is intrinsically universal. The universality of the manufacturing technologies, furthermore, has been further re-enforced by globalisation trends, economies of scale, increasing research and development costs, and the transfer of knowledge. The political dominance of the western hemisphere by the USA in a world split into two after the Second World War, was matched for some time in the economic field, with US multi-national companies dominating the world markets. This hegemony of the USA was supported by the spread of political and economic theories, advocating liberal democracies and free-trade. But the influence of US ideas did not stop there. As Edwards and Lawrence (1996) put it in “Country versus Industry: the dynamics of strategic differentiation”:

“For some thirty years at least, a managerial *pax Americana* prevailed, where American business methods were presumed to represent ‘best practice’, other countries would seek to master US managerial professionalism and, indeed, could be graded as ‘modern’ or ‘efficient’ in so far as they achieved this mastery.”

The theoretical framework that sustains the universality of management is, therefore, based on the concept of convergence. Edwards and Lawrence (1996) for instance explain that in the 1960s “the sociological notion of convergence theory posited an increasing convergence between nation states in terms of successful industrialisation, widely dispersed affluence, and political pluralism!” This idea was revived and amplified by Francis Fukuyama in 1990 who claimed in his article “The End of History” the de facto universality of liberal democracies (or at least predominance) after the demise of the communist bloc. While Fukuyama has been proved wrong in his predictions of diminished conflict (because of the end of the East-West antagonism and the universality of the new political values) by a range of intense and violent confrontations that took place after the fall of communism in the former Soviet Union, the claim of the universality of liberal democratic systems is also being increasingly questioned. In Asia, for instance, the call for the acceptance of ‘specific’ Asian values like authority, frugality, and
collectivism with a derivative political system that could be described as an authoritative democracy, contrasts with the universal concept of liberal democracy based on the so called universal values of freedom and individuality.

Obviously the dispute between the benefits of global standardisation and country-specific differentiation of products which is taken into consideration by companies with international activities, is also related to the question of convergence:

Do the cost reductions resulting from standardised products and streamlined operations outweigh the eventual reduction in sales revenues resulting from the lowered appeal of homogeneous product (which is the same all over the world)? Or are there certain products or tastes which are universal and can, therefore, be served by a standardised product? Is it possible to use the same communication (advertisement) for a standardised product all over the world? Which features of a product allow for standardisation and which features have to be modified to suit certain cultural differences?

Indeed, there is evidence in favour, as well as against, those theories which claim the increasing convergence of cultures, values, tastes, consumption patterns, industry structures, or political systems, and so forth.

The refutation of the claim of managerial universality was built on the concept of cultural differences. The case of cultural difference was developed by a series of researchers who relied primarily on survey data. Hofstede (1980), for instance, developed a framework for comparing the value orientation of different countries on several dimensions (see chapter VII). His research was built on data of a world-wide survey of the employees in an important multi-national company. Furthermore, there have been research monographs dealing with specific countries, for example West Germany (Lawrence, 1980) and France (Barsoux and Lawrence, 1991).

For Edwards and Lawrence (1996) “the impact of national culture and varying national institutions upon business and management is now widely accepted.” As a consequence, the claim of universality or convergence can thus be reduced to the
question of the degree of homogeneity of management practice and business behaviour.

The national context has thus had an impact on the general business dynamic of firms. As a consequence, research was no longer directed towards the determining of the universality of general management praxis in the context of different cultures and national circumstances, but towards the determination of the relative importance of industry versus national context for the business behaviour and management practices of a firm. Edwards and Lawrence (1996) addressed this question in their paper "Country versus Industry: the dynamics of strategic differentiation." To this end they designed an empirical study of four industries (chocolate and confectionery, footwear, insulated cables, paint and coatings) in seven European countries (Britain, France, Germany, Italy, Netherlands, Spain, and Sweden). For the research, senior management in leading companies involved in the subject industries\(^4\) were interviewed on a wide range of organisational and strategic topics.

Edwards and Lawrence (1996) found that the four surveyed industries had different dynamics and that there is an approximate consensus as to these dynamics among executives from seven EU countries. They also underlined the following economy-wide trends:

- concentration,
- power-shift from manufacturing to retailing,
- and the "omnipresence of change" induced by a wide range of factors (environmental pressures, retail power, changing customer demands, changes in the structure of markets/customers, etc.).

\(^4\) The total sample size was some 125 companies.
In regard to the differences between the countries, Edwards and Lawrence (1996) maintain that “there are findings to report but with one exception they are not substantial.”

National culture has, according to Edwards and Lawrence (1996), a determining effect in some areas (perception, tastes, style), but based on the findings of their research they conclude that “the particular industry is more important in structuring executive perceptions, defining issues and developments, and in shaping strategy than is the national culture of the country.”

The design of the Edwards and Lawrence’s research, however, comprehends only companies in countries of the European Union. Furthermore, when considering the differences between the countries, only the differences between national cultures are considered. Consequently, the findings of the relative importance of industry versus national context are limited to a specific geographic spectrum (companies within the European Union) and a limited set of contextual factors (only cultural), and are not sufficient to conclude that industry is considered more important than the national context in management practices and the business behaviour of corporate bodies.

Indeed, how much would industry factors weigh on the shaping of management practices and business behaviour when comparing companies (within the same industry) located in totally different cultures, for instance Asian culture and Western culture? How much would industry factors weigh, when the national context would not only contemplate culture, but also economic and socio-political factors?

In the following research we shall try to explain this problem with an exemplary research of two companies in the same industry (television networks) situated in two totally different national contexts (Japan and the Dominican Republic).

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5 The German national culture with its penchant for specialism, uncertainty avoidance, engineering excellence and quality has a significant impact upon strategic perception or strategy formulation by German managers, which distinguishes them significantly from their counterparts in other European countries.
The analysis will encompass a comparison of industry, management, culture and processes, structure, operations, and strategy. Most important is the socio-economic background of both countries which will be examined in order to assess thoroughly their effects on the management practices and business behaviour of the surveyed companies.

The differences between Japan and the Dominican Republic are very marked and are much more complex than simply belonging to two totally different civilisations:

- different language roots.
- different religions (Shintoism/Buddhism versus predominantly Catholic Christianity).
- different levels of economic development.
- different value systems (Confucianism versus Christian values).
- different historical experiences (Insulation versus Colonisation).
- different socio-economic indicators etc.

This research is therefore intended to illuminate further the problem of the relative importance of industry factors versus national context by comparing two companies of the same industrial sector in two radically different nations.
Chapter II
Sources and Methods

A. Sources

1. Literature about the Media

While there are works on media management coming from the US, there is no such specific literature on Japan or the Dominican Republic. The books employed are referenced throughout this paper, so there is no need to list them here.

B. Methods

1. Case Basis

The research was carried out on an exemplary case basis by selecting a typical network in each country as the subject of study. In Japan we studied the network TBS-Tokyo Broadcasting System and, in Dominican Republic we examined the network Telecentro (TV 13). As during the period of the research Telecentro was in the process of being acquired by the Mexican network TV Azteca, we extended, in some areas, our investigations to the latter in order to offer a more complete picture of Telecentro's possible future.

2. Author's Background

a. Linguistic Abilities and Knowledge of the Countries, People, and Culture

When at secondary school he spent one year in the Dominican Republic, a Spanish speaking country. He lived with a Dominican family, went to a local school and even passed his High School Certificate. Later, he participated in the European Partnership of Business Schools, during which he also studied for two
years in the Business School ICADE at the Universidad Pontificias Comillas in Madrid, all the tuition being conducted in Spanish. He then passed a six months internship in the marketing department of a Spanish company, also in Madrid, and then worked for six months in a Dominican company in Santo Domingo. He is, therefore, not only fluent in Spanish, but has a first hand knowledge of the country, its people, and their culture.

With a two year post-graduate scholarship from the German Government for the purpose of "Language Proficiency and Work Experience in Japan" he attended a one year intensive Japanese language course in Tokyo before starting a nine month internship in a Japanese company. Before entering TBS, he had a three month training period in the oldest Japanese TV production company, the Television Corporation of Japan (TCJ). In both companies, the only possible way to communicate was in Japanese, which he managed to do quite well during his second year in that country. The important point is that he was fully integrated into the work teams in both companies and thus had the chance to learn, at first hand, about their corporate culture, management processes, structure, etc. Furthermore, the day to day interaction with Japanese colleagues, clients, and suppliers, taught him important points about their way of doing business, managing, making television, as well as their values, attitudes, and beliefs.

b. Work Experience in the Television Business in Japan and Latin America

It is very difficult to assess the particularities of a business without prior knowledge of the industry and the work that has to be accomplished. As knowledge of the language was essential it was no less important that he already possessed work experience in the television industry.

In Japan, as well as in the Dominican Republic, he worked as an independent producer, cameraman, and editor for the Latin American networks CNN Spanish and Univision, the national German and Swiss broadcasters ZDF and DRS, CNN
International and Star TV, doing more than 80 reports in three years. Because of this work he was in direct contact with many Japanese and Dominican media organisations, and by covering considerable headline news such as the Kobe earthquake or the Sarin attack, he had the chance to learn first hand how Japanese journalists report a news item, and how this differs from the Western approach.

During 1997 he also obtained a valuable insight into the workings of the Dominican advertising market after doing business with all the country's major advertising companies.

Furthermore, by being familiar with the tools and functions of television production, and having work experience in widely known television companies he had:

- a common ground with the Japanese and Dominican professionals.
- he was able to observe differing approaches to the same problems by the two nationalities.
- he could generate interest by the Dominicans and Japanese in his work and, by so doing, increase their co-operation.

The work for CNN Spanish and Univision especially gave him a great insight into the working of the international Spanish language television, which has a US American style in its reports and management practices. At this time, he also visited the headquarters of CNN Spanish in Atlanta and Univision in Miami.

The ZDF (German National TV) office in Tokyo is in the TBS building. When he was working for ZDF he had contacts with many sections of the TBS organisation, not as a TBS intern, but as someone from the "outside", giving him an additional perspective in his work.
3. Internal Study of the Researched Networks

a. Privileged Access - Information on the Spot

He had the opportunity to obtain valuable information first-hand, as he spent significant periods within these organisations.

In Japan he completed an internship of six months in TBS, of which he spent three months in the production department - in the weekly game show “Amazing Animals” and the news magazine “Broadcaster”, and three months in the International Sales Department. This department shares its office space with Multimedia Projects, Events Management, Video Releases, National Sales, and Telephone Shopping, which easily allowed him to gather information first hand. Furthermore, Japanese employees have to change departments from time to time, so one way of gathering information about other areas was to ask the employees in his own department. By talking with them, he discovered information about all the departments within TBS. For example, before becoming the President of the Sales department this officer was first a producer and Director of Programming. The person in charge of sales to America had previously been a news reader. The Chief of International Sales had been in charge of corporate finance at an earlier date and had also worked as a producer.

In Japan, the working of the decision making process and the way of managing is quite confusing for an outsider. As a member of the department the author participated in almost a hundred meetings, thereby learning how the Japanese approach decision making.

He also made friends in other departments which gave him the possibility of interviewing both them and their colleagues. They included those in the Engineering Department, Corporate Development, and in the Programming Department.

Furthermore, the work assignments enabled the making of contacts in yet more departments, and gave him the opportunity to learn more about their specific
tasks. Finally, with his employee badge, he had access to all parts of the TBS tower and gathered a lot of information by just “walking around”.

In the Dominican Republic, with a much smaller and less complex organisation, he had the permission and support of the administration to spend as much time as he considered necessary in the company, interviewing whomsoever he wished and going wherever he pleased. The research in Santo Domingo took place in two phases, the first being in the first few months of 1996, and the second in 1997. It was necessary for him to return to Telecentro, because of the profound changes that took place in this organisation during the period of the research, and especially because of the impending purchase of the channel by the Mexican network TV Azteca. In total he spent more than a year in research in the Dominican Republic.

Furthermore, during the whole of 1997 he did business with all the major Dominican advertising and production companies, offering post-production services for commercials. As a consequence he also gained a unique insight into the working of the Dominican television industry in regard to price structure, conditions, personalities, the relationship between advertising companies, production companies, post-production houses, television programmes and television stations.

As the Dominican Republic is a quite small market, he talked directly to many decision makers in the industry, including the presidents of the different advertising agencies, the main producers, and the executives of the TV networks.

As a consequence, he could gather all information at first hand by doing structured and open interviews, not only with core employees of Telecentro, but also by working with people from all sections of the production cycle of the TV industry.

In autumn 1997 in order to complete the picture of Telecentro, he spent two weeks in Mexico City collecting information about the structure, systems, staff, and strategy of TV Azteca. To this end he interviewed personnel from the International Department, Sales, Sports, News, Finance, Programming and Production.
b. Structured Interviews

In the Dominican Republic he conducted semi-structured interviews in Spanish with all the core employees of the network station Telecentro, first in 1995 and then again in 1997 after some major restructuring by the network. The interviews were mostly aimed at specifying the role, function, expectations, and integration into the work process of the employee. All the interviews were in-depth.

In the Japanese network TBS he could not logically conduct interviews with all employees due to their number. He did conduct, however, about hundred semi-structured and several dozen in-depth interviews, some with a translator, some in English, and others with his basic Japanese, which together with his observation and questions gave him a clear picture of the company and the people involved.

c. Published Information

His linguistic ability allowed him to delve into the company's documents, and he studied hundreds of pages of company files in the departments in which he worked. He also obtained access to the libraries of the Keio- and Sophia Universities in Tokyo, and the UCMAIMA and Intec Universities in Santo Domingo. Finally, he also extensively used the facilities of the "Instituto Latinoamericano" in the Sophia University in Tokyo.
C. Conclusion

The comparative research on the relative importance of industry and national context for the business behaviour and management practice of companies draws heavily on information obtained first hand by the author, by means of observation and questioning during work relationships, internships, and research. The author has also drawn on his personal experience of the media industry as a whole in Japan as well as in Latin America.

The following introductory chapter on the socio-economic background of Japan, however, considers the wider picture of the culture, history, society, and economy of the Japanese, searching for the differences in the national context which could have an effect on the business behaviour and management practices of Japanese TV networks.
Chapter III
A Socio-Economic Analysis of Japan

A. Introduction

Japanese affirm to be not only different, but to be unique. They present as proof their language and customs, their homogeneity and particular societal structure.

The claimed uniqueness (of their national context) is of high interest as the objective of this research is to determine the relative importance of national context versus industry on the business behaviour and management practice of companies, by comparing companies in the same industry (television stations) in totally different national contexts (Japan and Dominican Republic).

In this chapter on the national context of Japan we shall make a detailed analysis of the socio-economic background in order to elucidate those differences in history, societal structure, culture, political organisation, and economy of this nation.

B. The Historical Background

1. Origins of Japanese Civilisation

Coming from Korea, southern China, and some of the Asia-Pacific islands, the ancestors of the Japanese are supposed to have arrived on the south of the archipelago, where they started to migrate slowly towards the north, pushing back the indigenous Caucasian aborigines. From AD645 to AD745 Japan's first "Great Change" took place when it managed, for the first time, to upgrade its culture through the massive assimilation and adaptation of ideas, concepts, and techniques imported from the mainland, including the following:
- Chinese characters as a written language,
- Buddhism and Confucianism as a complement to Shintoism,
- A system of law,
- Confucian bureaucracy that mingled with the principles of the Yamato feudalism, creating a specific form of administration,
- Sculpture, painting, and literature.

2. The Japanese Language

Even though the Japanese had "borrowed" widely from the Chinese civilisation they, nevertheless, developed their own style by rejecting what did not fit their needs, and by thoroughly adapting the rest to obtain its most beneficial yield. Written Japanese, for example, uses Kanji, Chinese figurative characters, which were given a distinct Japanese meaning. The original Chinese readings, however, have also been maintained, enriching the Japanese language. Japanese words which have no Kanji equivalent are written using a 46-character phonetic alphabet called Hiragana. Today, foreign words are often "Japanised" through the phonetic alphabet Katakana.

3. The Unification of Japan and the Tokugawa Era

In the 15th century the power base of the central Government atomised, as the power of the shogun, the military administration controlling Japan for most of the years from 1192 to 1867, had diminished and the emperor remained powerless. In effect, Japan's political landscape strikingly resembled that of medieval feudal Europe, as small local daimyo with their vassals fought against each other in a pattern of constantly shifting alliances. The development of a feudal structure had

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6 The Japanese called themselves the people of Yamato.
7 The Japanese call this period sengoku jidai, the era of warring countries. (Gibney, p68).
been atypical for the East, where social stratification has never been very strict. Within this system, however, disparities were never enormous and social mobility was possible.

From this turmoil, the "unification" of Japan was accomplished in three consecutive steps. Oda Nobunaga, a small daimyo, ousted the last of the 15 shoguns of the Ashikaga family; Toyotomi Hideyoshi, Oda's chief lieutenant, installed himself as kampaku, the country's central ruler, and in 1615 Hideyoshi's vassal Tokugawa Ieyasu completed the usurping of power from Hideyoshi's family's successors, thus establishing his own dynasty. His political agenda differed from Hideyoshi's, as he not only abstained from foreign imperialist adventures, like the invasion of Korea but, moreover, decreed the total closure of the country.

The Tokugawa shoguns redesigned the feudalistic structure by imposing a Chinese inspired four grade, hierarchical classification into shi, the samurai (bureaucrats and scholars); no, the farmers; ko, the artisans and, at the lowest level, sho, the merchants, and by weakening the daimyo "through a rigidly enforced system of taxes, tributes, ceremonial, and hostage taking" (Gibney, p69), and the samurai, who had to move to the fortified towns of their daimyos assuming bureaucratic tasks. The resulting strong central Government and social immobility brought peace as well as conformity and stagnation. The Tokugawa system, however, was undermined by the changes in demographic and economic parameters that it had introduced because, first, the samurai and daimyo, who depended economically on the rice yield of their feudal relations, were forced to live in the cities, where they became impoverished, and the merchant class gained power as they financed the impoverished warriors by exchanging their future rice incomes for "cash", thus transforming the rural rice growing into a money economy. The lower-ranked samurai gradually assumed the effective political and economical administration for their local rulers.

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The first missionaries brought with them religion and military science, which rapidly proliferated in Japan. However, about a century later, the missionaries were cruelly persecuted, as the Tokugawa shogunate, fearing the contact of the Japanese people with Western culture, executed any foreigner attempting to enter the country (Gibney, p69).

Gibson (p70) calls this "a new urban consumer society."
4. The Opening of Japan

Through the Dutch merchants based in Nagasaki, reports of the scientific progress as well as the Western Imperialism in China secretly permeated this academic community. The principal schools of thought\textsuperscript{10} at this time, and henceforth, were inspired by Western learning and the books of the European Enlightenment, or centred on native philosophy with the Japanese reflecting their origins. The new ideas were further communicated by the emerging publishing industry. The rising discontent of the low-ranked samurai with the inflexibility of the Tokugawa system, and their awareness that Japan had to effect internal changes in order to "catch up" with the West, were the main causes for the implosion of the established order. When on 8 July, 1853, Commander Matthew C. Perry's four-vessel squadron, the "Black Ships", sailed into Uraga in Edo (Tokyo) Bay, he only marked the change already accomplished in the minds of the Japanese intelligentsia. The subsequent negotiations that led to the United States / Japan, Treaty of Friendship and Commerce on 31 March, 1854, finished the long self-imposed isolation from the rest of the world, eroded the power of the Tokugawa shogunate, and initiated a decade of political confusion and restructuring. Finally, on 3 January, 1868, the emperor dismissed the Tokugawa shoguns as imperial surrogates, supported by troops from the clans of chosa, satsuma, tosa, echizen, aki and owari, who later defeated the shogun's army. The emperor then transferred his residence from Kyoto to Tokyo. The old sonno joi — revere the emperor, destroy the barbarians — was replaced by the more pragmatic motto fukoku kyohei — enrich the country and strengthen the military — and the extreme of total isolation was substituted by an enormous orchestration of importing Western technology. Under the label "Meiji Restoration" dramatic changes in the economic, political, social, and cultural framework took place, all aimed at the national goal of rapid modernisation\textsuperscript{11}.

\textsuperscript{10} The main spiritual father of change was Yoshida Shoin, who promoted, as a declared enemy of the shogunate throughout his life, the goal of national unity under the emperor. Many of the leading men of the Meiji Revolution were pupils of Yoshida.

\textsuperscript{11} The old samurai became the new bureaucrats, and their first task was the creation of a modern economy. The first factories for steamships, textiles, steel mills, public utilities were thus built by the State but, however, rapidly transferred into private hands. Feudalism was
C. The Socio-Cultural Background

1. The Homogeneity Factor

Japan's total population is about 124.68 million\(^1\). In 1989 the population density was 324 people per square kilometre\(^2\). This number is only an average, however, and gives a distorted view, as about 66% of Japan is mountainous\(^3\), large parts have a very low population, whilst the Kanto area of Tokyo has one of the highest population densities in the world.

Key features of Japanese society include:

- The physical proximity of people living closely together.
- The physical separation from other countries of an island population that was never a maritime nation nor invaded by others.
- The common language.
- The long common historical experience.

These key features not only supported the appearance of Japanese nationhood but also the development of a high degree of homogeneity and specific cultural traits, including:

- Its own religion, shinto, with its own gods, and creation myths.
- An island mentality, "shimaguni konjo", reflecting a self-centredness and the feeling of being unique.
- As a consequence of both the above — the belief that they were God-favoured people.

\(^1\) Japan: Wirtschaft in Zahlen.
\(^3\) Japan: A Pocket Guide, p120.
Indeed, the cohesion and independence of the Japanese people was only threatened twice. First, when the Mongolian emperor Khublai Khan planned military invasions in 1274 and 1281, launching his armadas against Japan and second, in the 15th century, when European missionaries and merchants undertook a cultural invasion, recklessly pursuing their interwoven interests to the detriment of local culture and customs. Typhoons, which the Japanese called *kamikaze*, winds of God, destroyed Khublai Khan's troops before they reached Japan on both occasions, while in 1636 contact with the outside world was banned by government decree, which initiated two centuries of *sakoku*, closing the country, with the total isolation of the Japanese people, politics, and economy. As a consequence, the Japanese communicate within an underlying framework of cultural values and conventions that enhance, widen, supplement, or even replace explicit verbal messages. Indeed, Japan is said to be a high-context culture, in which "meaning and context\(^\text{15}\) are inextricably bound up" (McMillan, p25).

2. The Unique Cultural Time Perception

Japan is probably the only advanced industrial country whose population still practices an animistic, thus "primitive" religion, the *shinto*, and even upon the entry of Buddhism and Christianity, the population was not converted to another faith to the exclusion of their ancient beliefs. Today, the Japanese traditional religions lay the foundation for their unique cultural time perception. Hayashi (p6) differentiates between *physical time* that is standardised and provides a common framework for measurement and perception, "overriding all societal differences", and *cultural time*, that differs from one society to another. For cultures which abide by strict monotheistic doctrines like Christianity, Judaism, and Islam, cultural time is generally linear (A) running from the past to the present and then towards the future, continuously following the eschatological track to the Day of Judgement. Polytheistic religions such as Hinduism and Buddhism live by a cyclical or circular

\(^{15}\) Compare Hayashi, p161.
time perception pattern, (B) as transmigration\textsuperscript{16}, that is to say rebirth in another body, either human or animal, recurs in a never-ending ring. In contrast, for the Japanese, the past still exists in the present (C), for instance, in form of the sorei, the spirits of souls of dead ancestors who are always near and protect their descendants, or with regard to their language, where the past tense and the present perfect tense\textsuperscript{17} are not differentiated. In effect, Japanese thought and living concentrates on the present and, therefore, is not very receptive to ideas that reject or transcend this life. The future is an extension of the present and controllable by human effort, contrasting with monotheistic influenced cultures who take the future as beyond man's reach. Hayashi compares this time perception, where "the past and the future simultaneously exist in the present" (Hayashi, p10) to a makimono, a picture story or writing mounted on paper and usually rolled in a scroll.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{CulturalTimePatterns.png}
\caption{CULTURAL TIME PATTERNS}
\end{figure}

\textit{Source: Hayashi, p6}

\textsuperscript{16} As Japanese are influenced by Buddhism, suicide is not a sin, but the occasion for the rebirth of the soul.

\textsuperscript{17} "The past is experienced in the present tense" (Hayashi, p27). "...; it rolls on in the present like an eternal echo" (Hayashi, p27).
3. Cultural Background of Japanese Collectivist Behaviour

The abolition of the feudal system at the Meiji Restoration and the abolition of the Japanese family system, the *ie* system, after World War II marked a revolution in the social structure. Nevertheless, even though officially abandoned the spirit of these systems lives on within the strict vertical structure of contemporary Japanese society, and the existence of group mechanisms.

a. Oyabun-Kobun

First, in the contemporary Japanese society the vertical *oyabun-kobun* (superior-assistant or parent-child) relation resembles a relic of medieval feudalism stressing mutual loyalty, confidence, and intimacy. It provides a normative pattern of social obligations and hierarchical relationships, that is based on reciprocity. Contrasting to *oyabun-kobun*, in the relation on the horizontal level, equals are suspiciously regarded as rivals and a more or less open competition takes place in order to determine their relative position, the *koku*. This scheme of competition not only applies to individuals but also to the economy where the rivalry within the industrial sector is intense.

b. Holistic World View

Second, the overall collectivist orientation of the Japanese, hence the belief that the interaction of a group produces better results than the sum of individual efforts, derives from their holistic world view i.e. "the whole is more than the sum of its parts" (Hayashi, p72). Therefore, in Japan, a person acquires his value from his

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19 See Chie Nakane, pp171-206.
belonging to a group. The membership of a certain group depends upon location factors, because of the emphasis on the \( ba^{20} \) (the house or the enterprise) as a categorisation of a person, and not his \( shikoku \) (attributes, qualifications, antecedents) and situation factors, the attachment of a person to a group being variable in intensity and duration, and depends largely on perception. As a consequence, the interpersonal relations with the members as well as the physical presence are of utmost importance, as they are necessary conditions for the acceptance of the individual and the smooth functioning of the entire group.

The working of Japanese group relations can be best described by the concepts of \( ie \), the so-called patri-lineal, patri-local family system, and \( mura \), the agricultural community in Old Japan, where the scarcity of land as well as the adverse climatic conditions made the cultivation of the "paddy field", for many centuries, a collective endeavour.

c. \( ie \)

The concept of the ancient \( ie \) system, that conveys a sense of established hierarchy and boundaries, reflects this (1) vertical structure of society and (2) local group focus. The feudalistic origin of \( ie \) can be found in Old Japan, where it was the stronghold of the \( samurai \). They gave their lives, if necessary, to defend their patrons, the \( daimyo \), as \( ie \) demanded the sacrifice of the individual for the welfare of the group.

\( ie \), therefore, implies a named group, not a blood relationship. In the Meiji era (1868-1912) the Civil Code adopted a family system which was based on the \( ie \) concept. The object was to preserve the existence of the (extended) family and it was, in effect, patriarchal, concentrating all the authority in the family head\(^{21}\) with the eldest son inheriting all the family's assets. The position of women was clearly

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\(^{19}\) The Japanese perception contrasts sharply with the analytical West, that considers the whole as equal to the sum of its parts. The extreme is the stripping of assets of bankrupt companies, in this exceptional case the sum of its parts is higher than the whole.

\(^{20}\) The profession of an accountant would be his \( shikoku \) and his job at an enterprise his \( ba \).

\(^{21}\) The family head decides, for example, about the marriages or divorces of family members.
inferior. A bride entering the *ie* of the groom had an inferior position to her husband's sisters. Parental authority was limited to the father, giving all custody of the children to him in case of a divorce\textsuperscript{22}. Women, moreover, were not allowed to buy, manage, or sell assets. They did not even have the freedom to visit their parents. In contemporary Japan, an *ie* applies to a house or dwelling and, by extension, a family or home. It refers to a person's primary organisation. Interpersonal relations that take place within that group prevail in importance over relations with the outside. Inside the house there is also a hierarchy of importance: children are more important than the spouse who came from outside the *ie*, but when they leave the house to form a new family, all the people that stay have a higher importance.

d. Mura\textsuperscript{23}

Japan is a kind of one large *mura*-community. The *mura* members have, in contrast to the *ie*, neither a clear awareness of their relationship to the whole nor a strong sense of self-identity. If danger threatens, however, a *mura* can easily transform into an *ie*, with the *mura* head becoming the leader and a cohesive unit being formed.

The main characteristics of the *mura* \textsuperscript{24} community still valid today, are:

- The preoccupation with mutual benefit.
- The ostracising of non-conformers.
- The absence of sacrifice.
- The importance of intensive interpersonal relations.

\textsuperscript{22} Today, only 10-15% of divorced women with children receive child-support payments from their husbands.

\textsuperscript{23} In ancient times, a *mura* member was protected by his group members as long as his offensive actions did not endanger the order of the village or its relations with the outside world. If this happened, the offender was ostracised (*murahachiba*). Today, if a group member protests against a collective decision, other members shun him. This practice is called *murahajiki*, exclusion from the village.

\textsuperscript{24} *Mura* derives from the Japanese word *mureru*, to crowd together. Hayashi (p69) sees in *mura* the "image of an agricultural community, closed to outsiders, whose central concern is the mutual benefit of its members."
e. Omote-Ura

Japanese groups and society as a whole are not monolithic, but comprise a moving variety of interests. These, however, do not develop on the formal level, omote, but under the surface on the informal level or ura. These are not two faces of the Japanese, because ura is also absolutely legitimate. Takeshi Ishida (pp117-118) characterises omote as:

- Public and legal.
- Representative.
- Formal and inflexible,

while he lists for ura:

- Privately allowed,
- Practical and active.
- Informal and flexible.

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25 Omote is the foreground in which formal relations take place, while ura is the background, which is informal, but not less binding for decision making.
### Fig 2  THE 2 LEVELS OF INTERPERSONAL/INTERGROUP RELATIONS

<table>
<thead>
<tr>
<th></th>
<th><strong>omote</strong></th>
<th><strong>ura</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surface or formal level</strong></td>
<td>Conflicts shall not exist.</td>
<td>Conflicts exist, but are resolved silently.</td>
</tr>
<tr>
<td><strong>Background or informal level</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **uchi** | Conflicts shall not exist. | Conflicts exist, but are resolved silently. |
| **Conflict of group members** | | |

| **soto** | There shall not be concession. | It is possible to negotiate, if none of the parties involved does not loose face and maintains their integrity. |
| **Conflict with outsiders** | | |

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**f. Uchi-Soto**

The differentiation between *uchi* and *soto*, in- and out-groups, is not restricted to Japan. What is unique, however, is both the importance the Japanese attach to this concept, and its proliferation in society which draws concentric circles, starting with the *ie* in the centre and ending with the nation as the perimeter. The in-group is made up of people who have a feeling of belonging together, and behave with each other under an influence of emotional dependence (*amae*).
g. Giri-On

The important role of personal ties in Japan is established on the concept of voluntary social exchanges, giri and on, the indebtedness of a person and the subsequent repayment of the favour. This is unlike Western countries where a personal debt will be repaid as fast as possible. This is considered to be a harsh attitude. The Japanese live in an environment of "delayed reciprocity" (Hayashi, p28). The effects of this cultural value ensure that loyalty and attachment are fostered through obligations and responsibilities. The organisational equivalent of giri and on in Japanese management is the sustaining of the mentoring system through the interchange of favours and gifts.

5. Demographic Changes of Japanese Society

a. Decline in Households and Urbanisation

The altering of cultural values is interdependent with the demographic changes in a nation. The average size of the normal household decreased from 4.97 in 1950 (4.89 in 1920) to 3.06 in 1990. Until 1955 there were no major changes in the number of extended families, nuclear families, or single households. During the last four decades, however, the percentage of the extended family was halved from 36.5% in 1955 to 17.2% in 1990 while that of single-households expanded sharply from 3.4% to 23.1% over the same period. It is noticeable that despite the population growth the absolute numbers of extended families remained almost identical, while not only single-households, but also nuclear families, increased in numbers. This reflects, on the one hand, the urbanisation of the Japanese

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26 McMillan, p37.
27 Hayashi (p28) says that "Like certain wines, the debt of gratitude should be allowed to age, because it improves the relationship."

The normal household is defined as one in which two or more people live together, but it includes cases where one person lives alone. Excluded from the definition are single people living in rented rooms or dormitories, people in hospitals and similar institutions, and members of the Self-Defence Forces.
population and the accompanying change of lifestyle and, on the other, it can be regarded as an indicator of the growth of individualism within this collectivist society.

**Fig 3**  
THE COMPOSITION OF JAPANESE FAMILIES (in million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Single-member household</th>
<th>Nuclear family</th>
<th>Extended family</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>6.0%</td>
<td>54.0%</td>
<td>39.9%</td>
</tr>
<tr>
<td>1955</td>
<td>3.4%</td>
<td>59.6%</td>
<td>36.5%</td>
</tr>
<tr>
<td>1965</td>
<td>7.8%</td>
<td>62.6%</td>
<td>29.2%</td>
</tr>
<tr>
<td>1975</td>
<td>19.5%</td>
<td>59.5%</td>
<td>20.8%</td>
</tr>
<tr>
<td>1990</td>
<td>23.1%</td>
<td>59.2%</td>
<td>17.2%</td>
</tr>
</tbody>
</table>


Note: Figures through 1965 are for normal households, those from 1975 onward for general households, which include single people living in rented rooms, dormitories, etc. "Extended family" refers to any family differing from the nuclear family. "Nuclear family" includes couples without children and single-parent families.
b. The Janus Face of the Japanese Family

The Japanese-family is getting closer to the Western lifestyle in regard to the interior decoration of the house, food, and clothing. Nevertheless, the underlying roles and values of the traditional patri-lineal, patri-local ie system continue to influence interpersonal relations. The parent-child relationship, as a consequence, is much more intense than that between spouses, and the position of the couple's parents remains influential. A large number of children, therefore, continue to live with their parents until studies, work, or a change in their marital status makes this impossible. Japanese children have been born in a time of relative affluence unknown in the youth of their parents. The economic situation thus initiates a change in their values and lifestyles in regard to former generations. Because for those aged 15-29 years work and school hours decline, leisure time is now rising, but as the number of friends with whom they associate is decreasing, they spend a lot of free time at home. In Japanese families the task of disciplining the children relies mostly on the mother. Obedience, tolerance, and good manners are the main qualities that Japanese parents want to develop in their children, while leadership abilities, fairness, and justice are not considered essential. In other areas, however, the influence of ie has diminished, and a change of lifestyle has taken place. Nowadays, women do not maintain a close contact with their parents after getting married. Sons, however, who have never known such a restriction, spend less time with their wives because of their reduced spare time.

c. Later Marriages, Fewer Marriages

The average age for marrying is rising in Japan and is now 28.4 years for first-time grooms and 26.0 years for first-time brides.

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30 The 1992 Survey of the Prime Minister's Office revealed that of both parents of elementary through high school students questioned 59% indicated that it was the role of both parents to discipline the children. However, 31.5% stated that it was the responsibility of the mother, while 8.2% indicated that it was the responsibility of the father.


32 Japanese Families, p18.
These ages are amongst the highest in the world. The reasons for this trend are:

- The increasing number of people receiving higher education\(^3^3\).
- The wish to get to know the prospective spouse better.
- The growing unwillingness of working women to leave their jobs after getting married and become dependent on their husbands.
- The close dependent relationship between parents and children and, in relation to that,
- The tendency to hedonism and personal freedom, as single people living with their parents are usually economically better off than when married.

The children, however, are overprotected and independent as a consequence of the rise in nuclear families and the tendency to marry later in life. Furthermore, since the 1980s an increasing number of young people consider marriage as only one of many options, which has encouraged a decline in the number of weddings. The *miai*, the arranged marriages, which still accounted for about 50% of all marriages during the 1960s, continue to disappear, and in 1992 only 15.2% of couples who married between 1987 and 1992 \(^3^4\) considered their marriages "arranged", compared to 23.6% in the period 1982-87. Unmarried Japanese do not have the opportunity to meet people from the opposite sex on a regular basis\(^3^5\).

d. Changing Roles of Men and Women

During the phase of high growth in the Japanese economy, electric domestic appliances proliferated rapidly causing a sharp drop in the amount of housework. Thus children were no longer required to assist with domestic chores, but were supposed to study, in tune with the emphasis that is laid on academic credentials

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\(^3^3\) In 1993, 36.6% of boys and 19.0% of girls graduating from high school went to a 4-year university afterwards (Japanese Families, p19.)


\(^3^5\) In a 1987 Survey of the Health and Welfare Ministry of single 18-34-year olds 48.2% of the males ad 39.6% of the females responded that they were not dating anybody (Japanese Families, p22).
in Japan. The husband turned into a "company man" concentrating on his work and leaving all domestic affairs and the education of the children to his wife. In effect, both husband and wife led almost separate lives. Today, more women want to work after having married and even after bearing children because of:

- The more pessimistic economic outlook.
- The extended life-expectancy.
- The trend to having fewer children, or none at all, resulting in more disposable time.
- The further easing of domestic work due to technical innovation.

In 1992, the number of married women having a job was 52.9%. The attitudes of society to women's employment have now changed to such an extent that today, it is considered that they should be able to work — as long as this does not interfere with their domestic duties. So far, however, sexual equality has still not been achieved in Japanese society. In a 1992 poll 78% of men and 70% of women considered that housework was the duty of the latter alone, and not of both, and a 1992 poll by the Prime Minister's Office indicated that only 29% of women considered that sexual equality had been achieved in the home. A 1990 survey indicated that 42.1% of the female respondents felt that women have yet to achieve legal and institutional equality; 54.7% stated that they are not equal in the work place; and 58.3% believed they do not have the same rights in terms of social conventions and beliefs.

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36 A 1990 Health and Welfare Ministry survey indicated that 32.2% of all women who married quit their jobs immediately to become full-time housewives. *Japanese Families*, p28.
e. Japan is Turning Grey: the Ageing Society

In 1993, the total fertility rate\(^42\) (average number of children born to women in their childbearing years) dropped to below 1.50 for the first time, while the birth rate\(^43\) (yearly births per 1,000 population) stood at 9.6. Factors that contribute to this decline are:

- Demographic trends\(^44\), as men born in the post-war baby boom years outnumbered marriageable women.

- Places of work, because marriages among co-workers account for more than 40% of the total and being employed in a company where one sex clearly outnumbers the other lowers the chance of finding a spouse.

- Changed lifestyles, with people marrying later or not marrying at all.

- Economic reasons, due to the financial burden that children impose and the high housing costs for people without their own property.

- Changed circumstances, i.e. the difficulty of raising children when both parents are working.

The average life-expectancy\(^45\) at birth for Japanese males was 76.09 years and for females 82.22 in 1992. The drop in both birth and death rates, which constitutes an indicator for the shift of a pre-modern to a modern society\(^46\), implies a drastic reshuffle of the age composition of Japan's population. In particular, the number of children under the age of 14 decreased substantially, while the proportion of adults over 65 expanded. Japan is becoming an "ageing society" and

\(^{42}\) see A Report on National Life: Measures for the Arrival of an Aged Society, p5.

\(^{43}\) Japanese Families, p10.

\(^{44}\) At the 1990 census, of 5.35 million men from 40-44 about 11.7% were single.


\(^{46}\) This shift was much faster in Japan than in other industrialised countries. The United Nations marks the threshold of the aged society at 7% / people over 65. According to this measure Japan needed only 25 years to double the proportion of people over 65 after having passed the threshold, while it took 115 years in France and 45 years in Britain (Japanese Families, p10.)
will have to deal with its associated problems in the future. In the past, due to the "ie", the eldest son and his wife were expected to take care of their ageing parents. This attitude has not, to date, changed significantly. The Ministry of Health and Welfare's 1992 Basic Survey of Life of the People\(^47\) showed that 82.9% of the men would live with, and take care of, their own parents, if the latter become incapable of providing for their own needs, and 74.7% would do this for their wife's parents. Of the women, 74.7% agreed in regard to the husband's parents, and 69.3% in respect of their own. This willingness, however, to take care of elderly parents is declining among younger people. A comparative poll of those between 18 and 24 years in 11 other nations\(^48\) indicated that the willingness to care for aged parents "whatever it takes" has fallen from 34.5% in 1977 to 22.6% in 1993, with the Japanese figure being the lowest of all the countries surveyed.

**Fig 4**  COMPOSITION OF THE POPULATION

![Composition of the Population](image)


\(^{47}\) In Japanese Families, p10.

6. The Japanese Value System

a. The Meritocracy

One's educational background is highly valued in the egalitarian Japanese societal structure in which social mobility has been relatively high in the past and determines, in many ways, the status of the individual in his later life. Graduating from a prestigious university guarantees entrance into a first-class company with the accompanying economic security and status. In order, however, to be admitted to one of the renowned universities the students have to pass a variety of highly competitive examinations whilst still at school. This places a lot of pressure on the parents and has produced the so-called kyoiku mama, or "education mums", who intensely pursue the further accumulation of academic credentials by their youngsters. Therefore, in 1991 the proportion of children attending "crammers" to supplement their schoolwork was 6.6% in pre-school, 17.5% in the first to third years, 33.7% in fourth to sixth years, and 54% in secondary school. The expenses incurred in education impose a heavy financial burden, as the average annual costs for a child attending a public elementary school were ¥230,000, public junior school ¥275,000, public high school ¥352,000 (private high-school ¥704,000), and university ¥1,040,000 (with the student living at home) and ¥1,600,000 (living away from home). The educational trend is not only towards increasing the quality, but also the quantity, as more people seek a university degree. The proportion of students advancing to tertiary education used to be 17.1%, but this rose to 25.5% in 1991 (male 34.5% and female 16.1%).


b. Egalitarianism, the New Rich and the Japanese Work Ethic

In 1960 the Japanese addiction to work reached its peak with an average of 2,426 hours per year\textsuperscript{53}, dropping to a plateau of about 2,100 in the 1980s, and then descending below the 2,000 hour mark to 1,972 in 1992. The five-day week that applied to 4.4% of all companies and 17.9% of all employees in the 1960 financial year had spread to 78.2% of the companies and 91.6% of employees by the financial year 1991 according to the statistics published by the Ministry of Labour. Furthermore, in 1992, of the 80% of companies that provided a summer vacation, 60% gave one week or longer. These figures, however, do not indicate the days actually taken as holidays, and should be regarded as mere propaganda by the Government agencies in order to appease criticism from overseas. Indeed, it does not seem that a change of style has really taken place but, rather, that the statistics just reflect the economic crisis. The Japanese work ethic can, however, be analysed by examining their attitudes towards leisure time. According to the \textit{1992 White Paper on Leisure}\textsuperscript{54} the Japanese have problems in regard to their free time because:

- Their focus is on rushed activity, and not relaxation.
- They do not know how to use it\textsuperscript{55}.
- The concept of work being the pinnacle always imposes on scheduled free time activities,
- Their almost non-existent personal network outside of work,
- Their belief that leisure has to be expensive.
- Their dependence on recreational fads.

Indeed, there exists a social consensus in regard to the Japanese work ethic, a combination of extremely long working hours with extensive commuting time, short

\textsuperscript{53} Monthly Labour Survey, Ministry of Labour, Japan in \textit{Leisure and Recreational Activities}, p14.


\textsuperscript{55} 40.8% say they would be at a loss to know what to do if they had a month-long vacation. Source: The 1992 White Paper on Leisure (published by the Leisure Development Centre) in \textit{Leisure and Recreational Activities}, p37.
vacations, and mainly one-day weekends, as well as the focus on "production-first", to the detriment of living standards. That stems from

- The Japanese national goal.
- The societal structure and situational factors.
- The ideological framework.

After the Second World War the Japanese people desired, first of all, to "catch-up" with the other industrialised nations, and achieve economic parity. This was of utmost importance, because of the central role that hierarchical standing holds in the Japanese culture. The population was willing to make personal sacrifices regarding work loads and living standards for the sake of the national ie 56. Second, in post-war Japan the egalitarian societal structure that permitted social mobility as well as the general poverty fuelled the willingness to work hard and diligently. Third, there are basic social-philosophical differences between Asia and the West 57. In contrast to the West, where the Protestant ethic of asceticism laid the foundation for the development of capitalism, the two main religions in Japan, Shintoism and Buddhism, have had almost no influence on secular or economic conduct. This role was taken by the Confucianism that had been supported by the Tokugawa government before the Meiji period. The Confucian ethic discourages individualism, but promotes loyalty to the State or the Emperor, filial sympathy, faith in friendship, respect for elders, and work as the most important virtues.

Today, when the Japanese have achieved the status of an economic superpower, and eliminated the psychological need to catch up with the West, the set of factors that lie at the foundation of the Japanese work ethic have changed. On the one hand, the Japanese could never fully enjoy their theoretical affluence as regulated market structures kept prices artificially high. On the other hand, the income differentials and the gap in regard to asset-ownership within Japanese society, that

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56 It is argued by Seiichiro Saito (pp57-58) that "since the catch-up process required production to receive priority over consumption, Japan turned into a manufacturing superpower / without living standards to meet."
had diminished during the high growth phase of the economy, started to widen again as growth slowed down. Furthermore, with the speculative boom in land prices in the latter half of the 1980s a new social stratum appeared, the landowner became rich, at least on paper. Therefore, as the egalitarian structure of the society and Japan's need to "catch-up" disappear, so does the original foundation of the Japanese work ethic. The outline of the White Paper on Youth 1992 (pp8-9) states that young people are increasingly willing to change jobs, and prefer fewer working hours instead of more pay. In an opinion poll concerning Work Awareness 58 (1992) 40.5% of the males and 46.4% of the females between 20-29 years said that they live for something other than work, significantly more than the 27.6% of all age groups. Work is thus losing its place as the prime purpose of life. This is confirmed by the World-wide Survey on the Consciousness of Youth which indicated 56.3% hold "live as they please" as their rated objective in life. Economic affluence, however, is the second ranking objective in Japan among those aged 28 to 35 years with 28.3%, the highest proportion in the 11 countries surveyed.

The Japanese economy also faces another problem, as not only the foundation of the traditional work ethic is eroding, but the work ethic itself may no longer function under the current conditions. In the past, the Japanese supposedly produced more than "me-toos" by improving existing products and mass-marketing them, their behaviour 59 being complementary to the West's search for major scientific

59 It is argued by Haruo Shimada (p90) that "The Japanese turned to the United States and other Western countries for know-how to assist in the rebuilding of the economy, and after buying technology from abroad in a bid to rebuild and modernize industry, they modified it to suit the realities of the Japanese workplace. In this refinement effort, priority was placed on motivating workers and utilizing their creativity in productive operations."
Japanese, hence, were said to be good imitators, and refiners:
(1) The assimilation of Western technology may have been facilitated by (A) the roots of the Japanese society in the paddy-field rice cultivation, where a peasant "...naturally imitates a neighbour's successful techniques" (Hayashi, p90), and, unlike hunting, which is an individual activity, know-how cannot be kept secret, and (B) the intellectual and rational character of Confucianism, which remains still highly influential in Japan.
(2) However, the Japanese claim that they have never been just imitators, but that they always looked for the constant incremental innovation of the existing. It is argued by
breakthroughs. In fact, the new stage of development of the Japanese economy and the West's criticism of the chronic trade surplus require a policy shift from an Export to a Domestic demand-led economy, with products having a higher innovative content. This will lead to further changes in the Japanese life and work style, requiring human skills such as creativity instead of an emphasis on working hard and long, on being loyal and subordinate to one's group, and on genuine invention instead of just improvement.

c. Changing Values and Attitudes of the Youth

Individualism and hedonism are increasing in this supposedly collectivist nation. Japanese young people have a high satisfaction with life, finding fulfilment in their hobbies and in the time spent with friends. They are, however, intolerant of societal problems, such as declining egalitarianism, environmental destruction, and the inadequacies of the social system, but are not willing to do something about it. The World-wide Survey on the Consciousness of Youth reveals that Japan's response to the question "Are you willing to sacrifice personal interest in order to help your country?" was the second lowest of the 11 nations surveyed. The proliferation of and access to the newest technological gadgets, like television, computer games, etc. encourage individualism and isolation. Television is the most popular pastime and enjoyment for young people, as a high percentage watch it during every time slot.

Hayashi (p23) that the Japanese cultural time pattern had "the concern to preserve the old and infuse it with a new vitality as a gift to posterity."


D. The Macro-Economic Level

1. International Comparison of the Japanese Economy

The scope of Japan's economy is second only to that of the United States. Japan's 1993 gross domestic product stood at US$ 3,357 thousand million\(^{62}\), while that of the United States was US$5,291. Around 1985 Japan's per capita national income\(^{63}\) surpassed that of the United States. In 1993 Japan's per capita GDP was US$26,864, third only to Switzerland and Luxembourg. Japan has invested heavily overseas and overtook Britain in 1985 to become the world's largest creditor, with


\(^{63}\) Japan 1994: An International Comparison, p11.
foreign assets of US$129.8 thousand million\textsuperscript{64}. This figure further increased until the end of 1993 when it reached a total of US$610.8 thousand million\textsuperscript{65}.

\begin{center}
\textbf{Fig 6 GROWTH OF REAL GDP IN THE MAIN INDUSTRIAL NATIONS}
\end{center}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{fig6.png}
\caption{Growth of Real GDP in the Main Industrial Nations}
\end{figure}

\textit{Source: Bank of Japan, Comparative International Statistics in Hiromatsu and Kobayashi, p11.}

In 1991, Japan's trade was the third largest in the world in terms of both exports and imports, after the USA and Germany\textsuperscript{66}. In 1993 exports totalled US$360.9 thousand million (FOB) and imports US$240.7 thousand million\textsuperscript{67} (CIF): exports were up by 6.2\% over 1992, and imports increased by 3.3\%. The trade balance has usually been positive since the mid-1960s. The trade surplus which has continuously exceeded US$10 thousand million since 1982 reached its first peak of US$82.7 thousand million in 1986 and rose to unprecedented heights from 1991 onwards, when it reached US$77.8 thousand million, then US$106.6 thousand million in 1992, and finally US$120.2 in 1993. Japan's surplus derives to some extent from (1) the characteristics of its market place which has a high degree of

\textsuperscript{64} Ministry of Finance, International Finance Bureau, Balances of Overseas Assets and Liabilities in Nakamura, p304.

\textsuperscript{65} Ministry of Finance, International Finance Bureau, Balances of Overseas Assets and Liabilities in Nakamura, p304.

\textsuperscript{66} Japan 1994: An International Comparison, p33.

\textsuperscript{67} Japan: Wirtschaft in Zahlen.
regulation\textsuperscript{68}, the vertical integration of industry and its distribution system makes market access for foreigners difficult, and (2) the highly competitive products which they export do not encounter a similar level of protectionism overseas. The principal reason is the neo-mercantile trade pattern which Japan has followed historically as a response to the scarcity of its natural resources, and in which the import of energy, commodities, and raw materials\textsuperscript{69} are financed by the export of higher value-added products, while the imports of manufactured products are restricted. The share of such items in the overall imports has been regularly at a level which is much lower than in other industrialised nations. In 1991 it stood at only 50.8\textsuperscript{70}. The soaring of the trade surplus has generated pressure on the Yen\textsuperscript{71} to appreciate.

2. Japan’s Economic Policy

a. Enrich the Country - Development until the Second World War

Japan, a late-developing capitalist country, has managed within a relatively short period of time to create the critical resources necessary to become competitive in today's global economy. Japan began its export-dedication with increased sales of raw silk after the Meiji Restoration in 1868. The foreign currency earned served to finance the next step, namely light industrialisation, mainly small-scale cotton-spinning and textile weaving. Japan wanted to catch-up with the Great Powers by pursuing an "enrich the country, strengthen the military" policy, placing priority on importing advanced technology from abroad in order to expand military might and

\textsuperscript{67} Japan: Wirtschaft in Zahlen.
\textsuperscript{68} The criticism of the over-regulation of the Japanese market place increased proportionately with Japan's run to economic superpowerdom. Nevertheless, only the appearance of continuous high trade surpluses initiated a firmer call to open its domestic market, and dismantle the protectionist measures at home.
\textsuperscript{69} Japan is the world's largest net importer of agricultural products.
\textsuperscript{70} Japan: A Pocket Guide, pp80-83.
\textsuperscript{71} Peter Drucker (JT 24.12.94) argues that Japan benefits from the \textit{endaka}, the high yen, as the higher-valued currency does not affect exports, but makes imports and direct investment cheaper.
industrial capabilities. Heavy industries gradually gained importance and experienced a boost during the First World War, in which Japan benefited greatly from supplying the contesting nations. Japanese attempts to create a Greater East Asian Co-Prosperity Area collapsed with the country's total defeat in the Second World War.

b. Catching up - The Japanese Miracle

The fast-growth, export, and productivity oriented economic policy that Japan followed after the Second World War derived from the national goal to "catch-up" with the industrialised nations, when a military option was no longer available, and from the grave economic situation of the country caused by the devastation incurred in the conflict, heavy dependence on imports of raw materials, a large population with low living standards, and balance of payments problems. The "production-first" focus was just right, because Japan's security was guaranteed by the USA, while the market place was characterised by low capital accumulation, a shallow industrial structure, and low technological standards. The economic policy was carried out via the protection of the infant industries and import substitution, tax incentives directed to promote savings for investments, as well as the exemption of certain types of cartels from the Anti-Monopoly Law. High savings and investments still characterise the Japanese economy. Hence, Japan effectively managed its industrial cycles, phasing out "sunset" industries while initiating new cycles of higher value-added products. The switch from coal to oil as the primary energy source in the latter half of the 1950s fuelled the growth of the petro-chemical industry and supported the gradual shift from light to heavy manufacturing. Textiles, clothing, toys, china, and other light industrial products,

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72 It is argued by Seichiro Saito (p57) that "the goal of achieving military parity with the Western powers was replaced with one of achieving economic parity."

73 It is argued by Chikara and Lauter (p9) that they "had no choice, because rapid economic growth and increasing productivity and exports were needed to cope with the shortage of resources, the chronic balance of payment problems, and the low standard of living during the immediate postwar years."

74 The Anti-Monopoly Law was introduced after World War II and based on the American Anti-Trust Laws.
which held the biggest share of Japanese exports before the Second World War, were replaced by steel, shipbuilding, petro-chemicals, machinery, and precision industries in the 1960s. The export of electrical consumer products continued to increase. The motorcar industry has taken a major stake since the 1970s, and also from that time and during the early 1980s electronics, telecommunications, and other high technology products that have gained export share are further adding value to the Japanese industrial landscape.

**Fig 7**  EXPORT INDUSTRY CYCLES OF JAPAN (in percent)

Source: adapted from Ministry of Finance, Clearance Statistics in Nakamura, p230.

**c. The Pacific Century - Japan’s Economic Role in Asia**

The role of Japan in respect of the East Asian countries — the two Koreas, Taiwan, Singapore and Malaysia, the Philippines and Hong Kong — resembles, quite strikingly, that of the West during Japan's drive to become an economic superpower. Japan is the centre and the motor of progress in the expanding economies of the Pacific Rim. These nations form a symbiotic relationship in which the "sunset" industries of Japan are gradually overtaken by those of its neighbours, which are still at an earlier stage and, therefore, generally enjoy a cost advantage
in terms of labour. Japan, meanwhile, is liberating its energies and investments for new "sunrise" industries with a higher value-added content. Furthermore, South East Asia offers:

- A Confucian inspired alternative to the Western, Weberian idea of Capitalism, which axiomatically assumes that a free market requires free people and, indeed, democracy.
- Populations with high literacy rates.
- Disciplined labour relations.
- A high acceptance of new technology.

All the above are attributes that are likely to accelerate the pace of progress.

Taking into account the GDP and productivity growth, exports, and the diffusion of technology, Japan and the Asian NICs (Newly Industrialised Countries) form the world's most dynamic economic area, starting with their trade flows with the United States of America a "Pacific Century 75."

3. Change in the Employment Structure

As Japan's industrial structure changed dramatically from the Second World War, so did the nature of employment. Around 1950 almost half the work force was engaged in the primary sector, mainly in farming, but this dropped to 30.2% in 1960 and has now slipped to under 7%. This figure is expected to decrease further as the political will 76 to support the agricultural sector with large subventions diminishes. The secondary sector has risen from 21.9% in 1950 to a level above 30% in 1970 where it remains until today. The tertiary sector has doubled since

75 see Gibney's The Pacific Century: America and Asia in a Changing World; and McMillan, pp7-10.
76 The farmers have long been the traditional clientele of the long-time governing LDP in a cosy scratch-my-back relationship. However, with the LDP having lost its absolute grip on power, rising pressure to deregulate from other nations, the farmers getting old, and the prospect of a new electoral law that will increase the weight of urban votes, it is likely that this institutionalised transfer mechanism of wealth to the farmers will finally end.
1950 to about 80% and, in the female work force, tripled from about 25% in 1950 to its present 75%. As with other industrialised nations, Japan has had to shift part of its production to low cost developing countries in order to respond to increased competition and pressure on prices. The unique Japanese seniority system with its feature of life-long employment is losing support. At the moment, only government pressure and the worry of not finding enough qualified personnel during the next economic upturn inhibit the major corporations from drastically cutting their payrolls. In 1993 the official rate of unemployment rose from 2.3% to 2.8%. Unofficial estimates, however, put the rate at about 6% when in-house unemployment is included.

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### INTERNATIONAL COMPARISON OF STRUCTURE OF EMPLOYMENT (1992)\(^a\)

<table>
<thead>
<tr>
<th></th>
<th>Total Employed (1,000)</th>
<th>Composition (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Primary</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>35,626</td>
<td>48.3</td>
</tr>
<tr>
<td>1960</td>
<td>43,716</td>
<td>30.2</td>
</tr>
<tr>
<td>1970</td>
<td>52,042</td>
<td>17.4</td>
</tr>
<tr>
<td>1980</td>
<td>55,360</td>
<td>10.4</td>
</tr>
<tr>
<td>1992</td>
<td>64,360</td>
<td>6.4</td>
</tr>
<tr>
<td>USA</td>
<td>116,877</td>
<td>2.9</td>
</tr>
<tr>
<td>Germany</td>
<td>29,334</td>
<td>3.6</td>
</tr>
<tr>
<td>France</td>
<td>22,071</td>
<td>5.7</td>
</tr>
<tr>
<td>UK</td>
<td>26,049</td>
<td>2.1</td>
</tr>
<tr>
<td>Italy</td>
<td>21,454</td>
<td>8.8</td>
</tr>
</tbody>
</table>


a.) Definitions of sectors varies according to country

b.) 1991

### 4. Economic History after World War II

#### a. Sustained Growth during the 1950s and 1960s

The Japanese economy recovered to its pre-war level in 1955, and then sustained an annual growth rate of 9.8% during the period up to 1964. This expansion was characterised by heavy capital investment and an increasing international demand for Japanese consumer products such as television sets and washing machines. Because of the 1944 Bretton Woods agreement Japan was committed to a fixed exchange rate, which resulted in a chronic balance of payments deficit until the mid-1960s. Japan responded with foreign exchange controls, import quotas, high tariffs, and a variety of tax and other incentives for exports. As a result, the
Japanese economy achieved, in the period from 1965 to 1970, an average annual growth rate of 11.8%.

b. Dealing with the International Crisis of the 1970s

The international currency crisis in 1971 and the first oil crisis in 1973 imposed two severe shocks on the idyllic panorama of the Japanese economy which suffered, as a consequence, its first downturn in real GNP in the post-war period and a current account balance deficit of US$4.7 thousand million in 1974. Furthermore, wholesale prices experienced a dramatic surge of 27.6% with consumer prices going up by 23.3%. Because of the reaction of the private enterprises and the economic policy chosen, Japan was able to overcome this crisis smoothly.

c. Development in the Early 1980s

The companies responded to the dramatically changed environment by thoroughly streamlining their operations (reductions in personnel, loan repayments, inventory control). The growing tertiary sector absorbed the decreasing employment in the manufacturing industry, holding the unemployment rate at below 3%. The government, on the other hand, successfully combined increased spending on public works with low interest rates until the recovery became self-sustaining. The second oil shock in 1979 affected the Japanese economy, which grew by 5.2% in 1979 and 4.8% in 1980, considerably less than other industrialised nations, mainly because the government prevented inflation, induced by increased import prices, by tightening the money supply. The outstanding characteristics of the Japanese economy during the 1980s were continuing growth and productivity orientation, and the combination of massive current account surpluses with an enormous increase in overseas investment. Economic growth cooled down in 1984 and 1985, when the Japanese economy once again recorded growth rates of 5.1% and 4.7%.
5. The Economic Bubble and its Aftermath

a. Endaka and Speculation

The sharp rise of the yen\textsuperscript{78}, the endaka, which was initiated in September 1985 by an accord with the five biggest economies and under pressure from the US government underlined the fact that Japan had attained the status of an economic superpower. The export-dependent industries were the main victims of this development, but the following deflation (also called the "strong-yen recession") affected the economy as a whole, reflected by a real growth rate of 2.5% in 1986. The downturn, however, lasted only about a year as the adverse effect of the appreciated yen for the export-oriented industries was offset by a speculative boom\textsuperscript{79} in the latter half of the 1980s. The enormous rise in stock and land prices\textsuperscript{80}, as well as the increase in personal consumption and investments, spurred domestic demand and thus translated into an annual average growth rate\textsuperscript{81} of GDP exceeding 5% from 1987 to 1991. The reasons for this bubble economy have to be assessed at a macro- as well as a micro-economic level.

(1) Causes on the Macro-economic Level

When the sharp appreciation of the yen unleashed the so-called "strong-yen recession", the authorities mainly made monetary responses to the crisis, lowering the official discount rate\textsuperscript{82}, which had stood at 5% since October 1983, at various

\textsuperscript{78} The value of the yen before the accord was ¥242 to US$1, one year later it was ¥154 to US$1, and since 1994 it oscillates around ¥100.

\textsuperscript{79} It is argued by Yukio Noguchi (p31) that “The Japanese economy experienced spectacular growth in the latter half of the 1980s. Overcoming the recession caused by the sharp appreciation of the yen, it started to expand in December 1986 and went to record the second-longest boom since World War II.” This boom, however, ended in the spectacular burst of the bubble economy (author).

\textsuperscript{80} Yukio Noguchi (p33) also argues that the price of real estate in Tokyo started to rise around 1983, but in 1986 land prices shot up throughout the metropolis, and the sharp rise continued in 1987 almost tripling the prices. Author: This is the best description of the hubris and speculative nature of the doomed bubble economy of the 80s.

\textsuperscript{81} Real economic growth rates in 1987, 1988, 1989, 1990, and 1991 reached 4.3%, 6.2%, 4.8%, 5.2% and 4.5% respectively.

\textsuperscript{82} Ongoing pressures from the U.S. to lower interest rates constitute a further reason for the Government's low interest policy.
times from January 1986. The discount rate was set at 2.5%, the lowest level ever, in February 1987. This oversupply of money, however, fuelled the mood for speculation and led to the foundation of the speculative bubble. The reasons for the Government’s macro-economic errors are founded on:

- The pressure of large annual budget deficits originating in the high deficit spending after the oil shocks of the 1970s that imposed a policy of fiscal rehabilitation.

- The will to pursue economic policies that reflect Japan's new-won status as an economic giant.

- The pressure from the US to maintain low interest rates.

- The erroneous conclusions drawn from the absence of inflation during the asset-price spiral, as the stable prices were caused by the appreciation of the yen.

(2) Causes on the Micro-economic Level

Micro-economic causes are related to the loose monetary policy of the Government and the cheapness of fund raising in the capital markets. The

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83 It was argued by Seiichiro Saito (pp63-64) that “The year-on-year growth rate of the broad money supply (M2 + certificates of deposit) was 8.7% in 1986, 10.4% in 1987, 11.2% in 1988, and 9.9% in 1989, far higher than the normal growth rate of 5%-6%. This burgeoning of the money supply had a major impact on the Japanese economy, triggering a surge in the price of assets like land and stocks.”

84 “To take a broader view, we can say the problem ultimately lay in the macroeconomic policies of the time, such as an excessively loose monetary policy and an overly zealous drive to reduce the budget deficit. The former policy was pursued not solely on the basis of domestic consideration but also in an attempt to respond to the demands created by Japan’s rise to a position of greater power in the world economy” (Yukio Noguchi, p40). See also Seiichiro Saito, p64.

85 The government, for example, reduced public spending, especially public works, that fell continuously from 15.6% of the general account in fiscal 1980 to 9.4% in 1991. Furthermore, the Japanese government cut back the volume of government bonds issued. This policy choice supported the speculation indirectly, as it reduced low-risk investment opportunities for the financial institutions. See also Seiichiro Saito, p63.

86 Seiichiro Saito (p66) argues that “the same macroeconomic policy of loose money that allowed corporations to respond successfully on the microeconomic level by thoroughly restructuring their core operations also contributed to their excessive involvement in
easy availability of money allowed export-oriented companies to undertake major restructuring programs with heavy capital investment in plant and equipment in order to "remain competitive" in an environment where their domestic production costs had suddenly shot up by 60% or more in US dollar terms" (Seiichiro Saito, p65). A large amount, however, was wasted on:

- Expansion away from core business, hence, over extension.
- Zai-tech — financial engineering to effect investment in financial assets with a high yield.
- Land speculation.

The banks that had lost volume lending to companies\textsuperscript{88} switched to fund raising in the capital market and channelled the resultant monies to riskier clients, smaller companies, and the property business\textsuperscript{89}, thereby fuelling the speculation.

Terumi Akiyama in the preface of *The Japanese Economy in the 1990s: Problems and Prognoses* (vi) argues:

> "The recent boom is widely labelled as having been the product of a speculative bubble; now that this bubble has burst, some observers argue that the Japanese economy faces the threat of a medium- to long-term structural decline, one that may act as a disruptive factor affecting the global economy as a whole."

\textsuperscript{87}nontraditional activities, including speculative investment against a backdrop of spiraling asset-inflation." See also Yukio Noguchi, pp38f.

\textsuperscript{88}The issuance of equity-linked bonds had cheapened as (1) deregulation measures increased the relative price of bank loans, and (2) the corporate profits realised through the productivity gains of the Japanese industry led to higher stock prices.

\textsuperscript{89}Especially the manufacturers in Japan tended to offset borrowing from financial institutions with funds raised in the capital market, reducing the proportion of loans from 70% to 56% in the 1980s.

It is argued by Yoshikawa Kano (p13) that "First there was the explosion of land prices, which made land seem as valuable as gold and put Japan on a virtual 'land standard.' Bankers responded by eagerly lending large sums of money to any company with plots of land it could put up as collateral. Then they saw the bottom fall out of the land market, and the financial sector went into a slump."

The bad loans at an estimated ¥10 trillion extended by the banks during the bubble years, however, pose no danger to the Japanese banking system, because of their enormous assets, "hidden reserves" and the larger amount of the outstanding total.
b. The Burst of the Bubble and the Recession

In the fiscal year 1991, growth slipped to 3.5%, and in 1993, the Japanese economy was still stuck in the recession. The causes\(^{90}\) of the current recession are **cyclical factors**, such as low internal demand, but more important **structural factors\(^{91}\)**, including the diminishing competitiveness of Japan's leading industries, not excepting the manufacturers of motorcars and electrical domestic appliances. The decline of personal consumption\(^{92}\) was caused by low bonuses or no bonuses at all, and reduced overtime earnings (which make up a considerable portion of wages in Japan), a low consumer confidence and the propensity to purchase consumer durables built up during the bubble years which did not yet need replacement, while the decline in capital investment was a consequence of the over-capacity in plant and equipment\(^{93}\). Reasons for the weakening of the Japanese competitiveness include:

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\(^{90}\) The main causes of the present recession of the Japanese economy are among others the large capacity overhang and the crisis of the financial system. For Yoshikazu Kano (p1) the present recession of the Japanese economy is "a normal downturn in the business cycle that has been complicated by asset deflation." See also Yoshikazu Kano, p6.

\(^{91}\) It is argued by Nemoto (p1) that "The problems facing Japan (pressures for restructuring industry sparked by a huge overcapacity problem, and the necessity for overhauling the financial system and cutting its external surplus) are of structural nature."

\(^{92}\) The high fiscal stimulus packages, that were supported by stable prices and a mounting surplus in the balance of payments, were not sufficient to offset the decline in demand.

\(^{93}\) Capital investments experimented annual increases of almost 15% during this period.
- The sharp appreciation of the yen.
- The higher break-even points of the companies, as a consequence of the heavy capital investment during the bubble years that turned into excess capacity with the recession.
- The regulated financial sector that needs further reform.

The deflationary consequences of the widened supply-and-demand gap, that is to say the supply in excess of demand will induce falls in prices and force additional production cut-backs.

c. Structural Adjustment

Nevertheless, in the world markets, the kaisha have substantially increased their export shipments in order to improve their bottom-line and prevent restructuring-related job cuts. Because of the movement of production facilities to overseas markets, the kaisha could continue to export Japanese-made goods to the United States through third countries in Asia even after the rise of the yen. At this time a repetition of past political choices is not available, as neither a further increase in exports, nor another fiscal stimulus package or further lowering of interest rates seems feasible. Although the official discount rates are about 0.5 in 1995, they have not brought an economic recovery, mainly because the stock-adjustment has made monetary policies ineffective, rendering investment literally inflexible to interest rates.

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95 It is argued by Yoshikazu Kano (p1) that "The recession has persisted despite the government's moves to lower interest rates and boost public works spending. Evidently the economy, having entered a period of massive stock reduction in reaction to the deflation of the speculative bubble that formed in the 1980s, has fallen into a Keynesian liquidity trap."
Japan's structural adjustment should not, however, be taken as an indication of the end of the so-called "Japanese miracle". Japan is well prepared to respond to the current crisis as it has:

- A highly qualified and motivated work force.
- A large and homogeneous domestic market.
- A broad social consensus.
- A stable currency.
- High rates of saving and investment.
- A high level of automated production and technology.
- Healthy companies.
- Easy access to Asia's high growth markets.

E. The Government

1. The Role of Government

"In sum, the principal role of the government of Japan at the operating business level of industrial change and growth, has been to facilitate and accelerate the workings of the market, to speed the process of reduction in declining sectors, and to work to clear the way for market forces to have full play in emerging growth sectors. At the broader level of national policy, the government of Japan has been a critical force in providing the social infrastructure, in providing supportive fiscal and monetary policies, and in creating general directions for the business community" (Abegglen and Stalk, p10).

The role of the Government\(^96\) is to improve market mechanisms, secure growth\(^97\), manage structural change, fade out "sunset" industries and promote "sunrise"

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\(^96\) It is argued by Chikara and Lauter (p8) that "Growth areas needed to be identified, capital allocated, technology obtained, various means of increasing productivity had to be developed, and markets needed to be secured."

\(^97\) It is further argued by Chikara and Lauter (p14) that "By the early 1980s, the goals of the Japanese economic policy became much broader than they had been in the past. Less emphasis was put on growth and more placed on environmental problems, social welfare, small business, and the macro-economic problems associated with large budget deficits."
enterprises by an integrative set of economic policies\textsuperscript{98} on a macro- and micro level.

2. The Political System

The Liberal Democratic Party (LDP) held a majority in the Lower House for nearly 40 years until its defeat in the 1993 general election, which initiated a new realignment of political forces. As almost everything in Japan's post-war history was written by this political formation, a closer insight is required. The LDP was not a monolithic force, as the Policy Affairs Research Council and its \textit{bukai} (divisions)\textsuperscript{99} transcended factions in accordance with policy issues and determined the political process within the party\textsuperscript{100}. The LDP thus counterbalanced its decade-long grip on power with internal pluralism. So a critical role in the policy formulation process was played by the \textit{zoku giin}, or political cliques/tribes, which had evolved along the lines of the specialised divisions but sometimes crossed both factional and divisional lines, and protected special interests.

The transmission of interest between the government and the \textit{zaikai}, the business world, has mainly taken place through: \textit{Kaidanren}, the federation of more than 110 leading industrial associations; \textit{Nisshoo}, the Japanese Chamber of Commerce and Industry; \textit{Nikkeiren}, which defends the collective interests of the \textit{zaikai} in labour disputes; and \textit{Keizai Doyukai}, the Japanese Committee for Economic Development.

\textsuperscript{98} It is also argued by Chikara and Lauter (p14) that "The decline of industrial policies as major economic management tools continued without interruption throughout the 1960s and 1970s, and was over by the early 1980s."

\textsuperscript{99} There are for example, agriculture and forestry, postal, highway, telecommunication, finance, construction, and aviation divisions.

\textsuperscript{100} Chikara and Lauter, p72.
F. The Role of the Bureaucracy

1. The Mandarins

Japanese bureaucracy has a certain resemblance to classic Weberian bureaucracy, where Weber's "ideal type" stressed the standards of rationality, specialisation, control, and impersonality regarding structure and system. The power of the central bureaucracies in Japan, such as the Ministry of Finance (MOF), the Ministry of International Trade and Imports (MITI), or the Bank of Japan, and their influence on the policy formulation process and the economic development, derives from:

- The Confucian political tradition that strengthens the position of the bureaucrats.

- Its strategic control over the drafting process of legislation.

- The quality of their senior officials, who are usually drawn from the most intelligent stratum on a nation-wide level.

The position of the MOF in regard to economic policy issues differs from the MITI, as the former stands under the pressure of high budget deficits, and thus advocates a less costly interventionist policy than the MITI, which pursues a detailed industrial policy agenda\textsuperscript{101}. In between these two standpoints there is a linking goal of strengthening the Japanese economy. The power of the

\textsuperscript{101} It is argued by Chikara and Lauter (p14) that "Following MITI's loss of control over foreign exchange allocations during the 1960s, steps were taken to liberalize technology imports, foreign exchange controls, and import quotas. Tariffs were lowered, virtually all export promotion programs (except for a tax-break allowed for small and medium sized firms) were eliminated, and because of the increasingly larger fiscal deficits, the Ministry of Finance granted fewer favorable tax treatments. The financing role of the Japan Development Bank was substantially reduced, and the number of cartel exemptions was also curtailed. Foreign investment controls were gradually eliminated, and a number of different market opening measures were introduced."
bureaucrats\textsuperscript{102}, however, has declined since the 1970s, because of the following reasons:

- By the early 1980s the budget could no longer be freely expanded, reducing the interventionist spectra of the bureaucrats.
- The Diet members have specialised in political issues, gaining a better insight, and relying less on the bureaucrats.
- The shift of the elite from the bureaucracy to political life is effected at an earlier stage of their careers, as several years have to be spent in the Diet in order to be eligible for cabinet appointments, and also the possibilities for \textit{amakudari} have decreased.

\textit{Amakudari}, or descent from heaven, is the traditional one-way retirement of government officials into industry. In the past, former high-level officials frequently became top managers in the industries which they regulated while in bureaucracy. Thus, bureaucrats no longer enjoy a unique status, but have to form alliances with well-placed politicians to exert their influence.

2. The Legal System and Administrative Guidance

The principal characteristics of the legal environment for companies in Japan are the over-regulation, as "there are currently more than 10,000 activities that require a license or permit before companies can engage in them" (Yoshikawa Kano, p23), and the wide room left for interpretation, as Japanese laws and directives are written in a general language so as to allow the bureaucracy to interpret their content according to the special circumstances prevailing at the time of their application. This permits the widespread use of \textit{gyoosei shidoo} \textsuperscript{103}, administrative guidance, which has \textit{kisei}, a regulation, or \textit{choosei}, an appeasing function. With \textit{kisei} and \textit{choosei} the administration advises an individual or an organisation informally, the following of the advice not being enforceable. The function of

\textsuperscript{102} Compare to Chikara and Lauter, p70.
\textsuperscript{103} Gesine Foljanty-Jost (pp171ff) in "Informelles Verwaltungshandeln: Schluessel effizienter Implementation oder Politik ohne Politiker?".
gyoosei shidoo, is ambivalent, as to tatema, the form, the administrative guidance is simply advice, but regarding its honne, its content, administrative guidance has the character of an order, because even if the desired behaviour is not immediately enforceable, the administration possesses a wide field of action to place pressure on the unwilling party in another area. Administrative guidance has also often been associated with the efficiency of the economy because of the flexibility of its content, as it enhances, adds to, or contradicts legal precepts, and its precise targeting, as it can be selectively applied. This system, which provides the bureaucracy with ample powers, is not necessarily a socially accepted form of administrative despotism, but a consequence of certain cultural traits of the Japanese who prefer informal consultation to formal processes; believe in the leading hierarchical position of the administration within the vertical, authoritative structure of the society; and are harmony-oriented with a low legal consciousness. Nevertheless, especially on the community level, where in times of economic crisis local administrations are locked in a fierce competition for the investments of companies and the tax revenues they generate, the balance of power has been shifting towards the enterprises. Furthermore, the criticism of gyoosei shidoo, that has been the principal political tool of the MITI for the influencing of the industry is growing, as Japan has become an economic superpower and the highly efficient companies no longer need "guidance", and the overseas operations of Japanese companies channel back the benefits of a stable legal framework.

G. The Micro-Economic Level

The astounding performance of Japanese companies cannot be attributed solely to their strong corporate culture, that is to say it is not possible to implement a similar set of values in enterprises of other countries and achieve comparable results. First of all, the strong reflection of the general cultural values of the Japanese society in their corporate values was possible because of the homogeneity and consensus of values in their general society and they made managerial sense. As contradictions between culture and, for example, structure
inside the company are not sustainable in the long term, it neither seems possible
nor desirable to pursue the imposition of corporate values onto employees who
come from a society that embraces a totally different set of values. Second, the
success of large Japanese corporations was produced, not from superior
corporate culture alone, but from a set of factors including industrial relations,
flexible working practices, intervention of the State, sound macro-economic
management, manufacturing organisation, labour and capital markets, industrial
structures, etc.

1. Big Business, Small Business

The zaikai, the Japanese business world, is characterised by a duality of big and
small businesses, which are interwoven by subcontracting. In Japan, 99% of all
companies are smaller businesses\(^{104}\) accounting for about 80% of the retail trade,
60% of wholesalers and 50% of all the shipments made by the manufacturing
industries. The big businesses are usually in the centre of a net of subcontracting
firms with which they maintain almost institutionalised exchanges. Subcontracting
is the intermediary between exchanges in the spot market and vertical integration,
and thus enjoys the benefits of both systems\(^{105}\). Haruo Shimada (p94) sums up
their basic meaning as follows:

"Basically a keiretsu is a set of long-term economic relationships among specific
companies. The partners in this network are bound together by the fact that their long-term
business ties are, by and large, more beneficial for all concerned than are short-term ties
with temporary objectives."

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\(^{104}\) Definition: Smaller businesses are wholesale business establishments with fewer than 100
employees, service-sector business establishments with fewer than 50 employees, and all
other business with fewer than 300 employees. See Japan: A Pocket Guide, pp56-57; Small

Advantages are the minimisation of transaction costs, as efficiency is supposed to increase
with stable relations between customer and supplier, or the reduction of risks as Haruo
Shimada (p95) says: "One important advantage of working with the same partners for years
on end is that it presents fewer risks than dealing with a partner encountered only once in a
spot market."
Big business can be divided into companies belonging to the industrial clusters, that have been formed out of the giant *zaibatsu*\(^{106}\), the family-owned industrial holdings, which dominated the economy in pre-war Japan, belonging to none of the traditional groups nor sharing all of their characteristics such as being bank dependent, but might well have founded a group on their own. The characteristics\(^ {107}\) of the traditional industrial clusters are:

- Their formal integration through cross share holdings.

- Their structure around a bank that channels funds into the companies, and a trading company or *soogo shoosha* that provides market information, co-ordinates inter-group exchanges and may even commercialise the products of the members.

- Common investment projects.

- Their presence in most of the industrial sectors.

- The reduced competition, as there are peripheral members who belong to more than one grouping.

Apart from the industrial groupings further collectively oriented systems and practices such as *dango*\(^ {108}\), bid rigging, exist.

2. The Performance Gap between Manufacturing and Service

"By means of effort to elevate productivity, slash costs, and improve quality, Japan's companies have managed to manufacture internationally competitive products that have made broad inroads into many overseas markets" (Haruo Shimada, p84).

\(^{106}\) The *Zaibatsu* were first dismantled by the Allied Authorities, but then reformed in the 50s. For example Mitsui, Mitsubishi, Sumitomo. At that time, however, they were no longer family holdings but large anonymous industrial groupings. *kygyoo shuudan*.

\(^{107}\) Abeggelen and Stalk, p189; Seifert, pp141-144.

\(^{108}\) Seiichiro Saito, p75.
Since World War II the Japanese have relied on:

- Low wage rates.
- High-volume large-scale facilities.
- Focused production.
- High flexibility.

in order to outpace their international competitors.

The success of the big Japanese manufacturing companies, however, is principally determined by their orientation on growth and productivity instead of profit, as a consequence of the fierce competition in the domestic manufacturing sector, where the competitors constantly slashed prices, improved the products, and enlarged the range. The only way to meet this competitive challenge and not be driven out of the market was to follow a thorough mass-production and mass-marketing strategy.

On the production side, they stuck to the concept of the experience curve by heavily investing in size and state of the art technology, and by maximising the output. These priorities enabled them to not only reap economies of scale, but also to increase productivity. This set of Japanese management tools supported and further increased these high levels of productivity when:

- just-in-time production reduced inventories and increased quality.
- quality circles pushed the constant improvement of processes.
- life-time employment facilitated the acceptance of productivity increases.

Japan accounts for about half of all the industrial robots in the world. This extraordinary automatization of production facilities diminishes the effects of rising labour costs. The service sector, however, is characterised by very low productivity.

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109 Abegglen and Stalk, p69.
Fig 9  INTERNATIONAL COMPARISON OF THE PROLIFERATION OF INDUSTRIAL ROBOTS

<table>
<thead>
<tr>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>U.S.A.</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>Italy</td>
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<tr>
<td>France</td>
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<tr>
<td>UK</td>
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</tbody>
</table>


On the marketing side, they could expand their market share by selling large quantities of low-priced quality products, by further reducing the unit cost. This competitive behaviour was backed up by a personnel strategy that fused the personal objectives of the employee with the corporate objectives, and by a financial strategy that supported orientation towards growth.

The whole set of Japanese management techniques, such as life-long employment, seniority-based wages, and periodical bonuses based on the overall performance of the company, does not principally figure as an instrument designed to fit to national character which stresses loyalty and respect for elders, but it is coherent with the overall corporate strategy directed towards growth. This specific policy motivated the workers to commit their whole energy and creativity to the company, accept long working hours, few vacations, and a relatively low pay cheque, all for the sake of the success of the enterprise, and finally to be responsible by taking an active part on the shop floor to ensure the implementation of all performance and quality enhancing techniques.
The Japanese companies, that traditionally had a weak capital base depended until the start of the bubble almost exclusively on bank loans\textsuperscript{110} for their finance. Their reliance on debt for the financing of their heavy investments was sustained by the marked frugality of the Japanese people. Their financial policy is, furthermore, characterised by cross share holdings\textsuperscript{111} with favoured companies. This structure of liabilities supported the growth orientation of the Japanese companies, as they had no need to generate high profits to be disbursed as dividends for investors, but could afford to pay only small dividends or no dividends at all. The reason is that their banks were only concerned with the interest received, and their share-holding partner was not concerned in an off-setting cross-transfer of dividends, but in capital gains from rising share prices (in Japan in the form of "hidden assets" as shares owned by companies are recorded at their acquisition cost). The Japanese companies were thus able to formulate long-term corporate strategies with a thorough market share growth orientation on a domestic and international level as the profits were reinvested in order to improve the competitive position.

The success of the manufacturing industry in the past was thus achieved through a finely focused orientation towards productivity and growth, and contrasts sharply with the uncompetitive Japanese service sector, which is notable for low productivity and high prices, and a lack of competitiveness by international standards. The primary reason for the state of these industries is the over-regulation that stifles competition, and which discourages growth and productivity improvements, and the domestic character of the services, which makes protectionist measures easy, and effectively bans more competitive foreign companies from the national marketplace. One example is the highly inefficient...
Japanese distribution system\textsuperscript{112} which is very complex and has several more layers than those in the other industrialised countries. The Japanese primary, secondary, and even tertiary wholesalers are engaged in an unusually complicated relationship with retailers, and provide extra services not offered in other countries, such as \textit{henpin}, the return of unsold merchandise for reimbursement, and a variety of rebates whose amount is determined by the wholesaler's representative on a case-by-case basis. According to an 1991 survey\textsuperscript{113} 11\% of the country's entire work force was employed in the retail trade, where large stores (20 workers or more) represent 3\% of the total of 1.6 million retail outlets, against a stake of 80\% by small shops (4 workers or less). This system's inherent inefficiency forces final consumer prices to be substantially higher than necessary. The reasons for the persistence of this unique Japanese system are:

- Legal restrictions\textsuperscript{114} on the establishment of large retailers.
- High land prices favouring small shops in the family home.
- Co-operation between consumer outlets of all sizes that effectively restrict competition.

3. Identification of the Restructuring Needs of the Japanese Manufacturing Companies

The Japanese manufacturing companies need to restructure because of their enormous capital losses on their stock and real estate investments incurred during the bubble years, and the raising of their break-even points\textsuperscript{115} due to the capacity

\begin{itemize}
    \item \textsuperscript{112} see Chikara and Lauter, p38; MacMilllan, pp243-249.
    \item \textsuperscript{113} Japan: A Pocket Guide, p66.
    \item \textsuperscript{114} The \textit{Daiten-Ho}, the "Large-Scale Retail Store Law", for example gave neighborhood stores veto power over proposed new stores larger than 27,000 square feet, as well as over expansion of large retail chains for a long time. Nevertheless, due to pressure exerted by the U.S. during the Structural Impediments Initiative talks, Japan has relaxed the restrictions of this law, opening the way for the establishment of Toys'R'Us in 1992.
    \item \textsuperscript{115} It is argued by Yoshikazu Kano (p24) that "because Japanese managers tend to take a long-term view of human resource availability, and because over the long term Japan is
overhang which was, according to a study by the Industrial Bank of Japan, at an operating rate of 61.4% in 1980, but had increased to 71.5% in 1990. This exposes the contradiction of the conventional wisdom of Japanese management sticking to growth and the maximisation of sales. The companies need to restructure by cuts in fixed costs such as payroll trimming and capital stock adjusting, which may lead to further deflationary effects, and a general move away to more knowledge intensive industries\textsuperscript{116}. The positive effects of the current recession are:

- Worker recruitment is easier.
- The prospects for market entry in a variety of fields have improved as consumer preferences changed.
- Capital costs\textsuperscript{117} have fallen.
- Investment-related expense like construction costs and land prices have fallen.

\textsuperscript{116} Expected to have a shortage rather than a surplus of workers, there appears to be little danger of major job losses as a result of the current recession.

\textsuperscript{117} Keiretsu industries are, among others, steel, shipbuilding, and chemicals, while knowledge intensive industries are computers, pharmaceuticals, electronics, etc.

See Yoshikazu Kano (p19): “Whereas managers have had to borrow funds for plant and equipment investment at long-term interest rates in excess of 7% throughout most of the postwar era, now they can take out loans at rates under 6%.”
H. Conclusion

In this chapter we have seen that within a century Japan has experienced many changes: the transition from an isolated island nation to an economic superpower; from a feudal society to a meritocracy; from village communities and family clans to post-materialist urban life and nuclear families. Underneath this rapid pace towards modernity, however, traditional Japanese culture and values continue to leave a powerful imprint and create the unique identity of this society.

Before we analyse the structure, functioning, and role of the Japanese broadcasting industry within this unique socio-economic framework, we will have a close look at the other country on which we are basing our comparative study by analysing the socio-economic background of the Dominican Republic within the context of the Latin American civilization.
Chapter IV

A Socio-Economic Analysis of the Dominican Republic

A. Introduction

By comparing television stations in Japan with television stations in Latin America we want to determine the relative importance of the national context versus the industry for the business behaviour and management practice of companies. In the last chapter, the particularities of the socio-economic context of Japan were discussed. In this chapter, we will now draw the corresponding analysis of the national context of the Dominican Republic.

The Dominican Republic is situated on an island like Japan. The Dominicans, however, are not a homogeneous people, but the product of the historic interaction of Spanish conquerors and emigrants from other European nations, native Indians and African slaves. Today, the composition of the Dominican population has been altered by the migration flow from the neighbouring state of Haiti.

Unlike Japan the Dominican Republic is the consequence of conquest and colonisation, an historical experience which also influenced the societal structure, culture and political organisation of the country. Furthermore, the Dominicans belong to another civilisation (Hispanic), cherish other values, and follow other religions. Finally, the Dominican Republic stands at an infinitely lower level of economic development than the economic giant Japan.

These are only some of the profound differences between the national contexts of the Dominican Republic and Japan. In the following chapter we will now discuss the socio-economic background of the Dominican Republic in detail as we did with Japan in the last chapter, in order to complete the picture.
B. Latin America’s Colonial Past and its Influence on the Current Situation

Latin America is about twice the size of Europe. Its inhabitants number approximately 430 million distributed amongst 20 countries. It is rich in natural resources and has a growing population, but it has remained underdeveloped, while the Asian economies, for example, which were much poorer only half a century ago have, in the meantime, prospered. Latin America has a common history and culture, and the overwhelming majority of its people speak two similar languages, Spanish and Portuguese, but the degree of integration of its economies or, indeed, in other aspects, is very low. In Latin America considerable wealth is concentrated in the hands of a few, while the majority live in poverty. This inequality is very marked, even for Third World standards. Latin America could feed its total population and still export food, but it is actually a net importer of food, and hunger remains one of the main problems.

1. The Dependency Factor

The dependency theory maintains that the Latin American socio-economic structures and cultures of today are still influenced by the politics of exploitation of the Spanish and Portuguese monarchies which applied at the time of the continent’s discovery and subsequent colonisation. In this model, the colony is exploited for the benefit of far away masters which, in the past, were Spain and Portugal, and nowadays the industrialised world in general. For Cubitt (p55) the essence of the dependency theory is that “the centre can only develop by capital accumulation, which is dependent on extracting the surplus from the periphery. The large profits made in the Third World countries are frequently exported abroad.” Eduardo Galeano is the foremost popular exponent of this theory and his book “Las venas abiertas de America Latina” (1971) has been an international best-seller for decades:
"Latin America is a region of open veins. From the discovery to our days everything has been transformed into European, or later North American capital, and has been accumulated in the far away power centres" (Las venas abiertas de America Latina, p2, translation by the author).

According to Cubitt (1995) the dependency theory is based on structuralism and that:

"the multitude of links between the centre (developed countries) and the periphery (underdeveloped countries) reproduce structural differences between them by leading to further development of the centre at the expense of the periphery" (p35).

Indeed, the imperial rationale of the Spaniards established a pattern of economic relations between Spain and its colonies, which clearly benefited themselves and a small local elite, but was detrimental to the interests of the majority of the inhabitants. This economic dependence on the mother country not only retarded industrialisation¹¹⁸, but also engendered a tradition of speculation and inefficiency. First came the extraction of gold and silver, and then the plantation economy of sugar, both based on dependence on the mother country, designed to supply commodities to the developed world, with the Caribbean islands providing the land and labour, and metropolitan Spain providing the finance, organisation, decision making, and the markets. The profits were distributed in a similar pattern. All independent economic growth in the islands was impossible, and subsequent booms and busts in the commodities market only provided isolated pockets of growth and a rich field for speculation and fast money, and also inhibited real development. That is to say "the maximum use of a nation's potential for the greatest benefit of the largest number of inhabitants" (Burns, p353). This pattern of dependency has been maintained throughout the centuries, only the overseas beneficiaries have changed, with the addition of the US.

¹¹⁸ Compare Cubitt (p35): "Since the economy of LDC's was based on agricultural produce and extractive industries for export, and they could import the necessary consumer goods, this inhibited the development of manufacturing industry in the LDC itself."
Latin America was impoverished to some extent by developing Europe and later, by the United States. To refer to the dependency model nowadays to explain all the ills and wrongs of Latin America, first of all its underdevelopment, is to ignore the working of our global economy. Cubitt (p40) resumes the dependency theorist's explanation of Latin America's underdevelopment in the following way:

"Firstly, as the investment necessary for economic growth has an external source, the surplus from economic activity goes abroad, thus depriving the local community of an opportunity to build up its own savings and capital. Imported technology limits employment possibilities, so inhibiting the well-being of a large sector of society; the existence of multinationals in agribusiness is having the same effect on rural social structure and depriving the peasant of a livelihood, often by taking over his land. This leads to rural urban migration on a massive scale which only serves to exacerbate the urban problems of unemployment. The existence of foreign enterprises hinders the growth of a local bourgeoisie, because it makes it difficult for local industries to accumulate capital. Entrepreneurial activity is stifled since local businessmen cannot compete with the capital, the technology and the economies of scale of the multinationals."

Cubitt (p41) concludes her description with the following:

Finally, the general process described leads to a polarisation of society, in which a small minority linked to foreign interests prosper at the expense of a vast majority who are unable to find work, while profits flow abroad."

Galeano (p1) starts his book with basically the same idea, but added a little sarcasm: "The international division of labour consists in that some specialise in winning and others specialise in losing."

2. Criticism of the Dependency Theory

This imperialist interpretation of the theory of the international division of labour, however, is breaking down119 in the extent that developing countries move away from their economy of mono-cultures, with its products and minerals being the

119 see also Warren 1973.
main exports, to manufacturing economies, or in the case of the Dominican Republic with its paramount tourism sector, to a service economy. It is not possible to make a clear-cut distinction\textsuperscript{120} between the industrialised world and the "dependent" Latin American continent when taking into consideration advanced economies like Brazil or Mexico, which are not "on the periphery"\textsuperscript{121} of the world economy but "semi-peripheral." With the astonishing economic success story of the Asian nations the bargaining power of the developing economies in Latin America has increased, giving the dependency theory a whole new meaning. Muñoz (p4), for example, refers to the "strategic dependence" of the industrialised world, whose "international segment" (that sector associated with multinational corporations) of the dominant structure of the advanced capitalist societies depends for its continued prosperity upon access to the cheap natural resources, labour and markets, of principally underdeveloped societies." Indeed, in the era of globalisation, multinationals can only compete if they rely on the comparative cost advantages, underdeveloped economies have to offer. The Dominican Republic, for instance, has benefited from the substantial growth of the free zone manufacturing sector, which allows multinational companies to take advantage of the lower labour costs when producing for the North American market.

3. New Cures for Old Ills: The Import Substitution Dilemma

Starting in the 1930s, Latin American countries adopted economic policies aimed at import substitution in an attempt to break this relationship of dependency on the industrialised world. Cubitt (p36) resumes this set of policies in the following way:

\textsuperscript{120} see Cubitt, p44.
\textsuperscript{121} see Muñoz, p4.
"These policies of protectionism, exchange controls, attracting foreign investment to home industries, encouraging national investment and raising wages in order to provide effective demand, were all aimed at stimulating the production of goods locally to replace imports, that is import substitution or IS."

This strategy failed, started a tradition of overspending and inflationary policies and left a legacy of trade barriers and deficient State enterprises.

4. The Debt Crisis

The Latin American governments sustained economic growth after the two oil shocks of 1974 and 1978 by increasing commercial bank lending, hoping that the growth would be sufficient to cover the debt incurred by borrowing. The authoritarian regimes of the region, however, borrowed beyond their means in their effort to sustain their populist policies of import substitution and protection of the bloated State monopolies, deemed necessary to provide work for the rising populations. The combination of a significant rise in the interest rates caused by the growing US deficit and the monetarist policies of the industrialised nations and the fall in commodity prices on world markets and subsequently lower export earnings caused by the recession, resulted in the debt crisis\textsuperscript{122} of the 1980s, as Latin America was neither able to service nor to refinance its obligations. Cubitt (p51) holds that according to a report by the Inter American Development Bank (1985) "Interest payments leapt from 17 per cent of export earnings in 1978 to 42 per cent in 1982, the year when the full effect of the external debt crisis was felt."

\textsuperscript{122} According to Cubitt (p45) "some countries were unable to meet the debt service payments, let alone repay the original loan. Resources must now be used to finance repayment rather than fuel new development projects." see also Cubitt, p51.
5. Neo-Liberalism in the Homeland of Protectionism

"Unable to satisfy its constituency, the Latin American state first succumbed to military dictatorships, and later to neo-liberal reforms. The stifling sensation of high protectionism and subsidised production, the marked captives and the absence of competition had to and were revised. But in their place the satanisation of the national states took place, in the pipe dream of expecting everything from the free play of the market forces, in the cruel complacency of social Darwinism in lands of starving and extreme necessity." (Carlos Fuentes, Mexico City, 1994)\textsuperscript{123}

"Neo-liberalism is intrinsically immoral because its foundation is a positivism without God that takes as the highest achievement profits and money..." (Bartolome Carrasco Briseño\textsuperscript{124}, Archbishop of Oaxaca, Mexico, 1996).

In the 1980s neo-liberalism was based on the theoretical framework of classic economics by Adam Smith which advocates a free market, no State intervention in the economy, privatisation of State industries, abolition of import taxes and all forms of protectionism. It became the theory in vogue, spurred by a new generation of political leaders educated in North American universities. These politicians aimed to carry out a set of structural adjustment policies geared against inflation and government overspending, the traditional instruments of the administration:

"Other governments, other ideologies and other sectors postulated that if the Government only receives 100, it shall only spend 100. We say that if the Government receives 100, it can spend 110, 115, because with these 15 there will be credits for the farmer" (Alan García Pérez, Ex President of Peru, Lima, 1990).\textsuperscript{125}

"What is missing in Argentina is a little bit more of inflation" (Bernardo Grinspun, Secretary for the Economy in Raúl Alfonsin's Government, Buenos Aires, 1984).\textsuperscript{126}

\textsuperscript{123} in Vargas Llosa et al., p310, translated from Spanish by the author.
\textsuperscript{124} in Vargas Llosa et al., p309.
\textsuperscript{125} in Vargas Llosa et al., p311, translated from Spanish by the author.
\textsuperscript{126} in Vargas Llosa et al., p312, translated from Spanish by the author.
The stabilisation policies were required by the International Monetary Fund and the World Bank in order to obtain international funds that could relieve the borrowers' acute balance of payments problems. The terms stipulated by the international funding organisations are summarised by Cubitt (p52) in the following way 127:

1. Wage controls in an attempt to cut domestic consumption.
2. Devaluation to improve the competitiveness of exports and encourage imports, implying a trade surplus to be used to pay debt interest.
3. Cuts in public spending and an end to subsidies to reduce fiscal deficit and inflationary pressures.
4. The end of government controls over prices and imports to encourage a free market to operate.

One of the effects of the structural adjustment efforts and the stabilisation of the inflation rate was the return of foreign capital into the region, stimulated by a growing confidence that "the lost decade" was finally, over.

The economic adjustment process also had its downside, notably social costs like rising unemployment, expansion of the informal sector, the cutback of social services to the poor and the erosion of the standard of living in vast branches of society. According to Poole and Renique 128 (p151) "By February, 1991, real wages were worth only a third of what they had been when Fujimori took office... The majority of Peruvians were living in absolute poverty, and only eight per cent of the adult population was fully employed."

On the other side, the income concentration increased dramatically. Moreover, in most countries the circle of entrepreneurs closest to the government profited substantially from the privatisation programmes.

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127 compare Green.
128 Latin American Society, p54.
C. Historical Background

1. Introduction

The Dominican Republic is the second largest country in the Caribbean with a surface area of 48,442 square kilometres\textsuperscript{129}. It extends over two thirds of the island Hispaniola, the first land in the New World discovered by Cristopher Columbus. The Western third of the island is now occupied by the Republic of Haiti. In 1995 about 7.400.000 people lived in the Dominican Republic, with a population density of 152,8 people/km\textsuperscript{2}\textsuperscript{130}.

2. The History of Dependency of the Dominican Republic

Like the rest of the Latin American nations, the Dominican Republic also has a long history of dependence on outside powers, in political as well as economic terms. First on the Spanish, then the British, the French, the Haitians and finally, until today, on the US. With the decline of the Spanish hegemony in the 17th century, conflicts between European powers were projected to the periphery and fought out in the New World, an imperialist frontier for the Old World nations. But the Caribbean was also fought over for its economic and strategic benefits as the European Powers tried to secure access to its highly profitable tropical products. In 1697 Spain was forced to cede a third of the island of Hispaniola to France. This territory was initially called Saint Domingue and not only became the most productive of all the French colonies but also the most productive of all those in the Caribbean by perfecting its plantation economy. A revolt by the slaves in Saint Domingue in 1804 resulted in the first free Negro republic in the Americas. Haiti used its muscle several times in attempts to invade the Spanish part of the island, which later became the Dominican Republic. Finally, shortly after the Spanish Lieutenant Governor Jose Nuñez de Caceres had announced the independence of

\textsuperscript{129} Adolfo Martí Gutiérrez, p5.
\textsuperscript{130} Adolfo Martí Gutiérrez, p6.
the Dominican Republic in 1821, Haitian forces invaded the country and were an occupying force from 1822-1844.

The Dominican Republic only regained its full independence in 1844. But fear of yet another invasion from its powerful neighbour Haiti led Dominican leaders to seek the protection of outside powers, and from 1861-1865, in a period known as "España Boba" (stupid Spain), the Republic even returned to Spanish rule.

The USA has been the predominant force in the Caribbean in the 20th century, tolerating no other colonial power in the region. The USA followed the same set of economic and strategic interests as its predecessors, shifting the flow of the Caribbean's mono-culture production from Europe to North America. The USA even used similar methods and occupied the country from 1916-1924 and sent troops in 1965 to further its national interests. The Dominican Republic, on the other hand, ended up by being not only dependent upon North American markets and supplies, but also for loans and investment.

3. The Hacienda Model

Today, an increase in free trade zone activities, mostly work of a manufacturing/assembly nature, mining, new agricultural exports and, above all, tourism, has to some extent diversified the Dominican economy which, at one time, was totally dominated by a single commodity, sugar. The economy of monocultural products has had a special impact on the socio-economic structure and culture of the island. An understanding of the concept of the hacienda (or casa grande), the organisation of society around quasi-autonomous huge land holdings producing export crops, which serves a wide range of interpretations in other Latin American nations, is particularly helpful for an analysis of the history and current situation of the Dominican Republic:

"The Casa Grande (planter's residence), together with the slave cabins represents, in itself, an economic, social, and political system: a system of production (latifundio, mono-culture);
a system of labour (slavery); a transportation system (ox carts, sedan chairs, palanquins, horses); a religious system (familial Catholicism, with a cult of the dead, etc.); a system of family and sexual life (patriarchal polygamy); a system of domestic and personal hygiene (urinals, banana groves, bathing in a river or standing at a washbasin); a political system (bossism, cronyism)" (Antonio Benitez-Rojo, The Repeating Island, 1992, p72).

The discoverer of Hispaniola, Christopher Columbus, laid the foundation of the Latin American hacienda, that is to say feudal land holdings, when he allocated large amounts of the terrain and native Indians to the Spanish without any obligations on their part. This system called repartimiento furthered decentralisation as well as abuses, because of the absence of checks on the power of the landholders. In 1503, Nicolas de Ovando replaced this system with the encomienda, where all land was theoretically the property of the crown, the Indians tenants, and the encomenderos beneficiaries of the Indian labour on their haciendas in exchange for the payment of tribute and the natives being given Christian religious instruction. The spirit and the abuses of the repartimiento, however, went on. Things have only changed in form, but not in substance since the Spanish colonisers first arrived in the New World. Today there are still many latifundios in the countryside and the negotiating power of the urban work force is still very limited. The main inheritance from the colonial era is, however, the tradition of paternalism, the personality cult, and authoritarian leadership. This organisation of life around the patron of the hacienda and his requirements is still reflected in the social climate, where the hacienda may now be a company, but the patrón is still the patrón, directing his employees as company president in an authoritarian, assertive manner. Power still rests in the hands of the elite, based on loyalty driven networks as well as semi-feudalistic relations with the poor. In fact, all structures, all systems, and all activities are still designed to accord with the needs of the elite.
The *hacienda* that created its own social microcosm around the production of sugar cane for the metropolitan, later became latifundios, which produce coffee, sugar, cocoa and other export crops, replicating the traditional social and labour relations of exploitation. They are profitable for their owners who derive money, power, and prestige from their holdings. For the rest of the economy, however, they have an adverse effect. Firstly, *latifundios* are overextended, generally inefficiently managed and have much unused arable land, while most of the rural population possesses insufficient or no land at all. Secondly, this situation is aggravated because even if these business are gaining foreign currency earnings their export orientation promotes food shortages, making Latin American nations, who could produce more than enough to feed themselves, net importers of such items. Thirdly, because of the dependence on a single crop, the focus on overseas markets makes the national economy highly vulnerable to fluctuations in the world demand. Finally, the absolute dependence of the rural population for work and credit on the landholders maintains a semi-feudalistic style of exploitation even at the end of the 20th century.

4. The Banda Norte Society

As in the other countries of Latin America the first colonisers in the Dominican Republic assimilated the culture and genes of the indigenous population through intermarriage and exchange. As the indigenous population was decimated, however, through ruthless exploitation, the need for substitute labour arose, and the Negro was brought to America adding a further ingredient to the Spanish heritage. The blend of European, Indian, and African elements in the Caribbean gave birth to some kind of racial-national identity. In the Dominican Republic this cultural process took place not only within the rigid structure of the plantations or the metropolitan oriented colonial capital of Santo Domingo, but also far away from the colonial authority along the line of the north coast, where a somewhat different society making a living from hunting cattle and selling the hides had developed. The development of this power base in the hinterland was possible because the
preoccupation of the Spanish colonial authority in Santo Domingo rested on the administration of the American continent and not just on governing Hispaniola, which was considered of little economic value. Hispaniola became a colony of exploitation for only a few decades until the first adventurers had exhausted the gold reserves and wiped out the indigenous population, which had been the source of their free labour. The flow of explorers then by-passed the island in order to find more easily accessible treasures in the more promising American continent. As a consequence, Hispaniola developed into a settled colony with subsistence agriculture.

For the Spaniards, the island was primarily not of economic, but of geo-strategic interest, as it is situated between Cuba and Jamaica in the west and Puerto Rico in the east and therefore acted as a link between North and South America and the Atlantic and Pacific. Because of the sea lanes to the American colonies, Santo Domingo became the logistical base for the conquest and the administration of Las Americas, the nexus between the centre of the empire and the gold of the colonies. This forced the people of the Banda Norte to sell their hides in Santo Domingo, which was too far away to be profitable. The underlying reason was the Spanish Crown's logic applied to the imperial economy which did not favour free trade, but channelled it to its vast territories in the New World by annual convoys to monopoly ports in Spain and South America. Santo Domingo in the south was the only port on the island the convoy passed and hence it became the only legal trading station. As a consequence, the people of the Banda Norte entered into contraband trade with non-Spanish merchants on the north coast and thus opened themselves to outside influences. Antonio Benitez-Rojo describes this society in his book The Repeating Island: The Caribbean and the Post-modern Perspective. The Banda Norte was a dynamic, heterogeneous society of mestizos (descendants of Indian and whites) and mulattos (descendants of Negros and whites), including the nouveau riche, freemen and runaway slaves, far away from the Spanish colonial authority. Even if the plantations contained many more Negroes, in this framework of ethnological pluralism, an open social panorama, and personal freedom provided by the Banda Norte society, its members became
agents for the distinct Caribbean and Dominican culture. This rich fertile ground of an independent nation, however, endured only until the colonial authority re-established control over the north by the devastation of its settlements and the forced relocation of its inhabitants to the south. The contraband trade in hides passed to Dutch and French buccaneers based on the island of Tortuga, laying the foundation of the later partitioning of the island between France and Spain with the Treaty of Ryswick in 1697. After the Haitian invasion of the Dominican Republic in 1822 the Negro became associated with Haiti and therefore was something negative. This change of image has endured until today, with a total ignorance of the African roots together with open racism.

D. Sociological Background of the Dominican Republic

1. The Structure of Society

Dominican society is structured along lines drawn by race, class, and a degree of urbanisation. When Columbus arrived on Hispaniola in 1492 he found an indigenous population composed of Tainos and Arawaks numbering about one million. Due to the exploitation through the repartimiento and later encomienda system, the Spaniards had decimated the Indians with only about 500 remaining by 1548. As a consequence, in 1503 the colony started to import African slaves to replace the indigenous labour force.

Light skin colour is preferred and it normally indicates a higher social standing but, in reality, money is the main factor. In 1981 the population was composed of 73% mulattos, descendants of Europeans and Africans, 16% whites, and 11% blacks (Dominican Republic and Haiti: A Country Survey, p49). Class mobility is possible for successful people of whatever race, being much more dependent on the individual's economic assets.

The Spanish cultural heritage is predominant and cherished. Even though the African element is in fact significant, Dominicans virtually ignore it, and for historic
reasons detest all culture that could be associated with its neighbour Haiti. This kind of racism creates some almost comical extremes in Dominican "political correctness": In default of a white skin, Dominicans refer to their colour as "Indian", making the quite impossible assumption that their ancestors were the higher esteemed Taino. Apart from the fear of yet another invasion by their populous neighbour Haiti, the Dominicans feel estranged because of some fundamental differences: The Dominican Republic differs from Haiti mainly in history; Spanish versus a French colonial culture, that is to say a predominantly Spanish heritage versus an African heritage; religion, Catholicism versus voodoo; a racial predominance of mulattos in the Dominican Republic versus a predominance of Negroes in Haiti; in regard to the economy, a relatively rich Dominican Republic versus the poorest State in Latin America - Haiti.

2. The Importance of Classes

As in other Latin American countries, in the Dominican Republic a small number of families are in control of great wealth while the majority of the population lives in poverty. This upper class is called gente decente or gente buena as a contrast to the masses. The economic elite relies on a network of extended family and friends to maintain its assets and social position. The family fiefdoms of interpersonal loyalty and protection in the Dominican Republic are not only horizontally oriented but also reach down the social ladder, establishing control through a patron-client system. Since the fall of the dictator Trujillo in 1961, the middle class, made up of salaried workers with a double dependence on buying power and employment, has continually expanded and constituted in the late 1980s, 30-35% of the total population (Dominican Republic and Haiti: A Country Survey, p55). Families who belong to the middle class according to economic criteria categorise themselves as members of the gente buena, and hence strive for the same traditional Hispanic ideals and customs. The number of urban poor has increased because of rural-urban migration and the increasing unemployment and underemployment. The urban society regards the peasants as being simple and of low intelligence.

In 1995 over seven million people were living in the Dominican Republic. The total population growth rate for the 1990-1995 period stands at 1.9%. The growth rate is now 2.1%, urban population 63%, density 225/square metre, life expectancy 66 years, and infant mortality 65/1000 (Fundación Sogebank (1995) in Revista Económica, Año II, No.23, p30). Starting at the end of the Trujillo era, migration has sharply increased and has become a defining factor of Dominican society. The reasons for the multi-directional population flows (urbanisation, emigration, decentralisation) have been primarily population growth combined with a limitation on land availability, and unemployment.

a. Migration to the City

Trujillo, the dictator who ruled Dominican Republic from 1930-1961, expropriated land on a large scale in order to expand his personal revenues by establishing sugar mills. In addition to that, the Dominican peasants practice the custom of dividing their land in order to leave their children with equal shares. This leads to uneconomic farm sizes, which force the peasants to abandon agriculture or to find additional employment. Both induce a population flow into the cities and emigration overseas.

Fig 10 DISTRIBUTION BY SECTOR OF POPULATION OF WORKING AGE

<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Industry</th>
<th>Service</th>
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<tr>
<td>Dom. Rep.</td>
<td>64%</td>
<td>25%</td>
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Fig 11  URBAN POPULATION (% of total) IN DOMINICAN REPUBLIC

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<th>1960</th>
<th>1994</th>
<th>2000</th>
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<td></td>
<td>30%</td>
<td>64%</td>
<td>68%</td>
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b. Emigration to the U.S.A.

The USA and Puerto Rico have been the almost exclusive destinations for Dominican emigrants; and 8-15% of all Dominicans are said to reside there (300,000-800,000 in USA and 300,000 in Puerto Rico). This migratory movement driven by expectations of a better economic future has several effects. First, emigration has softened population growth. Second, remittances from Dominicans resident overseas now constitute an important revenue for the economy, raising the living standards of those that have remained at home. Finally, a "brain drain" has been perceived, as a significant share of those emigrating are active and educated citizens, who can no longer survive at their desired economic level in their own country. This has devastating effects:

"In the Dominican Republic, approximately half of new-born children die before reaching the age of five and yet 30 per cent of medical school graduates each year emigrate to North America"  (Cubitt, p94).

c. Decentralisation

With the start of the free trade zones in the 1980s a new migration movement towards their locations has started. The authorities built free trade zones in the smaller towns in order to reduce the problem of centralisation in the capital.
A migration of no less importance is the traditional flow of seasonal workers from Haiti to the Dominican Republic. In 1980 about 200,000 Haitians were estimated to reside permanently in the country (Dominican Republic and Haiti: A Country Survey, p52). The Haitians are attracted to the eastern side of the island for the same reasons as Dominicans are eager to emigrate to the United States: the better economic situation and higher wages. Haitians have become an integral part of the Dominican economic machine, as they are mainly employed in cane cutting, a back-breaking task, which a Dominican is not willing to perform, or in other low skilled work, such as that found on construction sites. Haitians normally earn only 60% of a Dominican's salary.

E. Political Background of the Dominican Republic

"I fear that entirely popular systems might not be beneficial but our ruin, as long as our compatriots do not acquire the talents and political virtues that distinguish our brothers in the North. It is a disgrace that those qualities, in the measure that they are required, seem to be very distant from us; we, on the contrary, are dominated by the vices that are obtained under the leadership of a nation like the Spanish one, which only distinguished itself in ferocity, ambition, vengeance, and greed" (Simón Bolivar, "Carta a un caballero que tomaba gran interés en la causa republicana en la América del Sur", 1815, translation by the author).

1. Democracy and the Tradition of the Caudillos

In the Dominican Republic, power is divided into the Executive, Legislative and Judicial Branches. There is, however, a clear dominance by the Executive, mainly due to the machismo and authoritarian culture.

When the liberation efforts of the Dominican national heroes Juan Pablo Duarte, Francisco del Rosario Sanchez, and Ramon Mella ended in independence in 1844, the power struggle within the Republic began. The alternating, unprincipled and self-serving governments of the strongmen Santana and Baez dominated the political agenda of the Republic in the next decades and fortified the tradition of
political organisations built upon the personal followings of strongmen, or *caudillos*, onto the Dominican political landscape. Indeed, Dominican history from that time to the present reads like the biography of its authoritarian leaders. Politics in the Dominican Republic are therefore clan-based, dependent on family, blood lines, kinship, informal networks and to a much lesser extent on large-scale organisations. There are a variety of reasons for the authoritarian nature of Dominican politics. First, democracy had no roots in Santo Domingo, a country that has always been poor, rural, underdeveloped, with its people badly educated, and where relationships historically followed the exploiter-exploited pattern. Second, the country lacks a functional politico-social infrastructure, that is to say working government institutions, a tradition of civil service, and real political parties. In the Dominican Republic parties are traditionally only election platforms for a charismatic leader who, when elected, rewards his supporters from the public coffers. Third, the paranoia of yet another invasion of the culturally distinct Haitians has propelled a more nationalistic, and authoritarian leadership. Fourth, the economy has long concentrated on a single crop, sugar, and is hence highly dependent on external factors, like import quotas or world sugar prices, undermining independence and hence democracy. Finally, the geo-strategic position of the island heightens the interest of outside powers to interfere in Dominican politics. As a consequence of all this, the constitutional tradition of the Dominican Republic is rather weak. Until recently, almost every new president declared a new constitution suited to his needs after he had been elected (There have been 29 constitutions in 150 years of independence according to Dominican Republic and Haiti: A Country Survey, p130). The lack of agreement on, and the continuity of a set of rules to regulate political life has been the major problem in Dominican politics.

2. The Legacy of Trujillo (1930-1961)

The most authoritarian and personally charismatic leader (Santo Domingo used to be called Ciudad Trujillo) was the dictator Rafael Leonidas Trujillo who governed
the Dominican Republic as his personal fiefdom from 1930 to 1961. His long grip on power was possible because:

- He skillfully applied repression, coercion, and corruption.
- The US occupation from 1916 to 1924, left the island with highly professional armed forces and an improved infrastructure which enabled him to control the country effectively.
- The USA then opted for a non-interventionist policy.

Trujillo left his legacy not only in the political, but also in the economic and cultural field. After the fall of the dictator big changes started taking place. From 1960 to 1980 the literacy rate rose significantly, per capita income quadrupled, the middle class expanded, urbanisation accelerated, and political institutions started to consolidate.

3. The Era of Balaguer and Bosch (1961-1978)

Two charismatic caudillos, now both octogenarians, have dominated Dominican politics since the assassination of Trujillo: Juan Bosch Gavino, exiled during the Trujillo era and hence without experience of the politics in the Dominican Republic, and Joaquin Balaguer Ricardo, a former puppet president under Trujillo.

The first elections after the fall of the dictator in 1962 were won by Bosch and his Partido Revolucionario Dominicano (PRD). Bosch pushed forward a political agenda of reformism and a new liberal constitution. He was overthrown by an alliance of forces of the economic oligarchy, the military and the church, and replaced by a so-called Triumvirate government. The "constitutionalists", loyalists to the Bosch government and his proclaimed constitution, led an uprising to re-instate the ousted, legitimate president in 1965. When the constitutionalists seemed to win the upper hand in the subsequent civil war, Lyndon B. Johnson,
propelled by the allegations of the Dominican oligarchy that Bosch was promoting a communist agenda, sent in the US Marines to prevent a victory by the Bosch forces. He was not hindered by the fact that J. F. Kennedy had called Bosch's government "the Democracy in the Caribbean".

In the 1966 elections the voters backed Balaguer, knowing that a victory by Bosch was unacceptable to the real power holders in the Dominican Republic and would lead to another crisis. The USA was eager to legitimise their invention and thus backed the Balaguer government with substantially increased financial assistance. This US support in combination with the intimidation of political opponents (the PRD did not present candidates for fear of their lives) also secured Balaguer victories in the 1970 and 1974 elections.


When Juan Bosch left the PRD to found the more radical Partido de Liberacion Dominicano (PLD), the way was opened for a shift of power as the PRD was no longer associated with the failure of the Bosch government. Furthermore, a change in US policy supporting the democratisation of Dominican politics put pressure on Balaguer and the military to allow the 1978 election winner, Antonio Guzman of the PRD, to take up office. Since this historic turn, the country has witnessed a range of important changes. The most significant has been the professionalising of the military, which makes an overthrow of an elected government in the future less likely. The reformist governments of Guzman (1978-1982) and Blanco (1982-1986), however, were in a dilemma, as they were facing important political and economic problems: the military had to be "kept off the road" by even more benevolent bribes than under Balaguer as they had to tolerate a centre-left government. The Congress was still controlled by Balaguer forces and blocked all attempts to introduce a more rational tax structure. This limited the instruments the government could employ in order to deal with the economic crisis caused by low
growth, high inflation, falling sugar prices, high oil prices, a balance-of-payments
deficit, a massive public sector deficit and a bloated inefficient State, making any
reformist agenda of redistribution on the spending side impossible. Even worse,
the austerity measures imposed on the Dominican economy by the IMF had to be
shouldered by the poor, who witnessed a further degeneration of their very
precarious living conditions. The PRD governments made things worse by
rewarding political loyalty and trying to redistribute wealth through the expansion of
the bureaucracy. As a consequence, at a time when the budget deficit required
fiscal austerity, public employment mushroomed by 50-60% under Guzman, and
40% under the Blanco government, leaving public employees without pay,
expanding corruption, and reducing efficiency.


In 1986 the discontent of the Dominicans with the PRD allowed Balaguer a return
to power. The selective memory recalled the “good old days” under the
administration before the PRD and the economic crisis of the 1980s. Balaguer also
managed to remain in power in the 1990 and 1994 elections, under increasing
charges of electoral fraud. The outcome of the 1994 election, however, was so
much questioned that new ones were scheduled for 1996, even before the
inauguration of the new government.

Balaguer’s political skills are acknowledged and admired even by his opponents.
His style is authoritarian, paternalistic, and pragmatic. His political agenda puts
emphasis on public works to secure employment, to pay off political loyalty, and to
build himself a lasting memorial in Dominican history. Most famous (and cynical) is
his “dual signature”: he promises a promotion, asset, or appointment to somebody
and then simultaneously advises his inferiors to block its fulfilment. By so doing, all
the blame falls on the bureaucracy while he remains the benevolent president. He
also relies heavily on corruption to assure loyalty, but leads a rather ascetic lifestyle himself.

6. The End of an Era: The ‘New Way’ of the PLD (1996- )

The 1996 election presented a revolutionary change on the Dominican political landscape as neither of the paramount leaders, Bosch and Balaguer, ran again, leaving room for a new generation of Dominican leaders to take power.

Dominican backdoor power politics, however, led to the unlikely alliance between Balaguer’s PRSC and Bosch’s PLD in the second round of the presidential election\textsuperscript{131} which allowed the PLD candidate Leonel Fernandez to win the presidency against Bosch’s and Balaguer’s old foe, Francisco Peña Gomez of the PRD. Once again the political arena was full of racist allegations about the black skinned Peña’s Haitian roots and doubtful patriotism, leading to the election alliance called Frente Patriotico, that is the “Patriotic Front” between the PRSC and PLD.

Fernandez Reyna’s administration has so far stayed clean of major corruption charges, invested heavily in infrastructure and education, and also increased the payroll of the administration by extensively increasing the wages of public employees.

7. Political Organisation of the Dominican Society

In general, the degree of organisation of interest groups in the Dominican Republic remains low. The traditional Latin American power trio of the military, the Catholic Church, and the economic elite has changed over the past years, as the church is losing power due to secularisation, Protestant inroads, and the lack of significant

\textsuperscript{131} The official PRSC candidate, the then Vice-president Jacinto Peynado, one of the richest businessmen of the Dominican Republic, who did not have access to the public coffers like Balaguer, had to finance his presidential bid, to a large extent, with his own funds, did not have Balaguer’s charisma nor full support and, hence, stood no chance at all of winning.
economic or educational assets in the country. The armed forces, in contrast, are still one of the best organised and powerful groups, nominally under civilian control, but in reality a rather independent player. Today, economic importance equals political importance and so the most important power holders are the wealthy. Even if the middle class has expanded to 30-35% of the population, its influence remains low because of its lack of agreement on social and political issues and, confronted with the option of rather radical change, the middle class has traditionally sided with the interests of the upper class. The civil service is the largest employer in the country, but is inefficient, incompetent, full of corruption, nepotism, and political patronage. Indeed, the public sector is one of the main power sources of the politicians and hence a highly influential interest group. As the public service has no tradition of civil service and ineffective regulations, there are wholesale dismissals for political reasons after every election.

F. Cultural Background of the Dominican Republic

1. Culture and Religion: The Influence of the Catholic Church on the Latin American Value System

"In general the changes taking place within the institutions which influence values reflect a gradual shift towards the norms of contemporary capitalist society" (Cubitt, p100).

One of the institutions with the greatest influence on values in Latin America has been, without doubt, the Catholic Church: The conquest of Latin America was not only achieved militarily by Spanish and Portuguese soldiers, but also spiritually by the Catholic priests on their Christianising mission. The Church worked closely with, and for the colonial authority, partly taking administrative functions for colonial expansion and serving as the principal institution of social control. After political independence from Spain the Church formed an alliance with the conservative elite offering a conservative value system that supported the regime, receiving special privileges, in turn, from the State. Nowadays, the Catholic Church's might
in Latin America resides mainly upon its scope, "for Roman Catholics make up about 80 per cent of the population" (Cubitt, p84).

The theology of liberation, which opened a marked dispute within the Catholic Church, has its roots in the Second Vatican Council (1962-1965), that opened the church's interest to worldly matters such as "justice, human rights, and freedom" (Cubitt, p85). At this council the close union of State and Church was questioned for the first time while the latter widened its mission, passing moral judgement on earthly matters such as basic human rights or the existing political order. The changes in the role of the Church which initially searched for an improvement in the conditions of man on earth giving the Church the role of a moral arbiter, gained its own momentum and turned into a Marxist interpretation of the Latin American reality with its own catchy name: the Liberation Theology. For Cubitt (1995)

"Liberation Theology explicitly links society, politics and religion and in so doing, bases much of its social analysis on dependency theory. Thus, poverty, injustice and other secular problems are seen as being the result of exploitation by world capitalist powers. Any sort of improvement for the masses must involve a reordering of the social structure. (p86)"

For Vargas Llosa et al (1996) they define the Liberation Theology as "the reproduction of the dependency theory with added eschatology." He, too, refers to the Communist class struggle when he says that for the followers of this theory "in the liberation - in the revolution - lies the salvation" (p189)." As wide parts of the Latin American Church, however, resent the Marxist, revolutionary and hence violent dimension of the Libertion Theology the gap between progressives and conservative followers of the Catholic Church is widening.

About 90% of Dominicans are officially Roman Catholics. During the last decades, however, not only the progressive socialist Liberation Theology, but also Protestantism has made inroads into this monolith. According to Cubitt (p88) "membership of US-based 'born again' Protestant groups has snowballed in Latin America since the late 1960s, to such an extent that it has led to comments

\[132\] translated from Spanish by the author.
suggesting that Latin America is in fact 'ripe for reformation'. In the Dominican Republic to wage their struggle, both Protestants and Catholics rely on modern technology, and specifically on television. Protestant groups buy whole programming blocks to re-transmit evangelization programmes broadcast in the US, while the Catholic Church even bought its own television channel “Televida” to promote its values.

In the lower classes popular religious practices performed by brujas (witches), who target evil spirits, and curanderos (curers), who are intermediaries with the Saints and make medicine, are widespread. In contrast to the vehement opposition of the new Protestant affiliations, the position of the Catholic Church is as ambiguous towards these practices as it is towards voodoo.

Religious marriage is favoured in accordance with the Spanish ideal by the middle and upper classes, while the lower classes live freely together (mudarse) or marry by law, taking advantage of the relative easiness of divorce. More important is the historical-cultural impact Catholicism has had on Latin American culture.

2. The Protestant and Catholic Work Ethic

Referring to Max Weber’s suggestion that the Protestant ethic produced the value orientations and attitudes in which capitalism could prosper, and that Catholicism, like most other religions, hinders social progress, Cubitt (p67) holds that in the case of Latin America “For centuries, Catholicism allied itself with conservative forces opposed to progress, but now that elements within the church have come out in favour of change it appears to be opting for a more socialist than capitalist line.”

Glen Claudill Dealy too, argues in his book “The Latin Americans: Spirit & Ethos” that the differences of Latin American society with that of the West are due in some extent to the historic influence of Catholicism. As in the Catholic faith two

133 Green 1991, p182.
134 Smith 1982, p4 “Traditional Catholic principles, once an obstacle to change in emerging capitalist economies, when they were identified with corporatist ideologies, now appear to be more compatible with various socialist models of development.”
worlds exist harmoniously side by side, the spiritual world and the “real” world, so
they do in the life of a Latin, where there is a marked difference between behaviour
within the family and that in public: At home, family values are cherished, and
loyalty and care for kith and kin are of utmost importance, while outside on the
street another set of rules applies and “only the fittest survives”. For Cubitt (p83)
social norms have been shaped by the Hispanic influence of “the institutions of
church and family and a code of behaviour based on personal honour.” The
stereotype of the Latin American macho is aggressive, overwhelmingly self-
assertive, a winning type with mistresses, who pursues his personal interests
ruthlessly. At a private level, however, he is a caring father, a “responsible”
husband and a loyal friend, who recites the Ave Maria at Mass on Sunday.
This contrasts sharply with the Protestant-influenced West, where moral
considerations - at least superficially - extend over the family boundaries into the
public realm. Latin America can hence be described as a dualistic society, with the
opposing forces of private and public life, and those between the State and the
family, in contrast to the West where there are unifying tendencies. Another
example: Latin American governments seldom provide the most essential social
services, these remain in the sphere of responsibility of the individual families. In
the West, Protestantism has propelled the appearance of the Sozialstaat. There,
the accumulation of wealth is sanctioned as being the will of God, and redistributed
on a more global, not family level. Whatever the difference between Protestant
and Catholic influenced societies, the gap separating the West and Asia is even
greater:

“Religion seems to play a part in this striking gap. Asian Confucian countries see work as a
virtue, while work is considered a burden and leisure time is treasured in Western christian
countries”¹³⁵. In these countries, work is only a means and leisure the goal. The opposite is
true for Japan” (Leisure Development Centre Foundation¹³⁶, p27).

¹³⁵ Regarding the work ethic the protestant West seems still much closer to Asian values and
attitudes than Catholic Latin America.
¹³⁶ The Leisure Development Center conducted a comparative international survey on attitudes
towards leisure and actual leisure activities of male, white-collar workers in the capitals of
20 countries worldwide.
3. The Personality Cult and Importance of Personal Relationships

"Despite the spread of values emphasising achievement and competition, personalism remains an essential feature of social relations in Latin America, probably because of the continuance of uncertainty and insecurity" (Cubitt, p101).

On the one hand, family loyalty is the central value in Santo Domingo, and in the whole of Latin America. On the other hand, Latin Americans expand the binding and permanent character of interpersonal relations of kinship beyond the boundaries of the family by relying on the institution of the *compadrazgo* that institutionalises a friendship.

"*Compadrazgo* relations are set up through the ritual sponsorship of the church system by appointing godparents for children. On at least four ritual occasions in the life of a young person - baptism, confirmation, first communion and marriage - the parents have the opportunity of asking friends to sponsor them, thus becoming their godparents. This establishes a set of permanent relationships between parents, godparents, and child/godchild in which the most important social relationship excludes the child, for it is between parents and godparents. They become *compadres*, or ritual kin" (Cubitt, p104).

The expansion of personal supportive networks through god-fathering is of great importance as it enhances the security of the individual in times of need. In fact, the warm relationship between parents and godparents contains the intrinsic obligation to help at all times.

The essence of the patron-client relationship which is very pronounced in Latin America is also utilitarian. In this equation between two quite uneven parts, in which the patron offers power and influence, and the client support and esteem, the client seems to reap the greater - that is to say more tangible - benefits. In the long run, however, the ongoing tradition of clientelism prevails.

The mother-child relationship is very close and affectionate, while the father, in general, is a more distant authority figure.
4. Television as a Cultural Agent: the Americanisation of the Dominican Society

"Television ownership, however, increased rapidly during the 1980s, despite the increased levels of poverty caused by the economic crisis early in the decade. Perhaps at times of rising poverty televisions bought cheaply second-hand or through hire purchase agreements represent one of the most accessible forms of entertainment" (Cubitt, p97).

From 1960 onwards, with the introduction of cheap transistor radios, the Dominican Republic has witnessed its own communications revolution.

Fig 12   TELEVISION SETS IN DOMINICAN REPUBLIC

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<td>Thousands</td>
<td>50</td>
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<td>180</td>
<td>400</td>
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<td>530</td>
<td>575</td>
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<tr>
<td>Per 1000 inhabitants</td>
<td>13</td>
<td>23</td>
<td>36</td>
<td>72</td>
<td>80</td>
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<td>82</td>
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Since then, radio, newspapers, and first of all television, which not everyone possesses but at least has access to, has alleviated the isolation of the countryside, stimulated urbanisation, and increased political mobilisation. The Dominican peasant was then, for the first time, integrated into the national life as news from the capital was relayed to the interior, and he also became exposed to the outside world. In 1989 there were 123 radio stations and 18 television channels, mostly owned by the wealthy families, again underlining that economic power equals power of influence.
The important influence of television on the value system has to be mentioned: Dominicans have always had a love-hate relationship with the US, defending their uniqueness from the influence of the overwhelming neighbour on the one side, and envying and admiring the progress of the US on the other. Dominicans always prefer a foreign made product to a Dominican made item. Foreign is associated with reliability, quality, and status. For the lower class Dominican the developed world and the US are quite the same thing. As tourist dollars and remittances from New York based emigrants keep flowing to sustain the Dominican spending spree, the Dominican land- and cityscape becomes more and more like the US with the opening of highly visible and highly priced franchises. From fast food chains like McDonald's, Burger King, Wendy's, Pizza Hut, Domino's Pizza, Little Cesar's Pizza, Dunkin Donuts, Dairy Queen, Hagen Daaz, Baskin Robbins, Bagels'n'more, Kentucky Fried Chicken, and Taco Bell to clothing retailers including Benetton and Liz Claiborne, they are all there.

The continuous preaching of the North American way of life on Dominican television and radio has also had an influence on popular culture: The rap culture of New York, for instance, was the source for the Dominican version called "Meren-house" that rivals the national dance Merengue in the eyes of the youth. Furthermore, television transmissions allow Dominicans to follow the matches in the North American sport leagues live on television. Even the poorest branches of the society are not excluded, as they can watch the games on the television sets of the colmados, the Dominican version of the North American "Mom and Pop" stores, or the British corner shop. It may sound strange that the idol of most young Dominicans is not a compatriot but "Michael Jordan", and that they save their money to buy an official NBA shirt with his team number. Taking the approach of the dependency theory the mass media in Latin America in general, and the Dominican Republic in particular, are affected by "cultural imperialism", as:

"The technology necessary to produce films and television and radio programmes, is so much more advanced in industrialised countries than in the LDCs that it is frequently much simpler and cheaper to import material than to produce it in the Third World" (Cubitt, 98).
The *telenovela* (soap opera) is perhaps the only product of the Latin American television industry that made its way to the north and was successful, to some extent, in the developed world. It certainly did not have, however, the same shaping influence on the values of those societies as the programming from the North American film factories have on the Latin American societies. Cubitt (p98) stresses that imported material "contains the values of the society where it was made and so, through modern techniques of diffusion, all social levels of a Third World's society are exposed to the product of a small group of people in the industrialised world. The world becomes a community, which is influenced by the small elite who control the media." The influence of the North American point of view on the popular perception of even purely Latin American affairs is nowhere more marked than in the international television news. In the past, the Mexican owned news channel ECO provided international news for Latin America, but now two US based and US owned Spanish language news channels provide the premier news source on world and Latin American affairs in South America. The 24 hour Spanish-speaking news channel CNN en Español is a derivative of CNN International. Based in the same building as CNN International in Atlanta, the headquarters of CNN en Español draws from the input of a world-wide net of their own correspondents and free-lance journalists for their programming broadcast within the USA and Latin America. Reporters with the financially weaker CNN en Español rely heavily on resources provided by the international bureaux of CNN International. While CNN International sends its own employees to other countries as expatriates and supports them with plenty of local staff in fully equipped studios, CNN en Español relies mainly upon inexpensive "stringers", i.e. free lance journalists who work mainly with CNN en Español. Because of financial constraints those stringers all over the world are dependent on equipment and services provided by the international CNN bureaux, mainly in regard to the access to information (wire services, research, co-ordination) and video material (reports or raw footage) as well as the use of technical facilities (video editing and satellite links). Because of these constraints the Spanish "stringer" reporters often simply dub one supplied by their North American counterparts or re-edit material supplied
by CNN International. Their own investigative reporting is somewhat minimal. In the coverage of Latin America CNN en Español has a little more leeway as the interests of the U.S. public and, hence, CNN International are rather less. But, nevertheless, the North American influence is very pronounced in every report from CNN en Español as all of them assigned by Atlanta have to be passed to, and checked by, the edit desk before they can be broadcast. Interestingly, the working language in the CNN en Español office in Atlanta between the employees of almost exclusively Latin origin is American English. It is not surprising that the reports by the Spanish channel resemble the reports of their English language brethren not only in form but also in spirit.

Telenoticias was jointly founded by several communication companies, among them the Spanish network Antena 3, the wire service Reuters and the US based Spanish speaking network Telemundo. The ownership structure and location of Telenoticias in the Hispanic dominated Miami suggested a less biased reporting than that of CNN's Spanish news channel. Anyway, in 1996/97 the American television giant CBS took over Telenoticias from the financially damaged Telemundo, which had been operating for a long time under the protection of the Chapter 11 legislation. Soon CBS Telenoticias became not only more professional looking with a presence on the world stage but also unmistakably more North American.

Almost all Latin Americans receive their international television news from the international news channels CNN en Español and CBS Telenoticias or the "in Spanish" broadcasting, Miami based US networks Telemundo and Univision via cable, satellite or syndicated, as the international segment of the local news. Taking into consideration that the television news programmes provided by these networks are produced in the US, mainly by US citizens living in the US, and employed by US companies which are organised according to the value structure typical for the US, it is not far stretched to conclude that the international news consumed by the Latin American audiences are filtered, packaged and enriched to conform to the US American's point of view.
The preference of the Dominican customer for overpriced North American products and services cannot merely be reduced to an innate admiration for everything coming from the US. The most decisive factor, in fact, is the smart marketing strategies of the multinationals with their enormous advertising on national television. For Cubitt (p99) too, the advertising of the multinationals on Latin American television sets not only incites consumption, but also promotes a certain model of political development:

"In promoting consumer products, in competition with each other, the advertisers promote the values of capitalism - the stress laid on wealth and working hard in conventional modes to try and achieve it, competition and the importance of consumer goods as an expression of self status" (Cubitt, p99).

5. The Culturisation Effect of Multinationals on the Working Population

The foreign companies influence not only the preferences of the Dominican consumer, but also the value orientation of the workforce. With the boom in tourism and free trade zone assembling industries, more and more multinationals are starting operations in the Dominican Republic. With their better salaries and benefits they attract the most qualified of the workforce. The increasing importance of foreign firms and franchises in the Dominican Republic has brought about a change of attitudes and work values. Personal contacts and family background are no longer the sole entrance ticket to career jobs. Where for decades some sort of title from a Dominican University was all that a candidate for an executive job needed, attitude and aptitude, confirmed by a post-graduate diploma from abroad has now become the norm in the Dominican job market. What seems to be a positive move from influence trading to a culture of merit at first sight is, in fact, a perpetuation of the existing structure of society, as only the traditional elite can afford to send their children abroad to study.

Most important, the multinationals and franchises transfer technology, systems, and know-how to the Dominican marketplace. This forces local companies as well
as their employees to become more competitive. They mainly respond by trying to adapt foreign technology, foreign systems, and the organisation of their workforce.

Finally, the impact of international companies’ operations in the Dominican tourism and free zone sector on skilled and unskilled labour is enormous, and leads to a professionalisation of the workforce in these industrial sectors.

G. Macro-Economic Aspects of the Dominican Republic

1. Main Economic Indicators
Fig 13 GROWTH OF GROSS DOMESTIC PRODUCT BY ACTIVITY (January-September 1995 compared to same period in 1994)

Source: Banco Central in La Revista Económica, Año II, No33, p4
**Fig 14**  
**GROSS DOMESTIC PRODUCT (1980 = 100)**

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>108.9</td>
<td>112.1</td>
<td>121.6</td>
<td>123.4</td>
<td>128.4</td>
<td>121.4</td>
<td>120.1</td>
<td>129.2</td>
</tr>
</tbody>
</table>

*Source: ECLC, on the basis of official figures in the Economic Survey of Latin America and the Caribbean 1992, p400*

**Fig 15**  
**GROWTH RATES**

<table>
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<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross domestic product</td>
<td>-1.9</td>
<td>3</td>
<td>8.4</td>
<td>1.5</td>
<td>4.1</td>
<td>-5.5</td>
<td>-1</td>
<td>7.6</td>
</tr>
<tr>
<td>Real minimum wage</td>
<td>-2.4</td>
<td>7.2</td>
<td>-2.2</td>
<td>3.9</td>
<td>-11</td>
<td>-16.2</td>
<td>1.6</td>
<td>21.2</td>
</tr>
<tr>
<td>Current value of exports of goods and services</td>
<td>-3.4</td>
<td>7</td>
<td>10.5</td>
<td>21.7</td>
<td>9.1</td>
<td>-3.5</td>
<td>-1.2</td>
<td>8.5</td>
</tr>
<tr>
<td>Current value of imports of goods and services</td>
<td>0.2</td>
<td>4.8</td>
<td>19.4</td>
<td>2.7</td>
<td>21.1</td>
<td>-8</td>
<td>-1.1</td>
<td>24.8</td>
</tr>
</tbody>
</table>

*Source: ECLC, on the basis of official figures in Economic Survey of Latin America and the Caribbean 1992, p400*
Fig 16  EXTERNAL SECTOR (Millions of dollars)

<table>
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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade balance</td>
<td>-238</td>
<td>-220</td>
<td>-389</td>
<td>-102</td>
<td>-351</td>
<td>-228</td>
<td>-228</td>
<td>-606</td>
</tr>
<tr>
<td>Balance on current account</td>
<td>-222</td>
<td>-244</td>
<td>-422</td>
<td>-84</td>
<td>-283</td>
<td>-65</td>
<td>-115</td>
<td>-476</td>
</tr>
<tr>
<td>Balance on capital account</td>
<td>265</td>
<td>288</td>
<td>275</td>
<td>194</td>
<td>281</td>
<td>72</td>
<td>457</td>
<td>602</td>
</tr>
<tr>
<td>Movement in international reserves (net)</td>
<td>8</td>
<td>11</td>
<td>-189</td>
<td>125</td>
<td>5</td>
<td>2</td>
<td>340</td>
<td>97</td>
</tr>
</tbody>
</table>

Source: ECLC, on the basis of official figures in the Economic Survey of Latin America and the Caribbean 1992, p400

Fig 17  TRADE BALANCE OF THE DOMINICAN REPUBLIC
(FOB in US$ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>961.9</td>
<td>1519.7</td>
<td>-557.8</td>
</tr>
<tr>
<td>1981</td>
<td>1188</td>
<td>1451.7</td>
<td>-263.7</td>
</tr>
<tr>
<td>1982</td>
<td>767.7</td>
<td>1257.3</td>
<td>-489.6</td>
</tr>
<tr>
<td>1983</td>
<td>785.2</td>
<td>1279</td>
<td>-493.8</td>
</tr>
<tr>
<td>1984</td>
<td>868.1</td>
<td>1257.1</td>
<td>-389</td>
</tr>
<tr>
<td>1985</td>
<td>738.5</td>
<td>1285.9</td>
<td>-547.4</td>
</tr>
<tr>
<td>Year</td>
<td>Value 1</td>
<td>Value 2</td>
<td>Value 3</td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>1986</td>
<td>722.1</td>
<td>1351.7</td>
<td>-629.6</td>
</tr>
<tr>
<td>1987</td>
<td>711.3</td>
<td>1591.5</td>
<td>-880.2</td>
</tr>
<tr>
<td>1988</td>
<td>889.7</td>
<td>1608</td>
<td>-718.3</td>
</tr>
<tr>
<td>1989</td>
<td>924.4</td>
<td>1963.8</td>
<td>-1039.3</td>
</tr>
<tr>
<td>1990</td>
<td>703.9</td>
<td>1807</td>
<td>-1103.1</td>
</tr>
<tr>
<td>1991</td>
<td>658.3</td>
<td>1728.8</td>
<td>-1070.5</td>
</tr>
<tr>
<td>1992</td>
<td>561.9</td>
<td>2178.1</td>
<td>-1616.2</td>
</tr>
<tr>
<td>1993</td>
<td>530.4</td>
<td>2179.5</td>
<td>-1639.1</td>
</tr>
</tbody>
</table>

Source: Central Bank of Dominican Republic in Revista Económica, Año II, No23, p19

2. Distribution of Land

Like other Latin American countries the Dominican Republic is characterised by a highly uneven distribution of land. The 1982 agricultural census revealed that 2% of the farms hold 55% of the productive land, and 161 farms, that is to say 0.1% of the total, hold 23% of all productive land. The biggest landholder once again is the government via the CEA, the Corporacion Estatal de Azucar, and the Instituto Agrario Dominicano, which were the heirs of the huge holdings of the Trujillo family. Forty per cent of rural households own no land at all. In 1950, agriculture still accounted for 73% of the labour force. This proportion had decreased to 35% at the end of the 1980s (Dominican Republic and Haiti: A Country Survey, p88). The government forced these changes through regulations on capital access, tariff and tax exemptions, and pricing policies.
3. Distribution of Income

Real wages decreased during the 1980s, but certainly not in the same proportion for everyone. In the last few years, rich people have become richer, while poor people have become poorer. From 1991 to 1994 the average income of the richest 20% expanded\textsuperscript{137} by 343% from RD$ 5,579 (about US$427\textsuperscript{138}) to RD$19,144 (about US$1,454), while the poorest 20% expanded their average earnings by 281%, from RD$516 (about US$40) to RD$1,454 (about US$110). The share of the richest 20% of the occupied, economically active population, increased during the same period from 51.1% to 59.9%. In 1988 the labour force was 2.8 million drawn from 3.8 million of the economically active. In 1990, the urban real minimum wage had declined by 34.8% (\textit{Statistical Abstract of Latin America}, Vol. 30, Part 1, Table 1408, p434) when compared to 1980.

4. Economic History

Latin American countries have historically followed a pattern of import substitution, and only switched to export-promotion economies during the last decade. The major reason for this shift was the debt crisis, when the import-substitution economies did not generate sufficient revenue to finance the repayment of loans. The Dominican Republic is no exception and has witnessed a substantial expansion of tourism, free zone manufacturing, mining, and new agricultural exports since 1980. A complex jungle of import taxes and duties, however, continues to hinder this development. Another important revenue source, replacing the dependence on US aid in the 1960s and sugar in the 1970s, were the remittances from Dominicans living abroad.

\textsuperscript{137} Revista Económica, Año II, No.21, p4
\textsuperscript{138} Exchange rate table in Martí Gutiérrez, p342.
a. The Economic Development before Trujillo (1930-1965)

In the Dominican Republic, the Haitian occupation from 1822-1844 as well as the subsequent stream of corrupt and inefficient Caudillo governments hindered any economic development. The plantation economy which had such a huge influence in the shaping of a common Caribbean identity appeared in the Dominican Republic much later than in the rest of the West Indies, and at no time reached a level of efficiency comparable to the French colony of Haiti. In fact, at the end of the 19th century, by investing heavily in Dominican sugar plantations, the USA determined the economic structure of this tiny island for most of the 20th century. The dependence of the Dominican Republic in the economic field, however, was not limited to world sugar prices and import quotas. In 1904, the USA established a temporary receivership on the Dominican Customs to administer the repayment of the country's commercial debt to foreign holders of Dominican bonds. The Dominican Republic also benefited from US interference. The US occupation from 1916-1924 for instance, stabilised the political system and the State's finances, and significantly increased the island's infrastructure.

b. The Economic Development under Trujillo (1930-1965)

The 30 year long reign of dictator Rafael Leonidas Trujillo had a lasting influence on the Dominican Republic's economic structure. At the time of his assassination in 1961, he and his family held more than 60% of the country's sugar, cement, tobacco, and shipping industries, more than 600,000 hectares of improved land, 12 of the country's 15 sugar mills, and 87 businesses (Dominican Republic and Haiti: A Country Survey, p79). His acquisition process was based on State and commercial monopolies, coercion of industrial concerns to buy up their shares, and commission on all public works contracts. In his ruthless strive to self-enrichment he drove peasants from their land in order to expand his sugar-latifundios, and propelled the migratory flow to the cities. Growth oscillated throughout the 50s, around 5% annually. During the 1961-1965 crisis period, however, politics matched economic instability. The policy of the Juan Bosch
government which had increased fiscal spending without being able to improve revenue due to the resistance of the bureaucracy, forced major capital flights from the island.

c. The Economic Development under the Semi-Dictatorship (1966-1978)

The government of Joaquin Balaguer Ricardo from 1966-1978 was covered at the beginning with massive financial support from the USA which sought legitimacy for its invasion. Balaguer's main economic action was aimed at diversifying the sugar dependent economy of the Dominican Republic. He introduced, for the first time in Dominican history, some kind of developmental and redistribution role for the State (Dominican Republic and Haiti: A Country Survey, p79). Economic growth during this period from 1966-1976 peaked at 8%. Nevertheless, as the combination of low oil and high sugar prices did not manifest itself in a trade surplus, there was no Dominican "Economic Miracle", but evidence of serious structural faults in the economy. As a consequence, in the early 80s the economy succumbed to a vicious circle of balance of payments deficits and increasing external debt, induced by a 40 year low in sugar prices, high oil prices, an international recession, high interest rates on foreign loans, and cuts in the sugar quota to the USA.

d. The Economic Development in the 1980s

In 1983, Jorge Blanco signed a three year Extended Fund Facility with the IMF which combined the austerity measures of the government with a re-scheduling of the debt servicing. But as the Congress blocked all measures aimed at raising taxes, the measures cut the already low social spending directed to the poor. Rising prices of the formerly subsidised basic consumer products caused riots that left more than 100 dead, and forced the administration to cancel the agreement.
In 1985, a new stand-by agreement with the IMF was signed, combining austerity measures with the floating of the Dominican Peso, causing its devaluation. In the second half of the 1980s, once again under Balaguer, the combined impact of liberal incentive laws, tax evasion, and government construction contracts, caused an approximately 5% fiscal deficit per year, which the government “socialised” by printing money. As a consequence, inflation which had remained during the 1970s at under 10% (with the exception of 1974/1979 because of the peaks in oil prices), rose to 38% in 1985, and 60% in 1988 (Dominican Republic and Haiti: A Country Survey, p85) and reached 100% in 1990.

The overall economic development in the 1980s can be assessed as positive, as the increase in inflation, debt and deficits was overtaken by the structural changes promoted by the diversification away from sugar to the new growth sectors of tourism, free zone industries, mining, and agriculture. As a matter of fact, the growth of these free zones was the highest in the world, and the growth of tourism was the highest in the Caribbean.

e. The Economic Development in the 1990s

In the 1990s, revenues generated by inbound tourism as well as an increase of private transfers from Dominicans residing abroad, higher direct investment in the tourist sector, and especially an accelerated inflow of short term capital attracted by high rates of interest, financed the deficit on the balance of trade caused by the substantial increase of imports, reduced foreign borrowing, and increased foreign reserves. They also led to the monetization of the economy, and depressed local production.

In 1995, the recovery has gained momentum, thanks to economic stability. The macro-economic indicators, however, as well as the structural problems of the Dominican Republic provide a less than enthusiastic outlook for the future. With an inflation rate for the second year back in double digits at 14.5%, major nationalised enterprises going bankrupt, a public debt of more than US$1,500 million
expanding at an accelerated rate, a period of adjustment becomes likely with a rise in inflation and a devaluation of the currency.

The most dynamic economic sectors were construction and electricity generation, with high growth rates of 30% and 25%. The free trade sector, which has developed into the backbone of the Dominican economy, recently experienced a major setback when the US Congress did not adopt the textile parity legislation, which would have given the Dominican Republic the same privileged access to the US market as Mexico enjoys under NAFTA. As a consequence, multinationals are transferring their operations to Mexico, and shutting down factories in the free trade zones. This has already had a significant adverse effect on the unemployment figures.

5. Economic Policy of the Dominican Government

a. Price Stability and Monetary Policy

The annual inflation rate remained in the single-digit range in 1991-1993, an accomplishment for a Latin American State which experienced high inflation during most of the 1980s, and 100% in 1990. Despite the efforts of the Dominican government, however, the inflation rate returned to 14.3% and 12.3%, in 1994 and 1995. The interventions by the Central Bank directed at demonetizing the peso by the tightening of domestic credit, postponing payments, as well as a greater real demand for money, ensured that the expansionist effect of fiscal surplus and capital inflows, which equalled a 27% increase in the money supply, has not put pressure on prices. It is unlikely, however, that the manoeuvres of the Central Bank will be sufficient for maintaining stability in the future. The abundance of foreign exchange and the small differential maintained between domestic and international inflation have both secured the stability of the nominal exchange rate so far, and the real difference only rose moderately. Nevertheless, there is a widespread perception that the Dominican peso is overvalued, and that a devaluation is due sometime in the near future.
b. Fiscal Policy

A surplus caused by the increase in tax revenues, internal indebtedness, and the withholding of assigned funds allowed the central government to sustain spending levels. The overall tax receipts amounted to more than 15% of GDP, which represents an improvement of almost five percentage points, while overall expenditure by the central government rose from 10% to 13% of GDP, mainly because of the losses in the public enterprises and semi-public institutions, but spending on infrastructure projects and housing construction also rose. The increase in the ITBIS, a value-added tax, from 6% to 8%, and the heavier taxation of hydrocarbons and on the consumption of tobacco and alcoholic beverages prompted a rise in the consumer price index.

During the last nine years the government of Joaquin Balaguer concentrated resources on construction. It accumulated, however, debts on public works which are now compromising future tax revenues to finish the most important projects.

Fig 18  DIRECT SPENDING OF CENTRAL GOVERNMENT ON CONSTRUCTION (in RD$ million)

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<tbody>
<tr>
<td></td>
<td>282.8</td>
<td>4,569</td>
<td>5,111</td>
<td>5,516</td>
</tr>
</tbody>
</table>

*Source: La Revista Económica, Año II, No30, p2.*

The focus on public works was a measure to reward political loyalty, by granting construction contracts without competitive bidding to party supporters. At the end of the 1980s only 15% of the public construction contracts were awarded via tenders.
Expenditure on education continually decreased between 1985 and 1991, from 1.4% of GDP to 0.9%. The level of expense then recovered and reached 1.8% GDP in 1994 (Revista Económica, Año II, No28, p8).

The Government of Leonel Fernandez (PLD) implemented an increase as well as a reassignment of public spending.
REASSIGNMENT OF PUBLIC SPENDING BY FUNCTIONS, January-April 1996 to January-April 1997 (in Million RD$)

<table>
<thead>
<tr>
<th>Function</th>
<th>Increment in RD$ Million</th>
<th>Increase in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar and Energy (CEA and CDE)</td>
<td>782.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Administration</td>
<td>590.5</td>
<td>26.4</td>
</tr>
<tr>
<td>Public Debt and Financial Service</td>
<td>490.8</td>
<td>22.0</td>
</tr>
<tr>
<td>Education and Sports</td>
<td>470.2</td>
<td>21.0</td>
</tr>
<tr>
<td>Social Assistance</td>
<td>298.7</td>
<td>13.4</td>
</tr>
<tr>
<td>Justice, Police and Public Order</td>
<td>269.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Other Economic Services</td>
<td>107.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Other Social Services</td>
<td>101.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Health</td>
<td>26.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Farming</td>
<td>12.5</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>3,148.3</strong></td>
<td><strong>140.8</strong></td>
</tr>
<tr>
<td>House Building and Drinking Water</td>
<td>-167.7</td>
<td>-7.5</td>
</tr>
<tr>
<td>City Development and Tourism</td>
<td>-219.2</td>
<td>-9.8</td>
</tr>
<tr>
<td>Transportation, Caminos and Communications</td>
<td>-526.3</td>
<td>-23.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,235.1</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Santana, p14.*
H. Micro-Economic Aspects of the Dominican Republic

1. Country-Specific Problems

Dominican businesses have to cope with high interest rates, high electricity costs and an irregular supply, the high cost of transportation, and hence the high unit cost of production. The high intermediary rate of the commercial banks, 15.2% (interest on loans over a year minus interest paid on financial certificates for the same period) in June 1995, is one of the main reasons for the high cost of borrowing money.

Dominican businessmen have to calculate political rather than economic risks, because they operate in a patrimonial system, dependent on the interest groups in government, and not on a market-driven economy. For businesses, there are virtually no taxes on profits or value-added levies. The main problems are the high import taxes and duties, which induce a cycle of speculation and inefficiency, as everybody has to rely on smuggling and bribes when bringing merchandise onto the local market. Furthermore, the judicial system is not working, is subject to frequent changes in law, and saturated with corruption. This hinders major foreign investment.

Forty nine per cent of the electricity generation in the Dominican Republic relies on petroleum fuel, and is therefore dependent on oil imports and vulnerable to price fluctuations and, moreover, has to cope with an insufficient energy generating capacity by the State-owned Corporación Dominicana de Electricidad (CDE). The demand-supply gap for electricity causes frequent and prolonged power cuts, forcing many businesses and individuals to shut down, or to purchase small generators.

Traditional manufacturing, designed for import substitution, is capital intensive, inefficient, inequitable, and not competitive internationally because of protectionist politics and the tariff and tax exemptions that benefit individual firms in order to repay political loyalty. The high protection of the Dominican market, in the past by using import quotas, and today through the highest rate of import taxes in South
America has made Dominican businesses, in the public sector as well as those privately owned, uncompetitive in international terms.

2. Small and intermediate firms

There are some 400,000 small and medium sized companies in the Dominican Republic. These businesses are adversely affected by the electricity shortage and the high cost of money. The real active interest rate rose from -11.2% to 19.5% in the last six years, while the manufacturing industry declined from 15.2% to 14.6% of the Gross Domestic Product (La Revista Económica, Año II, No33, p22).

**Fig 20** REAL INTEREST RATES IN DOMINICAN REPUBLIC: 1989-1995

*July 1994-1995*

3. State Enterprises

The State enterprises, which number almost 100, are a major source of trouble, combining inefficiency with corruption leading to insolvency, and a deficit three times as high as the ones in the central public sector. The Consejo Estatal del Azucar, the heir to Trujillo's private sugar industry accounting for most of the Dominican sugar production faces financial disaster, and has already suspended 12,700 workers. Similar problems trouble the Instituto de Estabilizacion de Precios (INESPRE), the Corporación Dominicana de Electricidad (CDE), and companies owned by the Corporación Dominicana de Empresas Estatales (CORDE), the umbrella organisation of 25 industrial enterprises formerly owned by the Trujillo family. Most of the CORDE companies have been closed or paralysed for the last few years, as are the Compañía Dominicana de Aviación, Fábrica Dominicana de Cemento, Pinturas Dominicanas, and Baterías Hercules. The companies which are still running have huge debts and no prospect of recovery. Molinos Dominicanos, which mills 60% of the wheat grain, has lost RD$70 million so far this year. These businesses which are a strain on the budget, disrupt market mechanisms and prevent the optimal allocation of resources, but they are still considered necessary for political patronage. Nevertheless, the estimated debt of the central government of RD$7,000 million and the adverse macro-economic impact of the electricity shortage caused by the disastrous administration of the CDE, as well as the strain on public finances by the rest of the State enterprises, make privatisation more likely.
## Fig 21  PRODUCTION AND DEFICIT OF CEA

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (t)</th>
<th>Deficit in millions RD$ (*)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>87-88</td>
<td>404,949</td>
<td>31</td>
<td>Information of CEA, Financial Statements in Revista Económica, Año II, No30, p4</td>
</tr>
<tr>
<td>88-89</td>
<td>371,656</td>
<td>73</td>
<td></td>
</tr>
<tr>
<td>89-90</td>
<td>310,702</td>
<td>199</td>
<td></td>
</tr>
<tr>
<td>90-91</td>
<td>318,287</td>
<td>440</td>
<td></td>
</tr>
<tr>
<td>91-92</td>
<td>316,682</td>
<td>406</td>
<td></td>
</tr>
<tr>
<td>92-93</td>
<td>317,382</td>
<td>475</td>
<td></td>
</tr>
<tr>
<td>93-94</td>
<td>271,533</td>
<td>407</td>
<td></td>
</tr>
<tr>
<td>94-95</td>
<td>250,000</td>
<td>600</td>
<td></td>
</tr>
</tbody>
</table>

(*) Projected debts.

## Fig 22  DEFICIT OF CDE (in million RD$*)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>204</td>
<td>248</td>
<td>239</td>
<td>826</td>
<td>784</td>
<td>929</td>
<td>839</td>
<td>971</td>
<td>1090</td>
<td>1800 (***)</td>
</tr>
</tbody>
</table>

(*) excluding current and capital transfers from the Government.

(**) Preliminary estimate.


In 1985, the commercial banks allocated 73% of their loans (Banco Central in Revista Económica, Año II, No33, p24) to the productive sectors and only 21% to commerce. Ten years later, loans to commerce had risen to 36%. This is an indication of the reorientation of the industrial structure, where problems coinciding with the opening of the Dominican market lead to a decay in productive activity, and an increase in imports.
4. Economic sectors

Today, the Dominican Republic's agriculture relies mainly on cash crops; sugar, coffee, cocoa, and tobacco, and the food crops; rice, beans, plantains, tubers, live stock (beef), and poultry.

Mining is still one of the most important sources of foreign currency as bauxite, gold, silver and ferro-nickel now account for more than 38% of all exports. Construction is one of the most active sectors, employing 4.2% of the total workforce in 1994, and growing by 4.3% in the first nine months of 1995 (Banco Central in La Revista Económica, Año II, No33, p5).

The telecommunications industry is the most advanced in Latin America, although its systems are still concentrated in the urban areas. The US owned company Codetel enjoyed a quasi-monopoly of the Dominican market for decades, but since legislation was introduced permitting competition, a rival concern, Tricom, has started making inroads and has taken a large share of Codetel's business. Tricom started a frontal attack on the market by providing cheaper long distance calls, followed by bleepers, cellular telephones and access to the Internet.

In 1995, the free trade zones, faced increasing competition from similar operations along the US-Mexican border and had to dismiss more than 10,000 workers. The decision by the US Congress not to include the Textile Parity Bill in the 1995-96 budget has caused the closure of many companies in the zones and this has also led to an estimated loss of 200,000 peripheral jobs. Since the early 1980s the

\[139\] Presidency of the Dominican Republic.
creation of free zones has accelerated and they have become one of the largest sources of employment. From 1985 to 1995 the companies operating within their confines expanded from 146 to 446 of which 279 are engaged in the textile industry. The total number of jobs, over the same period, grew from 36,000 to 176,000. In 1994, exports from the zones reached US$1,417 million, a 12% increase over the previous year. In 1995, there were 424 separate businesses distributed throughout 30 industrial parks and 27 free zones. A quarter of them were owned by Dominicans. They provide employment for 170,000 people of which 70% are women. Employment in the free trade zones accounts for 7% of the total national labour force. Textiles account for around 65% of the output. Ninety per cent of the zones' total production is exported to the United States. This was all achieved as a result of the Dominican Free Zone Law 145 enacted in 1983, which granted total exemption from import duties, income taxes, and other fiscal levies for 20 years, the easing of import controls in the United States via the US Caribbean Basin Initiative in 1984, and clause 936 of the US Tax Code, which established the tax benefits for the twin-plant scheme with Puerto Rico. The beneficial effects of the free trade zones include increased opportunities for employment, and earnings in foreign currency. The free zones have, however, attracted almost exclusively, low added value final assembly processes that require only a limited transfer of technology, and generally do not rely on local resources other than labour and the utilities. Moreover, the Dominican Republic is in direct competition with other Caribbean nations in attracting companies to establish businesses within its free zones. For most commercial concerns, the decision to come to the Dominican Republic is not a long term but a mid-term strategy and based largely on the low cost of labour. It is quite probable that they will move to other parts of the Caribbean if the labour costs are lower and the free trade zone benefits are better, or at least favourably comparable. It is for this reason that the economic opening up of Cuba is regarded with a great deal of suspicion.

In 1991, tourism overtook the traditional exports as the main source of foreign currency in the Dominican Republic.
The Dominican Republic now has more than 28,000 hotel rooms, the largest number in any of the Caribbean countries. The tourist industry relies heavily on low prices and the popular all-inclusive market (prepaid vacation packages which include everything). More than half of the tourists come from Europe.
5. The Employment Situation

The high level of economic activity has led to an increase in the demand for labour but, nevertheless, unemployment has remained at a high level, mainly because there is virtually no difference between both the inherent and acquired skills of men and women.

Source: ASANAHORES/ Banco Central/ SECTUR/ CICOM in Revista Económica, Ano II, No32, p16.
The official rate for unemployment which was around 20-25% in the 1980s fell from 20% in 1991 to 15% in 1994. About the same number of workers are estimated to be under-employed, mainly because of the seasonal nature of their jobs, particularly in agriculture and the tourist industry. Furthermore, the formal sector is complemented by a substantial informal one comprised of the self-employed, unpaid family workers, domestic servants and small businesses. The role of women in society is also experiencing change as tourism and the free zones provide them with more opportunities for employment and hence, a degree of economic independence.
Fig 26 DISTRIBUTION OF THE OCCUPIED POPULATION IN VARIOUS ECONOMIC ACTIVITIES

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Services</td>
<td>26%</td>
</tr>
<tr>
<td>Construction</td>
<td>5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>18%</td>
</tr>
<tr>
<td>Mining</td>
<td>1%</td>
</tr>
<tr>
<td>Farming</td>
<td>15%</td>
</tr>
<tr>
<td>Transportation</td>
<td>7%</td>
</tr>
<tr>
<td>Finance</td>
<td>4%</td>
</tr>
<tr>
<td>Commerce</td>
<td>23%</td>
</tr>
<tr>
<td>Electricity</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Banco Central in Revista Economica, Ano II, No33, p4.

Fig 27 GROWTH OF THE PARTICIPATION BY WOMEN IN THE DOMINICAN LABOUR FORCE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9%</td>
<td>10%</td>
<td>10.9%</td>
<td>12.3%</td>
<td>17.9%</td>
</tr>
</tbody>
</table>


The bargaining power of the workers is almost zero because of widespread poverty and unemployment, the fragmentation of union power, and a still valid legal code inherited from the Trujillo era.
I. Conclusion

In this chapter we first described the culture, societal and political structure of the Dominican people which are heavily influenced by the historical experience of conquest and colonisation and the mixture of three cultures: European, the native Indian, and African. The Dominicans are not a homogeneous people like the Japanese, but have their own culture, criollo, which is the product of these multi-racial roots. The Dominican Republic shares the same island (Hispaniola) with Haiti, an African enclave with a diametrically opposed culture within the Latin American civilisation.

While Japan is the economic powerhouse of Asia facing stagnation, the Dominican Republic is a developing country. During the last decade the opening of numerous free trade zones and a boom in tourism brought two new and vigorous growth sectors. Nevertheless, the economy of the Dominican Republic is in crisis because of the following:

- Depression in manufacturing and agriculture, especially involving those items destined for export.
- Depression in the labour market and the opportunities for self-employment.
- Huge deficits on the current account and in the trade balances.
- A crisis in the banks and other commercial institutions
- The both acute and chronic poverty of large parts of the population.

With the new government of Fernandez Reyna the political scene is slowly coming out of a state of depression. Two presidential elections had been held in only two years having a paralysing effect. In a new political climate international and domestic observers comment more loudly, openly, and frequently on the rotten institutions, the lack of basic services and the severe difficulties encountered in exercising effective government.
With the opening of the Dominican market new rules will apply. There will be no more price controls, import permits and quotas, or duties over 40% to protect the domestic industries from international competition. The country will have to rely on making its now idle work force productive, and its rich natural resources and geographical position to increase its exports and services, especially in the tourist industry.

The development of the Dominican television industry can take advantage of the excellent telecommunication facilities already available. Indeed, the Dominican telecommunication infrastructure measures up to those of fully developed countries, including Japan. In the next chapter we will, then, analyse how the Dominican media, and especially television industry, fare in comparison with their Japanese counterpart.
Chapter V
Comparison of the Media Industry

A. Introduction
In this chapter we shall analyse the place of television within the media industry, and the national context in general, in Japan and Dominican Republic. First, we will compare the media industry in general before analysing the development of television in both countries. After that, we shall examine the customers and suppliers of the television networks and finally, the way television influences the Dominican and Japanese societies.

B. Comparison of Printed Media

1. Reading Habits
Our perception of the Japanese is often that of a people surrounded by high-tech, consuming a constant flow of new electronic gimmicks. It might be surprising but the Japanese, despite this inclination for high tech, are still voracious readers of all kinds of traditional printed media (newspapers, magazines, books). We should like to propose four reasons for this behaviour:

- situational, as the Japanese take advantage of the long hours they have to spend commuting each day,

- social, as the newspaper and magazines update the Japanese, who are living in the anonymity of the city, on the existentially important social must do or must know, providing a lifeline for functioning in a society that has a negative perception of pronounced individualism,

- cultural, as education and knowledge are highly regarded, propelling people to educate themselves.
Maybe the most important fact, is that once mastering the obstacle the kanji signs represent, reading in Japanese becomes a fascinating and highly gratifying activity, as the use of those signs permits reading at a much faster pace than in a language using letters, as one sign is one word. Furthermore, the vague meaning and numerous associations of the signs stimulate the imagination of the reader.

The Dominican Republic has no reading culture at all. The most compelling reason is the high rate of illiteracy, that stood at 18.5 % in 1994. Moreover, those who can and wish to read find a very limited choice of books, magazines and newspapers. Many international magazines and newspapers as well as most specialised books have to be ordered via a courier service from Miami.

2. The Newspaper Industry

a. The Newspaper Industry in Japan

"Newspaper production may be roughly divided into the upstream processes of covering the news, writing the stories and setting type, and the downstream processes of printing and distribution" (Japan's Mass Media, p26).

On the downstream in Japan today, 120 newspapers account for a total daily circulation of 71.69 million and a diffusion rate (copies per 1,000 population) of 580, placing the Japanese among the world's most prolific newspaper readers. By households, the diffusion rate is 1.22 (as of October 1992). In contrast to many Western countries there is no clear distinction between elite and mass newspapers. Japan's biggest newspapers (e.g., Yomiuri with its nine million circulation and Asahi with its eight million, morning and evening editions taken together) are among the largest in the world. Counting the morning and evening

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140 Informe sobre Desarrollo Humano, p193.
142 Including national newspapers, general readership, local, sports newspapers, and the rest.
143 These figures provided by JNPEA (October 1992) count the morning and evening editions separately even though over half of the national general-readership newspapers sell their morning and evening editions as a set.
editions as a single edition for those newspapers that sell them as sets. In 1992 the five national newspapers (Asahi, Mainichi, Yomiuri, Nihon Keizei and Sankei) alone had a market share of 52.5% giving the Japanese newspaper industry a somewhat oligopolistic structure. Newspapers with a general readership had a share of 88%, and the only type which experienced growth were sports papers who achieved a market share of 11.9%.

b. The Newspaper Industry in Dominican Republic

According to Cruz Sanchez (p295) only ten national newspapers are published daily, with (if taken together) more than 200,000 copies. Newspapers in Dominican Republic are read by more than one person, which leads to the conclusion that probably more than half a million Dominicans read a newspaper daily.

The morning newspapers\textsuperscript{144} in Dominican Republic are the Listin Diario, Hoy, El Siglo and El Caribe. Those published in the evening are El Nacional, Ultima Hora, La Nacion, El Nuevo Diario and La Noticia. In Santiago, the regional paper is La Información and in San Francisco de Macoris, El Jaya. The ranking of newspapers with the highest circulations is as follows:

1.) Listin Diario
2) El Nacional
3.) Hoy
4.) Ultima Hora
5.) El Caribe

The Listin Diario and La Información are the only newspapers that were being published in 1930, the year when the dictator Trujillo rose to power. Later, the Listin Diario had to shut down until his fall.

\textsuperscript{144} Information obtained from the advertising agency Cumbre S.A.
c. Comparison of Newspaper Industry in Japan and Dominican Republic

In Japan, almost 92.7% of all newspapers are home-delivered, via a nation-wide system with 24,000 delivery agents and their 470,000 employees. The newspapers all look much alike because this system requires them to compete primarily in the marketing and sales effort to homes and offices. In the Dominican Republic there is also a well functioning home-delivery system. However, a large number of copies are sold by paper boys at street corners to passing cars.

General readership newspapers in Japan average 24-30 pages in the morning and 12-20 pages in the evening. An advertising content of 40-50% constitutes a revenue almost as important as subscription and cover price income. Revenues from classified advertising have constantly diminished since 1970 due to the appearance of magazines specialising in this service. In order to increase their attraction as a medium for advertising, Japanese newspapers have to improve their printing techniques (colour news accounts only for 10% of the total), differentiate their editions on a regional basis for a better focusing of the target group, provide more transparent advertising rate structures and, finally, increase the level of computerisation, a sine qua non for a faster and more efficient response to the requirements of the advertisers. The newspaper production was revolutionised by the introduction of the kanji telex and facsimile transmission around 1960 and then by the arrival of computers and the completely automatic offset printing equipment in the 1970s. During the bubble years the national newspapers invested heavily in the computerising of the editorial process and the decentralising of the printing. These investments contributed to sharply increased interest and depreciation costs. Due to the maturing of the newspaper industry there has been a slow decline in their general readership since 1992 and an industry shake out is expected:

"Yet it is generally agreed within the industry that a newspaper’s survival will be determined by how well it is able to maintain home delivery, and the competition among newspapers is now largely a competition among their delivery agents to see who can sign up the most subscribers" (Japan's Mass Media, p23).
The biggest competition for newspapers, however, is television. Even with morning and evening editions newspapers cannot compete with television in the speed of delivery of the news. Japanese newspapers cover the same news as television, but without greater depth, that is to say they do not publish probing analyses, explanations, investigative reporting, and opinions.

"For objective, factual reporting Japanese papers should rely more on articles from the wire services and free their own staff to do the in-depth reporting, analysis, and features that are needed for opinion formation" (Sakuya Fujiwara, "All News, No Stand", p37).

The Dominican newspaper industry was revolutionised with the appearance of the morning paper El Siglo, on the 4th April 1989, which effected a qualitative and technological leap in presentation and content, and closed the gap that had separated Dominican newspapers from those in the more developed countries (Cruz Sanchez, p267).

3. Books and Magazines

In 1992 Japanese publishers sold 882.43 million books (-2.6% compared to 1991) with a total value of ¥ 963,743 million. In the same year 42,257 new titles were published, mainly in the field of social sciences (21.2% of total) and literature (20.2% of total). In Japan, books by television personalities or publicised within a concerted multi-media strategy are at the top of the best-sellers lists. The wide interest of people on behind-the-scenes details of the lives of their favourite cartoon, television, and film characters has given rise to the genre of nazo-bon or riddle books which are based on popular characters from the other media. Up to October 1993, 73 riddle-book titles had been produced with total sales amounting to 6,484,000 copies. 3-D art books, collections of female nudes, and translated fiction are also among the favourites of the Japanese. In 1992, 2,431 Japanese

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145 Figures provided by the Research Institute for Publications in Japan's Mass Media, 65f.
monthly magazines and 83 weeklies sold a total of 3,762.05 million copies (+1.8%) which accounted for sales revenues of ¥1,392,297 million\(^{146}\).

"Blurring the category lines, the new genre of "mooks" (magazine-like books) sold Yen 90.2 thousand million, an increase of 15.9% over the previous year, and for the fifth consecutive year experienced double-digit growth" *(Japan's Mass Media, p73)*.

The strongly growing genre of comic magazines and books also in 1992 had sales of Yen 539.2 thousand million. The three leading publishers *Shuei-sha*, *Kodansha*, and *Shogakkan*, mark a trend to link comic magazines with video games by providing extensive information on the latter.

Dominican book publishing is further behind Japan than its newspaper industry. The main reason is not only the low literacy level, but also the low educational level of the population in general.

The historian Frank Moya Pons made an inventory of 44 Dominican and ten foreign libraries in order to determine the extent of book publishing in the Dominican Republic. His findings are detailed in the following table:

\(^{146}\) Figures provided by the Research Institute for Publications in *Japan's Mass Media*, 65f.
### DOMINICAN LITERATURE PUBLISHED IN THE PERIOD 1820-1990

<table>
<thead>
<tr>
<th>Literature</th>
<th>Number of works</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poetry</td>
<td>1,577</td>
<td>57.6</td>
</tr>
<tr>
<td>Novels</td>
<td>293</td>
<td>10.6</td>
</tr>
<tr>
<td>Short Stories</td>
<td>250</td>
<td>9.1</td>
</tr>
<tr>
<td>Texts</td>
<td>158</td>
<td>5.8</td>
</tr>
<tr>
<td>Anthologies and poetry</td>
<td>119</td>
<td>4.3</td>
</tr>
<tr>
<td>Essays</td>
<td>114</td>
<td>4.2</td>
</tr>
<tr>
<td>Criticism</td>
<td>72</td>
<td>2.6</td>
</tr>
<tr>
<td>General anthologies</td>
<td>83</td>
<td>3.0</td>
</tr>
<tr>
<td>Theatre</td>
<td>50</td>
<td>1.8</td>
</tr>
<tr>
<td>Literary and history</td>
<td>15</td>
<td>0.05</td>
</tr>
<tr>
<td>Philosophy and linguistics</td>
<td>6</td>
<td>0.02</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,737</strong></td>
<td><strong>99.5</strong>*</td>
</tr>
</tbody>
</table>


Pons extrapolates his data and confirms that the trade published during the last 170 years (until 1993) over 20,000 titles and 3,000 articles in academic magazines (Cruz Sanchez, pp269-270).
C. Journalism and Ethics

1. TBS and the Aum Scandal

"TBS embodies the spirit of journalism to deliver fair, reliable information. TBS coverage reflects the reality of our time. With exceptional judgement and intelligence combined with the true spirit of journalism, never compromised by fear or favour of authority, TBS has earned a strong reputation for delivering prompt, fair, accurate, and reliable news" (TBS brochure, 1994).

This benevolent assessment of TBS's own high ideals was put to ridicule and its supposed highly professional reputation in journalism and ethical standards were badly knocked within six months of the printing of this brochure by the so-called "Aum-Shinri-Kyo-Scandal": During the extensive investigation following the Sarin-gas attack in the Tokyo subway system that killed 12 people and made more than 5,500 others ill, and the subsequent intense scrutiny of the Aum-Shinry-Kyo Cult\textsuperscript{147}, other crimes perpetrated by this group in the past came to the surface. Among them was a gas attack in the city of Matsumoto and the abduction and murder of the lawyer Tsutsumi Sakamoto and his wife and child. Long before the Sarin attack in Tokyo, the anti-cult attorney Sakamoto was a energetic critic of this group, and also represented the interests of families whose relatives had entered the sect. On 16 October, 1989, Sakamoto went to TBS to record an interview with a news programme that contained strong accusations against the Aum-Shinri-Kyo Cult. Nine days later, Sakamoto and his family were abducted. The news magazine had assured Sakamoto that his interview would be broadcast. However, Aum-Shinri-Kyo officials visited the TBS building and the producer of the programme had showed them the lawyer’s unedited interview in a private screening\textsuperscript{148}. The former protested and the tape was never broadcast, even when the lawyer and his family mysteriously disappeared a few weeks later. A reason for

\textsuperscript{147} Aum-Shinri-Kyo translates into Church of the Supreme Truth.

\textsuperscript{148} According to AP Industry News, April 1996, 1st week "A Tokyo Broadcasting System executive testified 2 April that a company producer had arranged to show the cult the Sakamoto tape, but only if Aum Shinri Kyo kept quiet about the deal."
this possibly criminal, and certainly unethical and unprofessional behaviour might be found in the Japanese laws that protect religious associations and “fear” on the part of TBS of being in conflict with a such a body\textsuperscript{149}. Anyway, the “TBS - Aum Shinri Kyo scandal” became the main news in the aftermath of the Sarin attack. Summing up, TBS was basically accused of the following wrongdoing:

- TBS let Aum officials view the videotape before it was to be broadcast.

- TBS did not get Sakamoto’s permission, or inform him about the screening.

- TBS did not tell the police about the videotape, even after the disappearance of the lawyer and his family was being openly investigated.

- TBS is assumed to have succumbed to pressure from Aum to not broadcast the interview.

- TBS is assumed to have obtained an exclusive interview with the cult leader Shoko Asahara in Bonn, Germany, as some kind of pay-back.

- TBS for a long time evaded responsibility and tried to cover the matter up, claiming that an in-house investigation had revealed no wrongdoing.

Competing networks tried to excel each other in criticising the behaviour of TBS, but ignored the underlying problem of Japanese journalism: lack of independence and personal or, even, collective accountability. Another international trend is the increasing importance of ‘infotainment journalism’ versus ‘serious journalism.’ The Sakamoto interview, for example, was going to be broadcast not in a straightforward news programme but in another in the ‘wide show’ - format. The Japanese version of ‘infotainment journalism’, which is oriented to entertainment, covers current affairs in the same way as the doings of celebrities. Differing from the aggressiveness of Western paparazzi, the coverage of celebrities in Japan

\textsuperscript{149} AP Industry News, April 1996, 1st week further mentions that “Lawmakers suspect the private screening of the Sakamoto tape was a part of a larger agreement to co-operate with the cult in exchange for exclusive access to its leaders and gain an edge on the competition.”
naturally evolves into a mutually beneficial, almost institutionalised relationship between the subject and the reporter. A strange phenomenon was engendered on the wide shows after the investigation of the Sarin attack centred on the Aum cult. Suddenly, its officials achieved celebrity status and were star guests on a daily basis.

Matsubara Ryuichiro\textsuperscript{150}, Associate Professor at University of Tokyo, holds that

"In general news coverage, however, the great impact of the mass media, especially TV, on society must be taken into account. Extensive coverage of celebrities' peccadilloes does little harm; but affording people who may be criminals with a forum for defending their actions without presenting the other side of the story cannot be condoned. The kind of cosy relationship that works with pop stars is simply not appropriate to news coverage."

\textbf{2. TV Azteca and Raul Salinas}

TV Azteca has its own 'scandal' that raises doubts about the independence of its news reporting. The circumstances surrounding the purchase of TV Azteca raised doubts about the political independence of the network in the minds of the Mexican public. Ricardo Pliego Salinas, the president and owner of Elektra and not related to the former Mexican president and his family, bought his participation in TV Azteca in 1993 paying US$650 million during the privatisation phase of the Salinas government. After initially bluntly lying to reporters who asked whether he had any business relationship with the former president's brother Raul Salinas de Gortari, he was forced to admit that he financed a part of the price with a secret loan\textsuperscript{151} (US$29.8 million) from this shady person, who is now under corruption charges for influence trading under Carlos Salinas Gortari's government. Raul Salinas Gortari 'earned'\textsuperscript{152} more than US$200 million during this period. The

\textsuperscript{150} "Aum, Lies and Videotapes", p2.
\textsuperscript{151} Supposedly the terms of this loan were 6 years with an annual interest of 12%.
\textsuperscript{152} Besides the corruption charges, Raul Salinas Gortari is also accused of having participated in the assassination of a prominent leader of the government party PRI in 1994.
transaction was carried out in secret\textsuperscript{153}. The Mexican public feels that this loan is effectively secret participation by the discredited former president's family, and that the sale of the former Government channel might not have been clean. Salinas Pliego then went on the offensive, initiating libel suits against nearly a dozen Mexican journalists who continued to investigate his dealings with Raul Salinas or describing the brother of the president as "a partner" in TV Azteca. Finally, Salinas Pliego used TV Azteca's news programmes as a platform to attack journalists who pressed the theme, especially those from Televisa.

3. Television News in Dominican Republic

The impact of TV news in Dominican Republic is greater than in Japan, where the Japanese are avid readers of newspapers with several editions a day. Because of illiteracy, limited reading ability, and economic considerations (newspapers cost money, television is free), the news coverage by Dominican television has a far larger audience and a greater impact on the population than that provided by the national newspapers. The news editors of Dominican networks have two major sets of concerns when assembling the news programmes. First, there are intrinsic considerations regarding the veracity of the news, importance, general interest, and the cost of coverage. Second, there are extrinsic considerations, that often weigh heavily. The acceptability of the news to the network's owner and the sponsors.

Through staffing and indirect orders, executives and news editors at all levels in a TV organisation, refrain from covering stories which would touch the economic interests of the owners of the network (who are also the major capitalists in the country). Furthermore, there is also an unwritten law of non-aggression between these capitalists and their respective networks. The network owners are also eager not to confront the government, hence the party in power, as the government is a

\textsuperscript{153} According to the Mexican Newspaper Exelsior of 7th July 1996 the transaction occurred in the following way: Salinas Pliego's company Silverstar received the money and transferred it
major client of their other companies, and deliberately extends economic favours (through regulations, tax exemptions, etc.) Also, like everywhere in the world, the commercial department prevents adverse coverage of any sponsor of the network on the news or in any programme. The employees comply with this policy mainly by self-control, because they do not enjoy life-time employment and can be easily dismissed.

As elsewhere in the world, Dominican news editors are eager to obtain visually rich images with a dramatic potential. However, because of the cost considerations and technical limitations (only 1-3 crews per station), they primarily cover scheduled events involving renowned personalities, as they can be planned in advance and are normally close to the station in the capital. Moreover, reporters consider the announcements at press conferences as factual. On the other hand, companies and especially political parties meet the need of the networks for cheap information, preparing video packages and even scripts and distributing them to the television stations. The pre-scheduled and prepared news of political parties and organisations constitutes the bulk of Dominican news and leads to a corporate news coverage similar to the outcome of the press club system in Japan, where the news also puts emphasis on information emanating from higher authorities. Furthermore, the news crews are poorly equipped and untrained, which translates into amateurishly executed filming with a lot of faults in sound, editing, camera handling, with narration often out of synchronisation with the video content.

In chapter III, the importance of the vertical structure for the self-consciousness of the Japanese employee, for whom the membership to his company is of higher importance than his profession, was underlined. In contrast to this, a journalist in Latin America regards himself first of all as a journalist, after which he considers his membership of a certain company. The same applies for most professions within a television station: lighting engineers, TV producers, and announcers. All of these employees consider themselves first of all as belonging to a certain professional group. This horizontal structuring of professional groups with their

to the Mexico Hedge Fund in New York, which transferred the funds to NISA (Raul Salinas)
own standards, values and norms, which transgresses the boundaries of a company, is the total opposite of the Japanese vertical, inner-company value system\textsuperscript{154}. Horizontal structuring can, indeed, constitute a factor of support for more effective and ‘ethical’ journalism. In the Dominican Republic there are various industry wide organisations for journalists: the Colegio Dominicano de Periodistas (CDP), founded in 1983 by Ley 148 and the Asociación de Periodistas Profesionales (APP), founded in 1991 by Ley 10-91. The case of the Dominican Republic, however, also shows the many mechanisms applied to effectively curb the independence of journalists.

4. Journalism in Japan

Compounding this is a corporate culture that stifles the reporter’s sense of individual accomplishment and sometimes even discourages the free expression of ideas within the company” (Japan’s Mass Media, p33).

In the Japanese media a kind of corporate journalism prevails which places more responsibility on the group than on any one individual. This reduces not only individual initiative but, more dangerously, individual accountability. The influence of the press club system and the application of Japanese management principles in journalistic work are at the root of this situation.

a. The Press Club System

Almost every national or local government office, industry, company, and other organisation has its own press club, making 400-500 such clubs nation-wide. These clubs are the prime link between the host organisation and the press, giving

\textsuperscript{154} in the Cayman Islands which, in turn, lent the monies to SPI (Salinas Pliego). The difference of the structuring of professions is easily understood when compared to the specificity of Japanese company unions vs. unions in Europe. While for instance in Germany production workers are organised in unions by industry as well as profession (for
the affiliated reporters exclusive access to information. In fact, they have evolved into some form of a public relations extension to the particular organisation. They have a fatal effect on independent and investigative reporting, principally, because of the ease of work for the journalists who no longer have to gather information on their own. As a result, the media's independence is limited as they have been co-opted mainly through the press club system by the politics-bureaucracy-industrial complex.

b. The Impact of Japanese Management on Journalism

The seniority-based career track of a reporter, who usually joined the company directly after graduation without previous journalistic experience, starts with an initial company training programme in several departments, several assistant director and director assignments, and then follows the various hierarchical steps at the headquarters, assistant editor, desk editor to assistant general editor and so forth, putting, with each vertical move more emphasis on managerial tasks. Reporting, therefore, knows no market-mechanisms. Good reporters are promoted out of reporting. The corporate context places importance on the group, and individual journalistic skills are not sufficiently valued. Good people have to move up towards managerial functions, and cannot easily join another company as lifelong employment is heavily valued, seniority sets the rule, and mobility is impossible:

"Like other companies, newspapers hire their employees for life and base their salaries and positions on seniority. Quality in journalism, however, is directly dependent on the talent of the journalist. Recognising talent and skill would be a good start, but only when people are free to move throughout the entire industry will Japan be able to recruit, train, and utilise talented journalists. Companies in other industries may be able to function with lifetime and seniority systems, but newspapers cannot" (Sakuya Fujiwara, "Japanese Journalists: More Men in Suits." Look Japan Sep. 1994, p36).

example IG Metall, DAG) on a national level, in Japan unions are constituted at a company
This is also true for television. For Sakuya Fujiwara\textsuperscript{155} the Japanese journalistic métier has an "uncomfortable resemblance to a medieval guild." Japan is a rarity as it has no by-line-system on general news articles that identifies their authors. Editors rewrite extensively. There is no clear demarcation line between news and opinion and there is also a general non-committal stance in the editorials, which are products of a group process, authority, obedience, and avoiding the task of forming public opinion.

Sakuya Fujiwara\textsuperscript{156} calls the news gathering process a "pyramid-style" group-process: Young reporters, the "watchdogs", tail their assigned target and pass the collected information to the "cap", their group leader, who then submits the "groups" gross information to the corresponding "desk" at the head office. The processing of the group input into stories is done by the "desk". Most of the articles carry no by-line that would identify the author.

**D. Comparison of the Television Industry**

**1. Development of the Television Industry in Japan\textsuperscript{157}**

The Japanese broadcasting industry with its dual public and commercial system is one of the largest in the World. NHK, standing for \textit{Nippon Hooso Kyokai}, the giant public broadcasting organisation\textsuperscript{158}, is exclusively financed by mandatory television licence fees, and coexists with a large number of commercial broadcasting stations.


\textsuperscript{157} Japan's Mass Media.

\textsuperscript{158} According to the survey "The 1996 TBI 100" NHK is the second biggest television company measured in terms of revenue from television business in the world (after Time Warner Entertainment. NHK had revenues of US$ 5,594 million in 1995.
a. Legal and administrative Framework

Broadcasting stations and broadcasters are regulated by the Broadcasting and Radio Law, which does not directly control programming, but sets programming standards, controlled by a programme advisory committee at station level.

During the Second World War radio was regulated by the Wireless and Telegraph Law which enabled the government to use the airwaves to promote wartime policies. Under the Allied Occupation NHK became a public corporation with the enactment of the Broadcasting and the Radio Law on 1 June, 1950, which established a dual structure of public and commercial broadcasting. The Broadcasting Law contains regulatory provisions concerning the organisation, board of directors and business operation of NHK, but no provisions regulating programming. In the case of commercial stations the Broadcasting and Radio Law includes no provisions in regard to the form of management, organisation, or financial sources.

The Broadcasting Law is administered by the MPT:

"The regulation of radio waves including broadcasting is under the jurisdiction of the Ministry of Posts and Telecommunications (MPT) in Japan. The MPT, through the Broadcasting Bureau and 11 regional bureaux, administers the broadcasting industry unitarily and takes responsibility for ensuring the planning and progress of comprehensive broadcasting policies, taking into consideration radio-wave, cable, terrestrial and satellite broadcasting media" (Shimizu, p13).

The "Fundamental Standards for the Establishment of Broadcasting Stations" provide the framework for the licensing policy of the MPT. Essential points are:

- Regionalisation: Commercial broadcasters cannot operate as a single business entity on a nation-wide basis. They are restricted to the prefecture level.

- Deconcentration: Ownership, control or operation of more than one broadcasting station, or broadcasting station and radio or newspaper business is prohibited (multiple/cross-media ownership restriction).
- Nationality: A non-Japanese national or juridical person cannot obtain a licence for a broadcasting station, and the licence will be revoked if the number of voting shares held by foreign nationals, corporations, governments or other entities exceeds 20%.

**Fig 29** BROADCAST LICENCES IN JAPAN IN 1993

<table>
<thead>
<tr>
<th></th>
<th>NHK</th>
<th>Commercial broadcasters</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM radio</td>
<td>35 stations</td>
<td>47 companies</td>
</tr>
<tr>
<td>FM radios</td>
<td>47 stations</td>
<td>43 companies</td>
</tr>
<tr>
<td>Ground based television</td>
<td>43 stations</td>
<td>119 companies</td>
</tr>
<tr>
<td>Teletext television</td>
<td>41 stations</td>
<td>24 companies</td>
</tr>
<tr>
<td>Low power community FM</td>
<td>------</td>
<td>2 companies</td>
</tr>
<tr>
<td>Multiplex television</td>
<td>------</td>
<td>114 companies</td>
</tr>
<tr>
<td>University of the air</td>
<td>1 television station</td>
<td>1 radio station</td>
</tr>
<tr>
<td>Satellite television</td>
<td>2</td>
<td>1 BS company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 CS companies</td>
</tr>
<tr>
<td>Short-wave radio</td>
<td>1 station</td>
<td>1</td>
</tr>
</tbody>
</table>


The first two commercial radio broadcasting companies, *Chubu Nihon* Broadcasting (Nagoya) and *Shin-Nihon Hoso* started operating in September 1951.

**b. The Public Broadcaster NHK**

*Nippon Hoso Kyokai*, the Japan Broadcasting Corporation, provides its radio and television service from its headquarters in Tokyo, has 53 local and regional stations, 25 overseas bureaux and 14,300 employees. The predecessor of today's
NHK was called the Tokyo Broadcasting Station\textsuperscript{159} and was established on 22 March, 1925 as a semi-governmental station later merging with the Osaka Broadcasting Station, and the Nagoya Broadcasting Station in 1926 to form NHK. It started TV broadcasting in Tokyo in February, 1953, followed by the commercial NTV in August of the same year. In November 1969, provisional licences were granted to 15 UHF commercial broadcasters, all of which began operating in 1969, starting the multi-channel era.

The Allies made legal provisions\textsuperscript{160} for an independent Communication Committee, aimed at the American FCC, which was in charge of controlling NHK. However, the Japanese who had objected to this plan from the beginning, changed the law after the end of the occupation in order to place it under the supervision of the Diet and, at the centre of it, the Ministry of Posts and Telecommunications for organisation, finance and business matters. The Board of Governors, which is comprised of 12 private citizens appointed by the Prime Minister with the approval of the Diet, has the final authority regarding budgeting, operating plans, programming policy, and other matters. NHK is managed by a President, appointed by the board of governors, an Executive Vice President, 7-10 Managing Directors, and three or less auditors.

The corporate objectives\textsuperscript{161} of NHK are to

- respond to the diverse popular demand with quality programming,
- broadcast nation-wide,
- to provide local programming,
- to innovate and then incorporate broadcasting technologies, and
- to broadcast on an international level.

\textsuperscript{159} The predecessor of NHK had only the name of today's TBS - Tokyo Broadcasting System in common.

\textsuperscript{160} Japan's Mass Media, p52.

\textsuperscript{161} Japan's Mass Media, p51.
The non-profit making corporation NHK neither earns revenues from advertising nor receives money from the Government\(^{162}\), but relies entirely on television licence fees\(^{163}\). Its estimated revenues in 1992 were ¥470.3 thousand million from basic licence fees (terrestrial service), and ¥46.15 thousand million from DBS receiver fees (Shimizu, p19). The surplus generated by DBS partially off-sets the deficit incurred in the terrestrial service. An estimated 34.34 million households, which make up 85% of the total number are subscribing to NHK which finds itself compelled to raise the fees every 5 to 6 years.

**Fig 30** NHK'S SEVEN BROADCASTING MEDIA 1993

<table>
<thead>
<tr>
<th>Broadcast hours/day</th>
<th>Programme content by percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>TELEVISION</td>
<td></td>
</tr>
<tr>
<td>General programming channel</td>
<td>18.00</td>
</tr>
<tr>
<td>Educational channel</td>
<td>18.00</td>
</tr>
<tr>
<td>BS-1 satellite channel</td>
<td>24.00</td>
</tr>
<tr>
<td>BS-2 satellite channel</td>
<td>23.20</td>
</tr>
<tr>
<td>RADIO</td>
<td></td>
</tr>
<tr>
<td>General programming (AM)</td>
<td>19.00</td>
</tr>
<tr>
<td>Educational network</td>
<td>18.30</td>
</tr>
<tr>
<td>FM</td>
<td>19.00</td>
</tr>
</tbody>
</table>

*Source: Japan's Mass Media, p53*

\(^{162}\) The only exception is NHK's short wave Radio Japan operation which is done by NHK in close co-operation with the government.

\(^{163}\) The Law stipulates that "any person having a receiver capable of receiving NHK shall contract with NHK for the said reception. "The two means of collection for such fees are home collections and automatic bank transfers, with the latter being cheaper. NHK is able to collect 96% of the subscribing households (Japan's Mass Media, pp51ff.)
c. Japan's Commercial Broadcasters

In 1993, the National Association of Commercial Broadcasters (NAB) had 180 corporate members, including 36 companies that have both television and AM facilities, 84 that broadcast only television (including one BS television company), 60 that have only radio transmissions (including 1 BS radio company, and 4 CS radio companies)\(^\text{164}\).

The 117 terrestrial commercial television stations are licensed by region, which they are supposed to serve, yet organised into five networks centred on their key station in Tokyo. Furthermore, there are 11 independent stations in urban areas. The five Tokyo key stations are the Tokyo Broadcasting System, Nippon Television Network, Fuji Television Network, Asahi National Broadcasting and Television Tokyo. There are only five networks in Japan, although there are more available channels. There are the four major networks connected with Japan's major newspapers: Fuji TV (Sankei), NTV (Yomiuri), TBS (Mainichi), Asahi TV (Asahi), which each has over 20 affiliates, plus TV Tokyo (Nihon Keizai Shimbun), which has only five or six affiliates.

\(^{164}\) Japan's Mass media, p54.
Fig 31   TELEVISION NETWORKS IN JAPAN

<table>
<thead>
<tr>
<th>Key station</th>
<th>NTV</th>
<th>TBS</th>
<th>Fuji TV</th>
<th>TV Asahi</th>
<th>TV Tokyo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network</td>
<td>NNN</td>
<td>JNN</td>
<td>FNN</td>
<td>ANN</td>
<td>TXN</td>
</tr>
<tr>
<td>Stations</td>
<td>30</td>
<td>28</td>
<td>27</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Ownership</td>
<td>Yomiuri</td>
<td>Mainichi</td>
<td>Sankei</td>
<td>Asahi</td>
<td>Nihon Keizei Shimbun</td>
</tr>
<tr>
<td>Channel</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Overseas Bureaux</td>
<td>18</td>
<td>16</td>
<td>19</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Reach of Households</td>
<td>&gt;95%</td>
<td>&gt;95%</td>
<td>&gt;95%</td>
<td>&gt;90%</td>
<td>&gt;60%</td>
</tr>
</tbody>
</table>

Source: Japan NAB Handbook

Fuji Television belongs to the highly diversified Fujisankei Communications Group\(^{165}\), which not only owns the Sankei Shinbun (newspaper), and Nippon Hoso, and the Nippon Broadcasting System, Inc. (Radio), but also the real estate business Fujisankei Management, Inc. and the FCG Research Institute, Inc. (Consumer Research). There are in total 99 companies.

NTV has a total of 29 affiliated companies and is, therefore, Japan's largest network. Affiliated stations in Japan are formally independent due to legal restrictions. NTV affiliates, however, are controlled by NTV, via shares or contractual arrangements.

\(^{165}\) Fuji Television Network, Inc., Corporate communication brochure, p22.
d. Tokyo Broadcasting System

The Tokyo Broadcasting System is a network station established on 5th October, 1951, and produces television as well as radio broadcasting. Its Japan News Network (JNN) has 27 affiliated stations, and its Japan Radio Network (JRN) has 31. It also has over 16 overseas bureaux. The main foreign broadcasters affiliated with TBS are CBS (exclusive collaboration on news), BSkyB (British Sky Broadcasting), CBC (Canadian Broadcasting Corporation), RTL, ZDF. CBS and ZDF have offices in the TBS tower in Tokyo. The stocks of the Tokyo Broadcasting System are quoted on the First Section of the Tokyo Stock exchange. The capital of TBS is ¥ 44,086 million, and its main stockholders are as follows:

**Fig 32  SHAREHOLDERS IN THE TOKYO BROADCASTING SYSTEM**

<table>
<thead>
<tr>
<th>Number of shares held (thousands)</th>
<th>Ratio to total shares issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Sakura Bank, Ltd.</td>
<td>8,263</td>
</tr>
<tr>
<td>Nippon Life Insurance Co., Ltd.</td>
<td>8,113</td>
</tr>
<tr>
<td>The Chuo Trust &amp; Banking Co., Ltd.</td>
<td>5,854</td>
</tr>
<tr>
<td>The Sumitomo Trust &amp; Banking Co., Ltd.</td>
<td>5,808</td>
</tr>
<tr>
<td>The Mitsui Trust &amp; Banking Co., Ltd.</td>
<td>5,148</td>
</tr>
<tr>
<td>The Dai-ichi Mutual Life Insurance Co.</td>
<td>4,932</td>
</tr>
<tr>
<td>Dentsu Inc.</td>
<td>4,505</td>
</tr>
<tr>
<td>The Mitsubishi Trust &amp; Banking Corp.</td>
<td>4,279</td>
</tr>
<tr>
<td>Mainichi Broadcasting System, Inc.</td>
<td>4,200</td>
</tr>
</tbody>
</table>

Notes: 1. Foreigners hold 19.99% of current voting rights.
2. Holding shares by each trust bank include those shares held in trust businesses

In 1996 TBS had television revenues of US$11,909 million, a 11% increase over 1995. TBS was, as a result, ranked No. 20 in TV revenues166 world-wide. In this survey the Japanese public broadcaster NHK ranks second only to the US American Time Warner Entertainment, while the Japanese commercial broadcasters Fuji TV and NTV rank 10th and 14th. TBS television revenues comprise 87% of its total income167.

Fig 33    REVENUE BREAKDOWN (as of March 31, 1994)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TV Time Sales</td>
<td>22%</td>
</tr>
<tr>
<td>TV Spot Advertisements</td>
<td>36%</td>
</tr>
<tr>
<td>Production of TV Programmes</td>
<td>26%</td>
</tr>
<tr>
<td>Other TV Income</td>
<td>2%</td>
</tr>
<tr>
<td>Radio Broadcasting</td>
<td>9%</td>
</tr>
<tr>
<td>Others</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Leaflet "Information on TBS" in TBS's general information brochure.

e. Control and Concentration

In control of the private, hence, profit-driven commercial TV stations in Japan are the banks, insurance companies, individuals and other media companies. In contrast to the Dominican Republic none of the TV stations, however, can belong to an individual person or to a group. Unlike the situation in the Dominican Republic the five key stations that anchor the networks in Japan have traditionally had very close ties to the newspapers as the licence applications were made by newspaper companies, and the early stations had to rely on them for advertisers and personnel. In Japan the newspapers drive for media diversification and growth was based on the goal of enhancing their position vis-à-vis advertisers, and by

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167 TBS also has a radio network, manages events, and packages video tapes.
controlling not only the print but also the broadcasting channels. The same thing is also true of relations between the local stations and the local newspapers. The government has said it wants to guard against excessive concentration of media power and is limiting how much the newspaper companies may invest in the television companies. This also applies to the number of executives they may provide, but the fact remains that the major newspapers have been the leading shareholders in Tokyo stations and have forged strong relations with them. NTV with Yomiuri, Fuji TV with Sankei, Asahi TV with Asahi and TV Tokyo with Nihon Keizai Shimbun. TBS, formerly associated to Mainichi, is now operated somewhat more independently.

f. Revenues

Japanese ground based commercial broadcasting is paid for entirely by advertising revenues. For satellite based commercial broadcasting, the MPT stipulates that at least half of its weekly programming must be paid by subscription fees. This regulation is intended to distinguish and to separate the two forms so that the emerging satellite stations do not take too much advertising away from the ground based stations. Although there are some year to year fluctuations, commercial television has grown and prospered together with the Japanese economy. Significantly, NHK’s annual operating budget is no more than twice that for a Tokyo-based network flagship station. However, there is considerable uncertainty about the future of Japan commercial broadcasting (both radio and television).

According to the NAB, the performance in 1991 of each of the five network stations in Tokyo was as follows (in thousands of millions of Yen):
2. Development of the Broadcasting Industry in the Dominican Republic

In the 1960s the Dominican Republic had about 30 radio stations and two television stations (the state-owned RTVD and the private Rahintel). The number of media companies has since increased enormously, giving the Dominican Republic a mass media landscape which is well advanced (or better described as 'congested') in its position as a developing country.

In 1990 there were 225 radio stations in the Dominican Republic, 121 broadcasting on AM, 85 broadcasting on FM, and 19 on short wave (Cruz Sanchez, p271). Furthermore, nine television networks (eight private and one state-owned) broadcasting in VHF, three cable TV companies, and several dozen small TV stations broadcasting in UHF or via cable.

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168 In 1997 more than 150 commercial radio stations provide information and entertainment (Veras, p1).
a. Radio Broadcasting in the Dominican Republic

Radio is currently the most common media form in the Dominican Republic, as most people do not read the press, and TV sets are still not in all Dominican homes. But more than 75% of all homes have one or more radio sets (Cruz Sanchez, p296). One decisive advantage for radio sets in a country with daily power cuts is the ability to power them with batteries to assure their operation at any time (even if, for instance, there is no light at night by which to read).

Radio broadcasting developed in the 1940s in the Dominican Republic and by 1955 there were 31 radio stations broadcasting to 15,000 receivers (United Nations, 1960, in Power and Television in Latin America: The Dominican Case, Antonio V. Menendez Alarcon). Trujillo gave broadcasting licences to his followers in order to fill the radio dial with pro-government programming, and handicap broadcasts from abroad. As a consequence, the Dominican population was effectively isolated from the rest of the world.

Even after Trujillo's fall, free speech was not the rule in Dominican broadcasting. Many radio stations were closed, or threatened and pressured during the following 12 year long semi-dictatorship of Joaquin Balaguer. For example, Peña Gomez who today heads the PRD was not allowed to speak on radio during that period. Since 1978, the more open political climate can also be felt on the Dominican airwaves where, nowadays, political opinions that differ from the Government's view are broadcast.

b. Television broadcasting in the Dominican Republic

There are two major phases in the development of the Dominican television industry. The first ranges from its inception in 1952 to the fall of Trujillo in 1961, and the second from his demise to the present.

The first Dominican television station was built upon an existing radio station, La Voz Dominicana, which was owned and run by Trujillo's brother José Aristides, in
Santo Domingo, then called Ciudad Trujillo, and opened in August 1952. The Dominican Republic was among the pioneers of television broadcasting in Latin America. The mission of La Voz Dominicana was clearly stated by the station’s president Jose Aristides Trujillo in the opening address:

"The debt owed to His Excellency President Trujillo by la Voz Dominicana is profound. President Trujillo is the archetype of the statesman, whom...the future generations will contemplate as we contemplate, ourselves, the sun of midday" (La Nación 1952, p8).

There was only broadcasting in the evenings from 5 p.m. to 10 p.m.. Also during the Trujillo tyranny, the second television network, Rahintel, owned by the wealthy Bonetti family, was opened on 1 March, 1959.

After the fall of Trujillo LVD-TV, which then changed its name to RTVD (Radio Television Dominicana), continued to be the voice of the government and it still provides the most complete coverage of the country. However, a whole range of commercial networks were also founded. All of them underline the tight connection with the interests of the country’s big capitalist families and the economic elite.

Colorvision, the first network transmitting in colour started broadcasting in 1969. It is owned by the Bermudez family, the biggest rum producer in the Dominican Republic.

In 1973, the predecessor of Telecentro or TV 13, Teleinde (Televisión Independiente), a station with a strong cultural emphasis, started broadcasting in the capital. This enterprise was not commercially viable, and as its founder Jose Semonile did not belong to the economic ruling class, he had to put it up for sale in the 1980s. Jacinto Peynado, whose family had socially ascended during the Trujillo tyranny, became the biggest shareholder. The powerful Hazoury family also owns part of the station. The new name, Telecentro, appeared after the elections in 1986. The then president Salvador Jorge Blanco of the PRD (see chapter IV), prevented the station from operating before the elections because he feared it would be biased towards the opposition party, the PRSC.
Jacinto Peynado is not only one of the richest men in the Dominican Republic with a wide range of business interests, he is also close to the PRSC of the long-time Dominican leader Joaquin Balaguer. In fact, he was a PRSC Senator, Balaguer's vice-president in 1990, and even stood for president in 1996, after Balaguer announced that he would not stand again.

Currently, Telecentro is owned by Mr. Guaroa Liranzo, but it is also said to be in the process of being sold to the Mexican group Elektra.

In 1978, Telesistema Dominicano (channel 11) and in 1979, Teleantillas (channel 2) started broadcasting. Telesistema is wholly owned by Pepin Corripio, who is also the major shareholder in Teleantillas. The rest of the equity is held by the Bonetti family (investors in most of the economic sectors), the Vicini-Cabrals (largest private producer of sugar cane), E. León Jimenes (largest producer of tobacco), Villeya-San Miguel (agrochemicals and finance). Pepin Corripio also has two national newspapers, a weekly magazine, import-export firms, participation in the banking sector, and a line of industrial concerns. Teleantillas was the second Dominican channel to broadcast in colour.

In 1983 the Grupo Financiero Universal, whose major stockholder is Leonel Almonte, acquired Rahintel. Leonel Almonte became a rich man during the few years of the Blanco administration. He is currently in gaol after the failure of his Banco Universal.

In the 1980s the Circuito Independencia (channel 5), also started broadcasting.

The 9 VHF (very high frequency) channels operating in Dominican Republic are concentrated in Santo Domingo. They reach national coverage by using retransmitters. The state-owned RTVD has the most complete coverage and its broadcasts even spill into neighbouring Haiti. VHF channels occupy the channels 2 to 13.

During the last few years the use of the ultra high frequency (UHF) increased in the Dominican Republic. UHF channels require more potent transmitters and special antennas. They occupy channel 14 and upwards.
According to the 1981 national census 35% of Dominican homes had their own TV sets, 52% possessed radios, and 90% of the villages (municipios) in the country had radio stations (Cruz Sanchez, pp277-278). Cruz Sanchez also mentions that more recent investigations (after 1990) revealed that 60% of Dominican homes had TV sets, and 75% had radios.

c. Concentration and Control

From the 1970s onwards, the Dominican media industry became increasingly concentrated (starting with the newspapers). Cruz Sanchez (p285) puts forward two causes:

1.) The economic expansion of certain business groups required high advertising spending in order to further increase sales.

2.) These business groups aimed at re-cycling their high advertising budgets by investing in their own advertising media¹⁶⁹ (newspapers, TV).

The concentration in the media industry in the Dominican Republic has the following characteristics:

1.) The main industrial groups of the country (usually with the names of the owning families) own media companies as part of their total investments (not unlike the Japanese keiretsu) in different industrial sectors.

2.) The investment in media companies is not limited in extent, nor by field, that is to say that these companies can hold several organisations of the same type (e.g. newspapers), and at the same time hold a company working in another media format (e.g. radio station).

¹⁶⁹ The Dominican businessmen have followed the same strategies as the Mexican retail giant Elektra, who recently bought TV Azteca.
The Pellerano group, which also owns the Dominican Republic’s most important newspaper, the Listín Diario, also has the afternoon newspaper Ultima Hora, as well as the radio station Radio Listín. Most importantly, the Pelleranos also own the new telecommunications giant, Tricom (see Chapter X).

The Pepín Corripio group is a major share holder in the newspapers El Nacional and Hoy. Pepín Corripio also owns the two VHF channels Teleantillas and Telesistema. Finally, the biggest publishing company Editora Corripio, CxA, is, as the name indicates, also owned by the Corripio group. These investments reflect only the interests of Corripio in the media industry. He also holds investments in more than 20 other Dominican companies in other industrial sectors.

The publishing company Editora “El Golfo” which publishes the newspaper “El Siglo” is presently owned by the Intercontinental Group of Ramón Báez, who bought this company from the Bancomercio group of José Ureña (Cruz Sanchez, p286).

The State-owned channel RTVD is much more integrated into the Government’s power structure than the public NHK in Japan, which professes certain independence. The president of RTVD is appointed by the Government. Its pro-government posture can be easily perceived from the programming.

3. The Characteristics of a Network

A network can be described as a group of radio or TV stations that broadcasts the same programmes. The stations can be owned by a parent company - the network - that is the source of the programmes, or can be independent - a network affiliate. The US Federal Communications Commission classifies as a “network” any group of stations broadcasting over fifteen hours a week in twenty-five cities and ten States simultaneously. Both in Japan, as in the Dominican Republic, most television stations reach more than one region, have more than a single relay station, and broadcast over 15 hours a week. In the Dominican Republic, however,
there are no local television stations, only relay stations, while in Japan the networks also leave room in some regions for local content. In both countries the central television stations can be called networks. The big network stations in Japan are NTV, TBS, Fuji TV, TV Asahi, TV Tokyo and the public NHK. The main difference between Japanese, Dominican and the Mexican TV networks is that even if Japanese key stations financially control most of their affiliated stations they do not own them. This situation grants a certain independence in regard to programming. The Japanese key stations only network their programmes with the highest ratings nationally: These are in their majority during the morning, the midday and the prime time programming blocks plus national news segments. In TBS there is a special department responsible for network sales, that is to say they sell the programming of the key station which is not broadcast during the networked blocks to their affiliated stations. The Japanese affiliated stations can therefore make their own programming decisions.

TV Azteca owns two national networks - channel 7 and channel 13 - in Mexico. It also owns and operates all 124 stations that comprise Channel 7 and the 126 stations that comprise Channel 13. These channels reach 95% of the Mexican population.

In the Dominican Republic and Mexico, TV companies broadcast their programmes nation-wide relying on their own transmission facilities. One consequence of this approach is the centralism of programming, as the programmes from the capital are broadcast without any adjustment for regional characteristics.

The primary methods of reducing programming costs are networking and syndication, as the costs are shared on a national, as well as an international level.

On a national level the role of a Japanese network is comparable to that of an intermediary who obtains programmes (in, or out of house), sells time within those programmes to advertisers and delivers both to a large number of affiliated stations, which broadcast them in exchange for an agreed charge. TBS is the key station of a television network formed with circa 20 affiliated local stations that
clear part of their air time for TBS's output, offering their audience a mix of national and region-specific programmes.

Networking provides huge economies of scale. The most important cost factor in television is programming. These costs have a fixed nature. Their rights depreciate with each showing, no matter if the audience is 100 or 100,000 people. The huge audience reach of a network, however, results in a higher exposure for commercials, thus higher prices for such time and, as a result, higher revenues, while the total cost for the programme remains the same. Consequently, the unit cost expressed by programme cost / audience reached, dramatically diminishes when a television programme is exposed to a bigger national audience.

This also explains the networking from the affiliates' point of view. The affiliates do not normally have a market that supports huge production costs and the production and sales departments needed to broadcast mainly own-programming. It is more advantageous for them to serve, for several hours a day, as a re-transmission facility for networked programmes. In “clearing” air time for networked programmes they increase the audience reach for the key station and are paid accordingly.

The case of TBS is as follows: TBS forms, with its affiliated local stations, the JNN - Japan News Network. The local stations clear their air time from 6am to 8am, noon to 2pm, and 5pm to 11pm for the central TBS programming they are networking. The local stations receive payments from TBS for the cleared air time, as the key station is paid by programme sponsors or national advertisers. For the rest of the programme schedule the local stations put their own material on the air, purchase off-network programmes from TBS SERVICE, or even off-network programmes from TBS’s competitors. Changes in the schedule are previously discussed with the affiliates. Exceptions are unforeseen events, (mostly news) which are merely notified.

In contrast to TBS, TV Azteca and Telecentro fully own their re-transmission stations. In these two Latin American countries we do not, therefore, find the
Japanese differentiation into more or less autonomous affiliate stations and a Tokyo based key station. Nevertheless, they also reap economies of scale as their re-transmission facilities have a national reach. Furthermore, they reap further benefits resulting from integration, as they do not have transaction and negotiation costs with affiliates, but centrally control the distribution of the commercial space within their programming for the whole nation.

On an international level, TBS as well as TV Azteca sell the broadcasting rights of their respective productions to other TV stations all over the world. By doing so, they reap substantial benefits as the advertising revenues from the national market have already amortised the production cost of the programme. The selling of broadcasting rights for TV programmes can be compared to the selling of a proprietary copy of a computer programme. Both are software. Once the cost of the production of the software is recovered, all further revenues are basically profit as the cost of duplicating intellectual property is almost zero.

In the case of Japan, networking also reduces some transaction costs of those active in the television marketplace. The advertisers achieve national coverage for their advertisement without dealing with a large number of local stations who also do not have a large sales staff. Both are thus saving administrative costs.

4. The Affiliate Stations

Both Japanese and Dominican networks aim for full national coverage of their programming. The means, however, differ greatly. In the Dominican Republic the networks possess their own re-transmission facilities and their programming is the

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170 The Japanese structure of a key-station and affiliates resembles the situation in the USA, where the key-stations (NBC, CBS, ABC and Fox) are allowed to fully own and operate a part of their affiliates. The control exercised by the Japanese stations is more subtle (but maybe more complete).

171 This is oversimplified. There is, of course, the cost of a sales department, the cost for merchandising, the attendance at international sales conventions and the cost of the tapes. An indication of the magnitude of the distribution costs are the prices charged by the market. Companies specialised in the distribution of programmes allow TV stations to outsource their sales effort. The standard rate for the distribution of a programme is 20-30% of the realised price.
same for the whole national territory. In Japan, the Tokyo based key stations are the centre of their respective networks made up of independent but associated local television stations, i.e. the affiliates.

Those affiliates re-transmit the bulk of the programming originating in Tokyo (especially prime time, news, etc.), and also buy some programming from other competing networks, or put programmes with a local content on the air. The amount of local programming varies from station to station. Normally, however, as much as 85% of their programmes are supplied by major broadcasters in Tokyo, Osaka and Nagoya (Shimizu, p16). The local stations take programming from more than one network, which means that in the case of TBS, its affiliates may not only buy programmes from TBS, but also from local production houses or even other networks.

The major affiliates of the networks in Osaka and Nagoya have importance on a national scale, with their programming and news coverage being re-transmitted nation-wide. Together with these main players the key stations procure (produce, commission, and purchase) as much as 85% of the programmes transmitted nationally (Shimizu, p21).

In Japan the law prevents the key stations from owning affiliates. However, all networks exert some control over their affiliate stations. NTV, for example, controls its affiliates through contractual arrangements and shares. Fuji TV and TBS, too, have invested in some affiliates. However, there is no point of comparison with the O&O (owned and operated) stations in the USA. The situation in that country is quite different. There, as affiliates have the legal right to reject (fail to clear air time for) programmes, the O&O stations (that is to say stations owned and operated by a network) play a vital role in ensuring clearance in the top markets and in setting an example for the rest of the affiliates.

The North American system of independent sales representatives, bundling together the sales of non-competing local stations to the advertising agencies, does not exist in Japan. Instead, the affiliates normally have an office in Osaka, Tokyo, or Nagoya, where they can directly negotiate with the advertising agencies.
for the sales of commercial time. One section within these offices is responsible for negotiating the split in the returns from the network programmes, between the key station (TBS) and its affiliated stations. In the Dominican Republic the networks deal directly with the corporate clients or the advertising agencies through their own sales staff.

5. The Role of Rating Services

Audience ratings provide household figures, by monitoring what stations the sample households watch. Demographic aspects of the audience comprise composition in terms of age and sex, income, ethnic identity, and rural versus urban residents. In Japan, these services are offered by Video Research and Nielsen. In late 1993, the Japan Advertisers Association came out in favour of the V-line system (using infrared and ultrasonic sensors plus push-buttons to provide individual viewer data) proposed by Data Access (a new company) and efforts are now under way to make this system operational by late 1995 or early 1996. The main problem of audience related data in Santo Domingo is not primarily its refinement, but its trustworthiness. There are several competing rating agencies which levy a fee in order to be included in their survey of the television channels. Furthermore, several television executives complained to me that they have to pay the rating agency in order to be ranked at the top spot. As a result, most network stations as well as advertising agencies have no significant data available on which they can base their price negotiations. Price and notoriety of the TV host have become the foremost factor in the placement of commercials.
6. Advertising Agencies

Advertising agencies are organisations specialising in the creation and placement of commercial messages in all kinds of media. Their function is to represent the interests of their company in the creation process with the producers of the commercials, i.e. the production companies, and the placement of the commercial with the different media. For their services they receive a commission from their client for all the work they order.

The agencies co-operate with the company who wishes to advertise in the following way:

- determining the features of the product which have to be emphasised in the advertising campaign,
- advice on sales and marketing plans,
- design of advertising campaigns tailored to the selected media,
- scheduling and placement of commercials in the media.

The advertising agencies have their own creative staff, which design the campaigns. The commercials, however, are regularly produced by independent production companies under supervision of the advertising agencies' staff.

In the Dominican Republic it is also common for a company to place their commercials directly with a television station, without the involvement of an advertising agency.

In contrast, in Japan, commercial broadcasters do not sell advertising time directly to advertisers, but through the agencies, who receive approximately 15% commission.

\[^{172}\text{Production companies in Dominican Republic have to pay most advertising agencies an 'invisible commission' as well. This works in the following way: The production company bills the advertising agency 100\% but receives 80\%. The agency thereby takes a hidden 20\% of the 100\% as commission from the production company, and a further 20\% based again on the gross amount from the client.}\]
commission of the total amount of a deal with the contracted broadcasters. Shinichi Shimizu (p30) lists three reasons:

1) advertising agencies are better positioned to plan publicity strategies and choose the various media, including TV and newspapers, which should be the most effective for prospective advertisers,

2) broadcasters can effect efficient marketing activities through the agencies using a modest number of staff

3) agencies can assume a kind of 'banking role' for broadcasters

The Advertising Economy Research Institute has a ranking of the leading agencies based on advertisement sales in ¥ thousand million (1990):

**Fig 35  RANKING OF LEADING JAPANESE ADVERTISING AGENCIES**

1. Dentsu Inc.  
2. Hakuhodo Inc.  
3. Tokyo Agency Inc.  
4. Daiko Advertising Inc.  
5. Asatsu Inc.  
6. I&C Corp.  
7. Yomiko Advertising Inc.  
9. McCann-Erickson Hakuhodo Inc.  
10. Asahi Advertising Inc.

Source: Advertising Economy Research Institute
According to Shinichi Shimizu (p30) TV advertising constitutes the largest revenue source (nearly 40%) for the two main companies, Dentsu and Hakuhodo. Shinichi Shimizu (p30) explains the success of Dentsu:

"Dentsu maintains a dominant influence among commercial broadcasters as it was instrumental in setting up commercial radio and television stations in Japan after the Second World War and has continued to help them with money, personnel and know-how. Dentsu controlled 45% of prime-time television advertising in 1991".

TBS has few direct contracts with sponsors or advertisers, unless the latter is a government agency. The role of the advertising agencies is rather like that of a financial agent, who gives financial security to the network, because if a sponsor goes into bankruptcy the network receives the contracted money from the agency.

The advertising market in the Dominican Republic is more fragmented than in Japan, where the two big agencies Hakuhodo and Dentsu practically control the whole market. In the Dominican Republic the negotiating power in the relationship between advertising agencies and their clients (companies that want to produce and place a commercial), rests with the clients, who can choose from a range of domestic advertising agencies, who cannot monopolise the access to the television channels like their Japanese counterparts. However, in the relationships between the Dominican advertising agencies and their suppliers, that is to say the production companies and the television stations, the advertising agencies wield an enormous power. There are dozens of national and regional television stations, where advertising agencies could place their clients' commercials. The competition for the limited advertising budget of Dominican companies is tough and, hence, advertising agencies not only charge their clients a commission for placing their commercials, but also receive a commission of 25% and higher from the television station where they place it. The competition among the production and post-173

173 Most companies, however, are affiliated to big international companies, with whom they most likely share the name, but not the production standards. The advertising companies in the Dominican Republic are first of all Dominican companies in organisational structure, management, labor relations, and production etc., even if they feature names like Young & Rubicam, McCann Erickson, or Ogilvy & Mather.
production companies, aggravated by an excess of capacity and a depression in price is similar. Other than advertising agencies who are plain service companies, production and especially post-production companies have to deal with high fixed costs as they are required to invest in the expensive equipment needed for the production of commercials (cameras, lights, editing equipment). In order to achieve the quality required by the advertising agencies, fast depreciating top-notch equipment is necessary. In order to amortise the investments the production and post-production companies are forced to take all work orders, however low the agreed price. As a consequence, prices for production services are decreasing in Dominican Republic, and advertising agencies obtain commissions not only from their clients, but also charge a commission ranging from 20-25% for the same work from the production and post-production companies. The latter receive only 80% of their full invoice from the advertising agency, and then only when it has been paid by the client. Dominican advertising companies, however, do not fulfil a banking function like their Japanese counterparts as they serve only as an intermediary who takes a commission for placing the advertisement, but not as a guarantor. As a consequence, Dominican advertising agencies only pay their supplier once the client pays them (or if they have a lot of financial savvy and few ethics, long after the client pays them in order to earn some interest from their suppliers' money). Even if not stated on the invoice, effective payment terms are 90 days or longer\textsuperscript{174}, without interest. In the Dominican Republic advertising contracts with television stations normally have a duration of three months. For one year contracts, substantial discounts are available.

\textsuperscript{174} Some suppliers offer additional discounts for payment within 30 days.
7. The News Services

News Services are supposed to distribute continuously a large amount of highly topical, accurate and objective news, gathered by an extensive world-wide net of correspondents, via news ticker or computer on-line connections to subscribing clients, usually TV companies, newspapers and radios, but also corporations or government offices. The information provided normally comes in the form of precise articles with subsequent updates. Some news services also offer photographs or video footage for television. News services do not only supply general news, but also offer specialised news as, for example, Reuters or Bloomberg’s financial on-line services. A news service can hence be compared to an anonymous writer or commentator who is syndicating his articles. By subscribing to a news service the clients either completely avoid the costs that would be incurred by their own news gathering network which is normally too expensive, or they use it as an extra source to supplement their own news network.

The two biggest Japanese News Services are the non-profit making Kyodo News Service and the incorporated Jiji Press. Kyodo, reporting in Japanese as well as in English, has 40 branch offices in Japan, about 70 correspondents and 15 exclusive freelances overseas, and had a total of 1,970 employees in 1993. Jiji’s news reports are not only in Japanese and English, but also in Chinese and Spanish. Its international presence includes 30 foreign bureaux, and its total employees number about 1,400. Kyodo distributes about half a million Kanji words and 170 photographs on a daily basis to about 62 member newspaper companies and 133 television and radio broadcasters.

There is no Dominican News service. The Dominican TV stations rely on international news services like UPI, AP, and especially the Spanish EFE.

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175 "The term wires is still used to describe the services offered by news-gathering organizations such as The Associated Press, United Press International, and Reuters, a British firm." (White, p140).
8. Production Companies

Like most Japanese networks the 1,500 employees of TBS form only the core of the network's operations and are supported by a much larger number of others working for subcontracted production companies. In Japan, as much as 70% of all prime-time programming for the five commercial networks is co-produced with independent production companies (Shimizu, p11). The advantages (for the networks) are:

- the fixed costs are lower as the core work force enjoys lifetime employment
- the variable costs are lower as the number of employees with the attractive benefit packages of a network key station is smaller
- the out of house production staff is highly motivated as they have to keep their client in an highly competitive environment
- the out of house staff may bring the new technology and experiences from other companies which is needed in order to stay competitive.

In the Dominican Republic the situation is quite different. First of all, labour costs are low and, furthermore, the employees are not fixed costs as they can all be easily fired. The problem is to find talent and personnel that attracts audience interest. As a consequence, independent production companies formed by the nation's most famous television personalities have a huge negotiating power. They produce the popular marathon variety shows at the weekends, for example "El Gordo de la Semana" with Freddy Veras Goico, and "Siete por Siete Roberto" with Roberto Salcedo, which are both transmitted from 12 noon to 7pm on Sundays, or "El Sabado de Corporan" with Corporan de los Santos, shown on Saturdays from 12 noon to 7pm. The contracts these companies have with the networks vary. Some are block-timers, that is to say they pay the network a fixed amount for the time and retain 100% of the advertising and sponsorship revenues of the programme. Some negotiate other methods to divide production costs and
revenues. The important fact is that the programming power in the Dominican Republic rests with the independent companies who attract the advertising and use the networks principally as a means of distribution.

E. The Influence of Television on Society

The possession of a TV set among the lower socio-economic strata of the Dominican Republic is primarily a status symbol. The TV set normally stands in a corner of the living room just like a piece of furniture, and the rest of the furniture and family life are arranged around it, always securing a "good view" of the set. In the middle and high class families, TV sets are not status symbols, and are normally placed in the bedrooms of the parents or, when there are several sets, they will have one in the living room and another in a room used by the children. They are, however, well integrated into the overall furnishing of the room. For the low socio-economic strata in which illiteracy is widespread, watching television is regarded as a means of education, while the upper classes feel that television has no educational value (Menendez Alarcón, p59). Furthermore, in the Dominican Republic the free air television advertising is directed to the popular masses, i.e. the low and middle socio-economic strata, and directly influences the consumption patterns of this class.

Television in the Dominican Republic has a three-fold impact on the population:

- television is the cheapest form of entertainment and accounts for the biggest part of the people's leisure time;

- television has become the information instrument par excellence, especially because of the high rate of illiteracy among the population,

- television constitutes a social agent, through which the people learn the current mode of thinking and behaviour.
In Japan, television also has an important impact on society. "In Japan, the inauguration of commercial television broadcasting in 1952, with its advertisements for consumer products, spread a desire for wealth and possessions among young people." (Hayashi, p47). Today, television is an essential part of life for every Japanese. Television is the principal means to inform them about fashion, sports, politics, and helps them to function in this society with a bias towards collectivism. Furthermore, in this fragmented society without the gravitational pull of the extended family, the television set substitutes for interaction with other people and has become the main occupation during their spare time. Television sets are found everywhere, in the work place, in the underground trains, in motor cars, and in the portable "Walkman" format.

Given the control of the media by the economic elite, it is not surprising that television in Dominican Republic is also a means to cement the status quo of the divided two-class society and serve the interests of the ruling class. In fact, power is neither checked nor balanced in the Dominican Republic. Instead, there is a power triangle formed by political power, economic power, and media power, all belonging to the ruling class. The same people who govern, possess the major part of the economy, and run the media. There are several factions, of course, within the ruling class, fighting for the biggest piece of the cake, which can only be secured by holding the political power. These divisions, however, are balanced by a common understanding of the overwhelming advantages of the system for the economic elite. As a consequence, the state of Dominican television is heavily influenced by political as well as economic interest. All other considerations, such as trustworthiness, journalistic ethics, value of content, or technical quality are ranked far behind in the minds of the broadcasting managers. There are six major reasons for the enormous stake of television in a relatively poor but developing country:
- television is the media par excellence for advertising in an illiterate nation like the Dominican Republic.
- the owners of the television networks have excess cash from their oligopolistic enterprises.
- the owners of television networks often also have companies in other industrial sectors and can, therefore, realise profits from synergies like cross-promotion.¹⁷⁶
- television is like a licence to print money, as quality demands allow the operation costs to remain low.
- television is a means to further the interests of the owner (the ruling class, and his political affiliation).
- the barriers to entry are relatively low as Dominican TV is still at the starting point of the experience curve; the biggest obstacle is neither investment nor knowledge of TV production, but the benevolence of the political authority to issue a licence.

¹⁷⁶ Like the Mexican retail giant Elektra who found it cheaper to buy a television channel than to pay for the massive placement of its commercial spots, some Dominican entrepreneurs opted for owning their own network as an advertising outlet for the products they sell.
F. Conclusion

Vastly differing cultural, societal and economic contexts determined the structure of the media industry in both countries. The higher economic standing, educational level, as well as cultural factors, propels a striving publishing industry in Japan, while illiteracy is high and the publishing industry is rather weak in the Dominican Republic. When television entered the market place it also took up a different role in both countries. In the Dominican Republic, besides providing entertainment, it is the main educational and information medium for the masses, while in Japan the educational and information role of television is no higher than the role of newspapers or other printed media. Television, however, does rank very high in the leisure activities in both countries. In Santo Domingo, it is the cheapest form of entertainment, while in Japan it directly relates to the person as a substitute for interpersonal contacts, as the Japanese were forced by industrialisation and the necessities of modern life to leave their rural communities for an impersonal and anonymous way of living in the big cities.

Economic, educational, and demographic differences led to very different outcomes in the organisation of the TV companies in the two countries. In the next chapter we are going to analyse these differences, especially in the areas of management and motivation, and reflect on the role of the national context.
Chapter VI
Media Management in Japan and Latin America

A. Introduction

During the recent recession in Japan the so-called "Japanese management system" has been questioned, hinting at the following negative aspects:

- Lifetime employment and collectivist orientation which suppress individual creativity, initiative, risk-taking, and self-reliance.
- Discrimination against non-lifelong employees (women, part-timers, temporary labourers, and people who worked in other companies beforehand).
- No performance-oriented rewards because of the seniority based system.

The objective of the following chapter, however, is not to discuss again the merits and demerits of the Japanese management system, but to determine to what extent the characteristics of management in Japan (and Latin America) are influenced by country-specific context factors. For Ansoff (p20) the following components determine the general management capability of a firm:

- qualifications and mentality of the key managers
- social climate
- power structure
- systems and organisation structure
- capacity of management to do managerial work.

Social climate, power structure, systems and organisation structure are already discussed in separate chapters, we will hence concentrate on qualification, mentality and professional capacity. To this end, this chapter is divided into two
parts. The first part compares the elements of Japanese management, that is to say skills, functions, and roles, with the elements of Dominican management. The second part analyses the motivational structure of Dominican and Japanese employees in the television industry, concentrating on country-specific context factors with an impact on motivation.

B. Comparison of the Elements of Management

The elements of management in the field of broadcasting are basically the same as those of management in general. That is to say: skills, functions, and roles. Broadcasting management skills are basic competence, both personal and professional, on the technical, human, and conceptual levels necessary to get the job done. The normal classical management functions also apply, planning, controlling, organising, staffing, and innovation, as do other accepted roles: interpersonal, informational, and decision making.

1. Comparison of Skills

The most important skills a broadcasting manager should possess are of a social, conceptual, and technical nature.

The "products" of free air television are not tangible, but consist of sound and pictures, delivered free of charge via the airwaves to the consumer. The final product is software, that is to say programmes that, it is hoped, will draw a large audience. The technology, the hardware, and the other equipment for the production and distribution of the programmes, however, are highly sophisticated, expensive, and depreciate rapidly because of the fast pace of technological change. It is of utmost importance, therefore, that broadcasting managers have technical skills as they have to pay constant attention to the developments in hardware and software in order that they remain competitive and do not fall behind.
With regard to human skills Barry L. Sherman notes, in *Telecommunications Management* (p24) that broadcasting managers are extroverted, dynamic, assertive, highly motivated, and gregarious in nature. Human skills depend on national idiosyncrasies. As a consequence, these characteristics which are considered very necessary, probably mainly apply to the U.S. broadcasting manager. For example, the social skills appreciated in Japanese television channels are more likely to be a good general education, the dominance of Japanese etiquette, the ability to integrate into a group and, depending on the department, a knowledge of foreign languages.

Finally, such managers need conceptual skills in order to cope with rapid changes in the television industry and its environment. These skills are of a higher relevance in developed markets which have short technology cycles and where quality and appeal outweigh the importance of price. In a developing country, like the Dominican Republic, technology and quality tend to play a secondary role to cost.

### 2. Comparison of Functions of Broadcasting Management

#### a. Comparison of Planning

Planning is the process of determining in advance the desired objectives and the means by which they may be accomplished. Planning takes place at every level of the organisation. In the Tokyo Broadcasting System (TBS) at the corporate level, the managers decide on the share of the Japanese advertising market they wish to attract and a target for overall growth. At the level of a single programme the production staff determine the audience share for which they will aim. Planning is very important for Japanese managers. For TBS's weekly "Broadcaster", a programme that combines talk with news reports and appears every Saturday, there are several planning and follow-up meetings. On Tuesday, the main planning meeting takes place. Everybody from chief producers, advisors, directors,
assistant directors, announcers etc attend. A total of some 25 people seated round the table. First, the ratings of the last show are distributed and addressed. Then, ideas for topics for the next programme are gathered, discussed, and then even voted upon. Later, directors and assistant directors are assigned to groups to cover each topic. This meeting lasts about 4 hours. During the following days subsequent meetings are held to which the different groups are called to present and review the status of their work with the producers and advisors. Every December, TV Azteca’s Sports’ Department has to prepare the following year’s budget. This details the direct costs, e.g. broadcasting rights for events or programmes, fees for satellite transmissions and external expenses (e.g. subcontracted TV crews). Indirect costs are those incurred by the provision of all the services which other departments in TV Azteca supply to the Sports Department.

b. Comparison of Organising

Organising refers to the process of developing co-ordinated activities. In the context of the company, this refers to the assignment and co-ordination of functions and responsibilities aimed at ensuring maximum efficiency in the reaching of pre-established objectives. Organising is basically the definition of jobs, relationships, and the chain of command. Due to the complexity of the television industry structuring, departmentalisation and delegation are the essential ways of organising the operations of the networks.

(1) Comparison of Structuring

Structuring refers to the adaptation of formal flowcharts, job descriptions, and evaluation procedures. At the Dominican channel Telecentro, there is practically no written descriptive material whatsoever about its structure, processes or operations. This is primarily due to the lack of theoretical preparation on the part of the executives backed up by the unwillingness of the administration to disperse
information. The structures of the Mexican channel TV Azteca, as well as that of TBS are, however, quite well documented. While the evaluation procedures of TBS rely on soft criteria, that is to say of a more subtle nature, which takes into account factors like seniority, loyalty, and integration into the group, the evaluation procedures of TV Azteca are based upon hard criteria. TV Azteca manages its employees by objectives (MBO), that is to say each employee has to meet his pre-established benchmark, while his performance is continually monitored via a Total Information System.

(2) Comparison of Departmentalisation

Departmentalisation refers to the creation of separate departments for each of the functions e.g. programming, production, sales, engineering, research, and news. Naturally, the degree of departmentalisation varies with the size of an organisation. Consequently, TBS as well as TV Azteca have many more departments for specialised functions. Not forgetting those of an overall nature, like accounting and administration, all share departments for the basic functions of a television station, including production, sales, and engineering. More striking than the absence of any other department in the small Dominican Telecentro company, is one for programming. This is a function of prime importance for television channels in most advanced economies, where the quality of programmes is of paramount importance. In Dominican Telecentro, this aspect of its operations is jointly undertaken by the production director and the administration.

(3) Comparison of Delegation

Delegation refers to the independent operation of each department in planning goals, operating budgets, and reporting relationships. While in TV Azteca work is clearly delegated with precise planning goals, operating budgets, and reporting relationships, in Telecentro quite the opposite is true. Accordingly, the chief executive is not just "managing-by-exception", but is always involved. The
Japanese are also in favour of planning goals and budgets. The monitoring of progress, however, is less impersonal than that applying in TV Azteca. In TBS, interdepartmental meetings constantly trade information, giving time for adjustments. These meetings are undoubtedly considered to be of greater importance than written reports.

c. Comparison of Staffing

Staffing refers to the recruitment, training, and payment of employees. One of the major characteristics of the Dominican television industry is the high mobility of their technical staff and executives. It is not even unusual for technical employees to work for more than one channel at a time, mainly because wages and benefits are very low. The Japanese are renowned for putting a special emphasis on the human relations side of management, as their preference for life-time employment, seniority payments, and quality circles indicates. The Tokyo Broadcasting System, as well as TV Azteca divide the people working in their organisations into two groups. In TBS, its employees, all recruited from Japan’s elite universities, comprise the core work force and actually enjoy life-time employment and seniority payments. There are also additional personnel, however, often doing the same job in the same place, but who actually work for semi-permanent sub-contractors. In Mexico’s TV Azteca the workforce is divided into those who belong to the personal de confianza (employees of confidence) and those who do not. The members of the personal de confianza enjoy high job security, own company stock, and have access to continuous education.

d. Comparison of Controlling

(1) The Process of Controlling

Controlling is a function that relies on communication. First, standards are established and communicated, performance is measured against the standard,
and then action is taken to correct any adverse deviation. In the case of "Broadcaster" for example, its ratings had slipped to 10% during the last months of 1996. The normal rating for a "successful" programme in that time slot is 15%. The producer addressed this situation at a meeting and initiated a brain-storming session. Going round in a circle, each member had to give suggestions as to what changes should be made to the programme in order to increase its audience. The whole TV Azteca organisation subscribes to a MBO (management-by-objectives) approach. Every executive commits to specific numerical goals. It is possible to assess the progress in accomplishing these goals at any time because of the advanced integration and reporting\(^\text{177}\) of TV Azteca's internal processes. The programmes for which a manager in TV Azteca is responsible have to obtain, for example, at least a share\(^\text{178}\) of 25%. Each month TV Azteca's Sports Department has to file a resumé of its spending over the intranet. These figures are then compared to the budgeted expenditure (see the section on Planning). Each programme put out by the Sports Department forms a cost centre with its own budget. The Director de Deportes (Director of Sports), however, has the authority to transfer funding from one cost centre to another if necessary. All the TV Azteca employees surveyed emphasised that the Company exercises a lot of "monitoring", mainly referring to the complex planning and control systems.

(2) Total Information Systems

Planning and control systems standardise\(^\text{179}\) outputs as well as behaviour. Mintzberg (II, p74) differentiates between two types of planning and control

\(^{177}\) A programme manager in TV Azteca for example has to input daily the performance of the programmes he is in charge of, as well as the advertising sales these programmes obtained into the network.

\(^{178}\) Share as opposed to rating relates to the proportion of households watching a specific programme over the total of households watching TV at that same moment.

\(^{179}\) "Plans may specify (standardise) the quantity, quality, cost, and timing of outputs, as well as their specific characteristics (such as size and colour). Budgets are plans that specify the costs of outputs for given periods of time; schedules are plans that establish time frames for outputs; objectives are plans that detail output quantities for given periods of time; operating plans are those that establish a variety of standards, generally the quantities and costs of outputs" (Mintzberg, II, p73).
systems: performance control systems, with after-the-fact monitoring of the results, and action planning systems, that specify activities that will take place.

According to Mintzberg "Performance control systems can serve two purposes: to measure and to motivate" (II, p74) while "Action planning emerges as the means by which the non-routine decisions and actions of an entire organisation, typically structured on a functional basis, can be designed as an integrated system" (II, p78).

Both TV Azteca and TBS resort to performance control and action planning systems, which are embedded into company-wide networked total information systems.

Both TBS and TV Azteca have opted for the implementation of total information systems for planning, organising, controlling, and the integration and automisation of routine processes.

The TBS Total information System is designed to share and utilise information, and to improve management efficiency by rapid communication via a Local Area Network (LAN). The system has the following sub-systems:

- TV sales
- Accounting
- Personnel
- TV broadcasting
- TV commercials
- Circuit management
- Radio programming
- Radio sales
- Radio commercials
- Common environmental development backup

As of 1996 there were 144 common terminals in the office, 161 business terminals, 66 news system terminals, and 7 terminals on the news system server.
TV Azteca also features a total information system running on a Local Area Network with most desks possessing their own terminals. Among the systems running on this LAN are:

- SCHEDUALL, destined to reserve, schedule, and account for production services solicited by different departments.

- COLUMBINE, which manages the placement of commercial spots from the initial order right up to the final billing.

- A system which monitors ratings, costs, and revenues of individual programmes.

3. Comparison of the Roles of the Broadcasting Manager

Mintzberg (Ill, 56-) divides managerial activities into three groups\(^{180}\):

- the interpersonal roles,

- the informational roles, and

- the decisional roles.

\(^{180}\) "those that are concerned primarily with interpersonal relationships, those that deal primarily with the transfer of information, and those that essentially involve decision-making" (Mintzberg, Ill, p56).
a. Comparison of Interpersonal Roles

The interpersonal roles a manager in the broadcasting industry might fill are those of a leader, figurehead, and acting as a liaison. In the chapter on communication we will discuss in detail the role of a leader and figurehead. In the liaison role the manager maintains contacts with those outside the organisation and other departments. The role of figurehead as well as liaison is undoubtedly the main interpersonal role of a Japanese manager, while those in Latin America have to concentrate on leadership "in order to get the job done."

b. Comparison of Informational Roles
The broadcasting manager has to obtain, synthesise, and present information. In TBS all staff members can, and do, obtain information using newspapers, magazines, the research department, wire services, the TBS-Total Information System, and the Internet. Furthermore, television monitors are placed everywhere, allowing them to scan their own channel as well as those of their rivals. The information so gathered is disseminated through frequent formal meetings, work groups, and also informally in the open work places. In TV Azteca, managers have access to the parts of the TV Azteca Total Information System they are cleared for, to the intranet and Internet, as well as internal research departments. They are, therefore, much further ahead of their Latin American counterparts in the Dominican Republic. Dominican managers rely on much less information. They have no research departments, few newspapers and magazines, and no Internet. There are no formal meetings in Telecentro, exchanges are mostly informal and unscheduled. The administration of Telecentro even opposed and stopped a system designed to provide company information to its employees because, it feared, that it would feature items that would be leaked to the press or other outsiders

So what? If it is indeed confidential, the information should not be on the board anyway.

c. Comparison of Decision-making Roles

The decisions to be made by managers working in broadcasting companies concern allocating, adjudicating, and negotiating. The producer of the TBS programme "Amazing Animals", for example, has to allocate resources. For each episode of his programme he expends X dollars which is pre-decided in an annual budget. He also has to pay inter-departmental billings for engineering, the studio, the set, and for the production of television reports outside of TBS. In TV Azteca, all parts of the organisation, whether they are cost or profit centres have to manage their budgets and, hence, have to make decisions on how to allocate their resources. These decisions are delegated to a great extent. In Telecentro in the Dominican Republic, however, the final decisions about purchases or allocations...
have to be confirmed by the Administration (i.e. General Director), who has to sign all cheques.

The manager adjudicates in the resolution of conflicts. Because of strong personalities, poor communication, poor equipment and poor training, the manager in the Dominican Republic has to act more often and in a more pronounced manner than his Japanese counterpart.

The manager has to negotiate when dealing with many items both inside and outside the organisation. In the case of "Amazing Animals", for example, the producer negotiates the cost of inter-departmental charges, budget levels, and with subcontracted production companies. Important points in the negotiations are often discussed in a preliminary way and settled during informal meetings after work (in restaurants or bars). This helps to preserve the harmony during the scheduled formal meeting which often takes on a ceremonial character (for details see the part on the Japanese decision making process). The Japanese do not treat cost as a priority, but rather the quality of the product, and the confidence one can place in the supplier. Dominicans always focus on low cost.

C. Comparison of Motivation

The behaviour of individuals is rooted in their motivations. The motivation profiles of employees vary with their individual characteristics and within the social context.

1. The Dominican Republic and the Classical View

In Santo Domingo, the "classical view" of management predominates. This regards organisations, including television networks, as purely a means to translate invested capital and subsequent operations into profits for the owners. This basic classical philosophy does not descend to elements such as shop floor management where control systems are few and not very refined. The classical principles like the difference between execution and planning, unity of command,
or job design, are manifest in the formal organisation of Dominican television channels. Dominican entrepreneurs also subscribe to the classical assumptions about employees:

- That they are lazy by nature and only work when forced.
- They are basically motivated by money.
- They prefer simple, repetitive jobs, without decision making, greater effort, or extra responsibility.

In Dominican television companies the motivational structure of the work force is simple, and there are many television channels where the competent (and not so competent) can find employment. None of them really stand out in the terms of working environment, benefits, equipment, organisation, or opportunities. What primarily counts for the industry's employees is their remuneration. Remuneration is the sine qua non. After that is settled, employees are motivated by persuasion (social skills) or authority (threat of punishment).

2. Japan and McGregor's Theory XY

In the Japanese television networks the human relations aspect of organisations dominates.

Maslow proposed a hierarchy of human needs in ascending order: physical survival, security, affiliation, self-esteem, self-actualisation. As this hierarchy, however, puts a strong emphasis on the values of individuality, it might not reflect the actual order of importance for the human needs of another culture such as, for example, Japan. There, individuality is a hollow concept. Nevertheless, McGregor's theory X and Y which was based on the findings of Maslow is helpful for our comparative analysis of motivation.
McGregor said that the classical assumptions about people were somehow self-fulfilling prophecies: believe that somebody is lazy and he will behave in a lazy fashion. He proposed a "Theory Y" to contrast this classical view about people and their motivations:

1.) People are willing to work when treated correctly.

2.) They are willing to take responsibility, initiatives, and decisions.

3.) They can be self-motivated and self-controlled when working towards organisational goals.

Somehow Japanese managers\textsuperscript{182} are close to McGregor's "Theory Y" or, to put it more generally, they know how important human relations are for greater motivation and work performance. There is no question that Japanese employees are highly self-motivated and self-controlled. There is also no question that the cultural and structural factors of the Japanese company, and hence, created through Japanese management and influenced by the Japanese national context are the main reasons for this. Despite the impression that every organisational layer is involved in the decision making process, most daily decisions are actually taken by employees at the lower levels of the hierarchy. In fact, it seems that the higher the person is situated in the hierarchy the greater are his representational duties, and the lesser his involvement in operational matters. Japanese superiors trust their employees and permanently delegate most of their authority, knowing that the employee will do anything in order to live up to his responsibility.

As long as Japanese workers feel tangibly privileged to work for a particular firm (benefits, salary, societal standing, free meals, entertainment allowances, etc.) and they feel that their well-being and advancement is closely linked to the performance of the company (life-time employment) they will quite straightforwardly and with a lot of intensity, pursue the objectives of the

\textsuperscript{182} The motivation of the employees of TBS - Tokyo Broadcasting System is basically the same than that of employees of any big Japanese company (\textit{kaisha}).
organisation. We have already pointed out that the isolated pursuit of personal interests by a Japanese employee is not possible, because of the culture where everybody is closely related and has to cater to the group in order to prevent ostracism.

3. Motivational Factors in TV Azteca

The management of TV Azteca is very successful in motivating its employees. It promotes the close association of the employees' objectives with the company's objectives in the following way:

a. David against Goliath

For decades, the State owned Televisa enjoyed a virtual monopoly of Mexico's air waves. Today, Mexicans respond euphorically to an alternative to the Government channel. In the fierce fight for ratings TV Azteca, in its position as an outsider, easily captures public sentiment. The emotional and internal coherence generated by this fight between "David and Goliath" is felt throughout the organisation.

b. Oriented towards Growth and Technology

Like Japanese companies TV Azteca pursues a strategy oriented upon growth and market share. Indeed, the Company has experienced a dramatic expansion in its three year history. This growth is balanced by the Company's emphasis on the broad informative character of all its control systems. As a result, TV Azteca manifests itself as not only being dynamic, but also as a very modern concern. The employees are proud to be active participants in a very fast growing and, at the same time, well organised company.

183 For example: At the reception a digital photograph is taken of every visitor as a control measure.
c. Employees as Co-owners

When TV Azteca was first publicly quoted on the stock exchange in August 1997, every employee was allocated stock options. The quantity they received was determined by their salaries, and their length of service with the Company.

d. Technology passes Hierarchy

TV Azteca has a wide intranet and practically every employee has his own E-mail box. Another point that causes employees to identify strongly with their company is the short communication channels\textsuperscript{184} facilitated by this intranet.

e. Investment in Continuous Education

Most of TV Azteca's personal de confianza have the chance to participate frequently in external seminars or degree courses financed by the Company, often during normal working hours. The final decision of whom may attend the next seminar is taken by the superior who, thus, extends his position of positive power. Another interesting point is that some of TV Azteca's employees can participate in the education facilities approved by the network in exchange\textsuperscript{185} for advertising time on the channel.

f. Non-Performance Related Benefits

TV Azteca subsidises the feeding of its employees who pay only 4 Pesos (US$.50) per meal. Furthermore, they can benefit from significant discounts on a wide range of products advertised on the network.

\textsuperscript{184} It is possible and even encouraged for every employee to contact directly the company president Mr. Salinas via E-mail.

\textsuperscript{185} For example: The employees of the International Department attended a 96 hour Diploma course on International Business by the MIT (Monterrey Institute of Technology). TV Azteca had received this courses in exchange for commercial air time. The course was made of six
g. Performance Related Benefits

Each and every member of the personal de confianza establishes his quantitative objectives with his superior every three months. Comensurate with the degree of accomplishment of these objectives the employee can receive up to one additional month's salary every quarter.

4. Job Related Motivational Factors

a. Job Rotation

TBS rotates its employees at suitable, but not set, intervals. This increases:

- The family feeling of the core work force.
- The understanding of the necessities of other departments.
- The ease of communication between the departments.
- The dissemination of new techniques and methods.
- Job satisfaction and motivation of each employee.
- The knowledge of the employees through the need to continuously learn and teach.

A new job is challenging and interesting. If a job is boring, rotation offers the prospect of a change for the better. Thus, TBS directly motivates its employees by job rotation. In addition, TBS both enlarges and enriches its job positions to a point where an individual's work and responsibilities almost disappear, and everybody has access to them and is, as a consequence, obliged to take up the challenge and treat the work load as group task. In contrast, in the Dominican Republic, job rotation occurs more by an accident of necessity rather than by intent.

2-day modules, one weekend (Friday-Saturday) each month with the employees who went on the course, having one working day off.
The following structure is provided by P.A. Lawrence and R.A. Lee in *Insight into Management*, pp62-63:

- task identity and variety,
- responsibility and independence,
- job-based feedback.

b. Task Identity and Variety

In TBS, for example, the Directors\(^\text{186}\) of the 45 minute evening show "Amazing Animals" are each in charge of one episode. They are assisted by a group of Assistant Directors (AD). These ADs have no closely defined work field, neither are they in charge of episodes, but are rotated between the Directors to assist them with those the latter have been assigned. Practically, the system functions like a project team. Under the loose supervision of the director, the AD deals with every operational problem associated with the production. The frequent change of episodes and their supervisors (directors) results in a large variety of tasks. There are certainly some monotonous desk jobs in Japanese companies, but nearly all decisions are taken by groups which include all the (executive) members of the department. The frequent and prolonged discussions and exchanges of opinions, with the prospect of having an influence on the decision-making, enriches the interest of all the employees within a particular department. The idea of job enlargement or enrichment is a hollow concept for Dominican management, as it does not directly lead to tangible profits. The limitations of the organisation and the frequent need for trouble-shooting make it necessary, especially for the executives, to frequently deal with questions and problems that have nothing directly to do with their assigned areas.

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\(^{186}\) Amazing Animals has about 10 directors. A director, therefore, has a programme every two months.
c. Responsibility and Independence

The Total Information System as well as the management-by-objectives approach gives the employees independence as well as responsibility, as they are subject to periodic checks. In contrast, the independence\(^{187}\) of the employees of the Dominican Telecentro is rather limited, as is their effective responsibility, due mainly to the low production standards and weak control systems. In the Tokyo Broadcasting System the job design provides for close and constant communication within and between work groups and turns responsibility into a collective endeavour, making the group dependent on the input of the members\(^{188}\).

d. Job-Based Feedback

The employees of TV Azteca receive a performance-based bonus every three months. At the same time, they also have an official meeting with their superior analysing their work. The feed back in TBS is more informal. The Assistant Directors of "Amazing Animals", for example, even if they rank low in the organisational hierarchy are not shunned when the producer, directors, etc. go out after work, as occurs almost every week. All the associated expenses are paid by TBS, and they even reimburse the expensive taxi fare home late at night. The relaxed atmosphere at these informal meetings is very important - in Japan, socialising after work is common and considered necessary - with feed back exchanged between the lower ranked employee and his superior. In Dominican Telecentro feed back is most probably given on the spot, and only if something goes wrong. It is quite easy to terminate\(^{189}\) employees in the Dominican Republic, and the networks resort to this measure whenever the need or desire arises.

\(^{187}\) All cheques have to be signed by the administration.

\(^{188}\) In TBS Amazing Animals relies on several work groups each relying on its members. The whole department is responsible for the performance of the show.

\(^{189}\) It is easy, but not necessarily cheap to dismiss a worker. If there is no fault committed by the worker he receives a payment proportional to his years of service. But with the low wages in Dominican Republic and the fluctuation of technical staff this cost does not amount to much.
e. Job Satisfaction

Putting TBS aside, the job satisfaction of Japanese employees has recently become inversely proportional to their high commitment, while in Dominican companies commitment and satisfaction remain as equally low on the scale as ever. The reasons for Japanese dissatisfaction are mainly working conditions, that is to say inadequate pay (high living costs) for excessive working hours, which leave no room for a private life and, since the bubble burst, experiencing for the first time, the fear of losing their job as the future may bring an abolition of the concept of life-time employment. Young people are especially dissatisfied, because the pay is low and linked to seniority and not performance, while they work very hard in order to prove their loyalty and commitment. Furthermore, they are part of a new generation that puts an emphasis on spare time and entertainment, and seems no longer willing to sacrifice their private lives unconditionally on the altars of the Japanese corporations. Companies, however, are eager to maintain commitment through catering to the needs of their employees. These include: the free provision of meals during overtime working, and the generous reimbursement of taxi and travel expenses, together with other benefits.

For the same reasons that TV Azteca's employees are highly motivated, they also derive satisfaction from their work: they form part of a fast growing company in a highly competitive market. TV Azteca is committed to innovation and offers its employees interesting jobs with career opportunities.

The job satisfaction of people employed in Dominican television is generally rather high, independent of the fact that their work, even by Dominican standards may be rather dull, badly paid, and insignificant. This stems from the intrinsic value people derive from a job in television, that is to say pride in being a part of the "glamorous" media world.
D. Conclusion

In Japan, as well as in Latin America, the functions carried out by television managers are basically the same, while the roles a manager has are different.

This chapter also indicated the different motivational structures of Japanese and Latin American employees, demonstrating that these differences result to a large extent from factors of the national context. As the television companies surveyed oriented their management practice on the motivation profile of their employees, it can hence be upheld that in the case of motivation, national context is indeed relatively more important than industry.

In the following chapter we will compare the aspects of culture and processes of Japanese and Latin American television stations, reflecting especially on the relative impact of industry versus national context factors on communication, leadership, decision making, and corporate culture.
Chapter VII

Comparison of Culture and Processes

A. Introduction

The objective of the research is to assess the relative importance of the national context versus industry for the business behaviour and management practice of companies. To this end, we compare companies which belong to the same industrial sector (the television stations TBS, TV Azteca, Telecentro), but have widely diverging national contexts.

This chapter reflects on the issues of communication, leadership, decision making, and corporate culture and identifies significant country-specific characteristics, which differentiate the culture and processes in Japan from those in Latin America.

We shall also analyse the causes of these country-specific characteristics in order to determine if they are factors of industry or national context.

B. Comparison of Communication

Communication is the sending and receiving of information. The transmission of the information is assumed to induce some ‘change’ in the receiver, for example, to reduce his uncertainty or increase his knowledge, understanding, or capacity to act. A whole communication cycle includes a ‘feedback’ from the receiver to the sender. The quality of the process can be determined by assessing the accuracy, reliability, validity, adequacy and effectiveness of the information transmitted.
1. Internal and External Communication Channels

Internal and external channels\(^{190}\) comprise the two primary communication systems in all organisations. Through the internal channels organisational activities are created and maintained. Kreps (p22) defines\(^{191}\) internal communication as “the sharing of messages within the organisation and the members of the organisation or the human interaction that occurs in the organisation and in between the members of the organisation.” Those messages inform the members of the organisation about goals, tasks, activities and problems, and establish a system of instruction, evaluation, feedback, information, direction, and co-ordination.

External communication channels are used for inter-organisational communication, that is to say the communication it maintains within its relevant environment\(^{192}\). The relevant environment of a company is made up of organisations and groups that it depends on for its survival, for example suppliers, customers, government agencies, distributors, consumer groups, etc. The external communication channel thus allows it to co-ordinate its activities within its own environment.

In this section about communication we will concentrate on the various aspects of internal communication channels in Japanese and Latin American organisations, and discuss the lesser interest in external communication channels for the assessment of the relative importance of industry or the national environment on the operation of an organisation.

2. Formal versus Informal Communication

As there are formal and informal structures, so there are formal and informal communication channels. In TV Azteca a Programme Manager, for example, would choose the informal communication channel when he wishes to tell a producer about some shortcomings in his programme.

\(^{190}\) compare Kreps, pp22ff.
\(^{191}\) translated from Spanish by the author
\(^{192}\) Kreps (p23) calls it the \textit{entorno relevante}. 
Formal communication channels depend on the structure of the organisation, that is to say, the order of its management layers, departments, divisions, etc., the way responsibility and authority are assigned, and the manner in which processes and activities are designed. Formal communications are written and also made orally in the form of scheduled meetings. Blake & Lawrence (p82) propose the following classification by function and purpose:

- information exchange and co-ordination
- information exchange for control purposes
- problem-solving
- planning / devising future initiatives.

In TV Azteca's News Department, for example, there are three meetings scheduled daily at 9.30am, 1.00pm and 5pm which, to some extent, comprise all four of the above listed functions/purposes. The participants in these meetings are the director of information, the director of production, the news readers, and the assignment managers for the regional states, general information, international, and events. At the first meeting, the possible news stories for the regular magazine at 3.00pm and 5.00pm are determined, so the assignment managers can instruct their reporters accordingly. At the second meeting, the reports that are going to be broadcast as well as their order are decided. At the third meeting, the reports for the prime news programme at 10.15pm are determined. At all the meetings planning (for the day), co-ordination, information exchange, and trouble shooting takes place. The working of TV Azteca's News Department meetings is very similar to the meetings of CNN en Español. The main difference is that the latter focuses on international news, and decides which reports are just going to be translated from the English service, and which are going to be covered by CNN en Español's own correspondents. The Sports Department has weekly scheduled meetings for each of its news programmes where the VP Sports discusses content and production issues with the freelance programme producers.
In Japanese companies there is a structural factor that propels a high degree of informal communication. There are almost no individual offices, and not even private computers. Nearly everybody works in a common, open and crowded space. When privacy is needed, for example when a customer visits, there are common meeting rooms. This has a range of advantages:

- it furthers communication between employees and dissemination of information.
- it diminishes hierarchical as well as inter-functional distances.
- it furthers control of the employee (from private calls to browsing the Internet).
- it furthers cross-learning.
- processes move faster because everybody is involved at every stage.
- it furthers mutual help and assistance between employees as everyone is more involved with the work of others.

Another structural factor that furthers communication is a big metal white display board that can be found in every Japanese office in a very prominent position. Each employee has a magnetic tag with his name written on each side in a different colour. He also has two fields on the board, one for his name tag and the other to write notes (erasable). In TBS, for example, an employee puts the white side of his tag on the board when he is at his workplace. When he leaves his desk (for more than a minute) he turns it to the yellow side and writes where he has gone, how he can be contacted (telephone number), and when he will be back. With this system, internal communication in the company as well as external communication with its customers and other companies works much better, simply because the person can be reached at almost any time.

In the Dominican Republic executives normally have their own office and, depending on their position, a secretary. These are important power symbols.
Information in this setting is viewed as a resource to foster their own power position and is distributed with discretion. The secretary also has discretionary power because, by having the role of a gatekeeper, she sanctions access to her superior. Informal communication channels are normally reserved for friends or people who are supposed to serve the individuals' interests for power conservation and expansion.

Considering the reflection of corporate culture in matters of interior office design TV Azteca takes on the aspect of a North American company, being absolutely in between the companies studied in Japan and the Dominican Republic. While the private and restrictive offices of the Dominican Telecentro stood in diametrical contrast to the shared tables in Japanese wide-spaced offices where really "everybody should be able to see everyone in the department by simply standing up and taking a look", in TV Azteca wide-spaced office floors are divided by half-open partitions, combining the Western penchant for individuality with the advantages of an open structure for the flow of information.

Theoretically, the pursuit of harmony as well as a homogeneity in values, assumptions, and beliefs noted in the Japanese corporations may have one major disadvantage, namely, that it may facilitate the suppression of critical information, developing a phenomenon called 'group-think'. That is to say the "stake-holders" are concerned with the collective perception of problems and solutions, and they do not look for alternatives. Nevertheless, this is only a theoretical possibility as the length and effort of the decision making process, the preference for "objective" quantifiable data, the preparation of the participants as well as the value given to research, counter the emergence of group-think.

Despite the cost involved in obtaining information, which is a scarce resource, the Japanese are willing to commit substantial funds to that end, because of their strong preference for quantifiable and verifiable data. In TBS its own research department delivers a vast amount of information about the company and the industry as a whole. Information is generated at all internal levels in the company and flows from the bottom up by standardised reports. At the executive level even
critical information flows freely between departments. All employees are informed about the performance figures of the company and the department, by the use of large bulletin boards in prominent positions. The interpretation of information inside TBS is quite neutral, as receiver and sender - because of the homogeneity of corporate culture and Japanese culture at large - share the same sets of values and hence the same code for interpretation. Thus the reception of information is not likely to be distorted by different interests, opinions, and assumptions.

In contrast, the information flow in Santo Domingo is subject to considerations involving power and is limited accordingly. Moreover, there are neither the necessary resources, administrative structures nor the technology within the company. The preparation of the employees for obtaining helpful quantifiable data and information about the economic and industrial environment is also limited. Furthermore, the information is not likely to be used in a neutral manner, because of the heterogeneity of interests and assumptions made by the participants in the communication process who come from very different social and economic backgrounds.

In TV Azteca the flow of information is eased by technology. Almost every employee has access to his own computer and is connected to the rest of the company's employees via an intranet. This network is used as much for communication between parties, as it builds the platform for the automation\textsuperscript{193} and control of a wide range of processes. Although a formal channel, this technology is also frequently used for informal exchanges (e.g. intranet chat).

Informal communication refers to non-written or non-scheduled communication that can take place within the formal structure (according to the positions and reporting relationships in the organisation) as well as through the informal communication channels (which do not take into account the formal structure of the organisation). Informal communication channels are neither planned nor designed to follow the formal structure of the organisation. Instead they emerge

\textsuperscript{193} The producers of programmes, order facilities and inputs via SCHEDUALL. The programme managers send the performance data of their programmes via intranet.
from the natural social interaction\(^\text{194}\) between the members of the organisation. Employees who obtain and disseminate information and also take action via the informal channel are informal leaders, who preside over their own informal organisation structure. This setting for power cliques and turf wars is more frequent in Latin American companies, where informal information channels are not considered as something desirable, but necessary for getting things done. Information supplied via informal channels is normally more reliable than that from the formal ones, as the informal channels offer the possibility of feed-back and the bi-directional flow of information on an issue.

Mintzberg (p49) underlines the importance of informal communication:

"At the managerial levels, study after study shows that managers of all kinds favor the verbal channels of the informal system over the documents of the formal (spending 65 to 80 percent of their time in verbal contact), and that they spend almost as much of their time (about 45 percent on average) communicating outside the chain of formal authority as inside it. The regulated channels are often slow and unreliable, frequently too limited in what they carry. The soft information, intangible and speculative, is simply ignored in the formal MIS (management information system, the author) despite clear evidence that managers depend on such information. And the MIS, because it must document and then aggregate hard facts, is often too slow for the manager, reporting the open barn door long after the cow has fled."

Informal communication is of utmost importance in Japan, where issues are often settled in an informal setting in order to maintain the harmony during the official meeting. The working of the formal organisation is supported by informal communication between the employee and his superior, and between colleagues or between departments. Informal communication in Japanese organisations ranges from the frequent company drinking sprees to working in crowded open office spaces. In TV Azteca these types of common activities which are designed to forge identification with the company and to ease informal communication take

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\(^\text{194}\) In Japan, informal communication channels work within groups of employees who entered in the company in the same year, the dohai. In TV Azteca and Telecentro informal information channels can be engendered from club membership, family relationships,
place rather infrequently. In Latin America, informal talk within the workplace is common, and does not require an informal setting as in Japan. Furthermore, the intranet also facilitates E-mail or intranet chat, both of which are new informal communication channels.

In TBS, written reports are also deemed to be of utmost importance. In weekly meetings in the international sales department for example, everybody has to circulate a written report about important business matters that occurred during the last week.

3. Upward, Downward and Horizontal Communication

a. Downward Communication (Descending Communication)

According to Kreps (p227) the descending communication fulfils several organisational key functions:

- the sending of orders to lower situated hierarchies.

- the provision of job-related information and an evaluation of the job and the members of the organisation.

- the instruction of the members of the organisation on the organisational goals.

Both Japan and the Dominican Republic are patriarchal societies, where the lines of authority and hierarchical standing are clearly drawn. However, downward communication in Japan is more intimate than that in the Dominican Republic, because the mutual obligation, the oyabun-kobun relationship (see p21), the sense of the common interests and goal, plus the Japanese consideration for the feelings of others, soften the gap between superior and subordinate considerably.

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secondary school friendships, power cliques, and interaction with employees from other departments etc.
In contrast, being the superior in the Dominican Republic almost always implies a bad sense of being "superior" in economic, intellectual or class terms and leads to a display of power. As society is divided into classes, as in rich and poor, so is also the workplace. The gap is especially pronounced when considering the abysmally great distance between blue collar workers and management. Race and wealth is always an issue, as both determine societal standing. Furthermore, downward communication in the Dominican Republic is task-oriented, while in Japan it is more people-oriented, aiming at achieving harmony. In Japan collective agreement is sought, while in the Dominican Republic discussion and conflict are frequent, fostered by the Latin culture. Dominican managers rely on punishment-based strategies to lead employees "If you do not do that, we will give you the boot" whilst in Japan, they tend to influence employees by identifying their interests with those of the company, appealing to values of altruism, loyalty, and duty. Power displays in relationships are only an issue when conflict between diverging interests arises. In Japan the potential for conflict is very remote as harmony is a value embraced by all employees and the pursuit of consensus is paramount and an all consuming practice, and the bottom-up decision making processes, are designed to facilitate it. The essential factor, however, for securing consensus is the overall corporate culture and structure of Japanese employees, who strongly identify their interests with those of the company and are content to sacrifice their personal interests in order to maintain harmony which is a far more important goal than short term assertiveness. The Japanese promote the identification of the employees with the company through an ample spread of company-related, sometimes critical information, including price trends, budgets, billings, competition, and the costs of the employees. For McMillan (p30) "information and knowledge diffusion are major company goals." In contrast, in the Dominican Republic, information and knowledge is power, and it is neither shared nor disseminated, thereby maintaining the power bases of the information holders. Furthermore, the Japanese are also more able to trade off instant gratification for future benefits than their Dominican counterparts. This may stem from the fact that

To put it another way: Japanese employees are afraid to lose face in a dispute or to appear
their position is not endangered if their opinion does not prevail, as they are a firm part of the family. In contrast, conflict is omnipresent in Dominican companies because of heterogeneity of interests. Legal power is not effective, because the widespread corruption and general awareness of social injustice make employees suspicious of authority. Harmony is not a value, it is probably more likely to be regarded as a weakness. Dominican managers rely more on power in order to resolve these conflicts, especially on charismatic power, reward power, and coercive power. Therefore a power display is essential, because as conflict is a zero-sum play, the position of a Dominican manager might be threatened if he does not assert himself. The Japanese reward employees for their interaction with the group, while Dominicans reward employees for obedience. In Japan an isolated, but highly-successful employee earns less rewards, than an employee who works closely with his colleagues, as Japanese groups are productivity enhancing, that is to say they multiply the output of all their members.

b. Upward Communication (Ascending Communication)

It flows from lower management layers upwards, and has the following functions, according to Kreps (pp227-228):

- giving of feedback to management on problems of the organisation and information about daily operations required for decision-making.

- giving of feedback on the effectiveness of the top management’s descending communication.

- dispersing of tension, as low level employees can share relevant information with their superiors.

- encouraging of participation and involvement of employees to further the cohesion of the organisation.

196 different from the rest of the group. In TV Azteca employees are rewarded less for patterns of behaviour than for measurable performance through their MBO approach.
Upward communication in Japan works by personal contact, meetings, *ringi*, suggestion systems, and quality circles, while the regular form of upward communication in the Dominican Republic are personal contact and meetings. The most notable system of upward communication in Japan is the *ringi*, in which a proposal from a junior manager is circulated around the organisation to all people who might be affected who, in turn, mark the document with their seal if they approve, or write a commentary or suggestions about it. This is a formal endeavour, an *omote*, where normally everybody agrees in order to maintain harmony. However, the *ringi* system is more a mechanism of reporting and disseminating already collectively taken decisions, as every *ringi* is preceded by an extensive *nemawashi*. *Nemawashi* - literally trimming the roots of a tree before transplanting it, stands for a proposal that is orally discussed and approved by all concerned members before the *ringi* has started. Thus, we find preparation work behind the scenes, *ura*, that ensures formal harmony on the surface, *omote*. In most of the Dominican television stations there are no such refined systems of upward communication. An employee will talk directly to his immediate superior about work related issues and to the administration regarding his relationship with the company (pay cheques, expenses, insurance, etc.). Employees of TV Azteca have the opportunity to contact the President of the company via intranet. But in operative matters in Latin American companies, the by-passing of the direct superior in certain issues is just as problematic as anywhere else.

**c. Horizontal Communication**

It takes place between employees of the same hierarchical level of an organisation, primarily between colleagues. Such communication is based upon the establishment of effective interpersonal relationships which have the function of:
- the better co-ordination of organisational tasks.
- the sharing of relevant organisational information between colleagues.
- the solving of problems and interpersonal conflicts between colleagues.
- the fostering of mutual support between colleagues.

In TV Azteca, as well as in Telecentro, horizontal communication is neither encouraged nor discouraged. This contrasts with Japanese companies where horizontal communication between colleagues is of utmost importance. However, this is not done on a one-to-one but, according to Bowers (1988) like the rest of the communication networks in Japanese companies, a one-to-many communication format that focuses on information sharing and the co-ordination of tasks. These networks, which are formed through interpersonal contacts, are in constant use and are essential for the solving of problems and the taking of decisions. Of high importance for the functioning of these networks in particular, as well as the previously mentioned upward and downward communication, is the socialising with colleagues after working hours in eating or drinking establishments.

In TV Azteca, the relationship between colleagues, as well as superiors and subordinates, are very friendly and warm. However, there is no institutionalised or coercive group behaviour after working hours as in Japanese companies. For a Latin American executive it would be unthinkable to have his circle of friends reduced to his colleagues at work.

197 One executive said that his superior "is like his brother."
## COMPARISON OF COMMUNICATION WITHIN COMPANIES IN JAPAN AND DOMINICAN REPUBLIC

<table>
<thead>
<tr>
<th>Japan</th>
<th>Dominican Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational integration and information flow are achieved by frequent interaction within and between groups. Company expends effort to build and maintain a strong interpersonal network.</td>
<td>Organisational integration and information are achieved by means of a hierarchy, vertical information channels, and control mechanisms</td>
</tr>
<tr>
<td>Information and values are shared through frequent company-sponsored and workplace related interactions.</td>
<td>There are important informal networks, but these function more like personal power bases.</td>
</tr>
<tr>
<td>Learning is encouraged at all organisational levels, the teachers being the employees, and because of their physical closeness learning through “information spill-over” is frequent.</td>
<td>Learning is supported only for achieving skills for specific tasks.</td>
</tr>
<tr>
<td>Principle value orientation is one of building and maintaining harmony and cohesiveness within the organisation.</td>
<td>Principle value orientation is to maintain control and order of the company, based on hierarchical authority.</td>
</tr>
</tbody>
</table>


### C. Comparison of Leadership

"First, the key purpose of the leader role is to effect an integration between individual needs and organizational goals. The manager must concentrate his efforts so as to bring subordinate and organizational needs into a common accord in order to promote efficient operations. Second, it is in the leader role that managerial power most clearly manifests itself. Formal authority vests the manager with great potential power; leadership activity determines how much of it will be realized" (Mintzberg, Ill, p62).

But leadership is not the same as management. The following table compares the basic differences between the two as proposed by Kotter:
### Fig 38 COMPARISON OF MANAGEMENT AND LEADERSHIP

<table>
<thead>
<tr>
<th></th>
<th>Management</th>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Creating an agenda</strong></td>
<td>Planning and Budgeting - establishing detailed steps for achieving needed results, and then allocating the resources necessary to make that happen</td>
<td>Establishing Direction[^198] - developing a vision of the future, often the distant future, and strategies for producing the changes needed to achieve that vision</td>
</tr>
<tr>
<td><strong>Developing a human network for achieving the agenda</strong></td>
<td>Organizing and Staffing - establishing some structure for accomplishing plan requirements, staffing that structure with individuals, delegating responsibility and authority for carrying out the plan, providing policies and procedures to help guide people, and creating methods or systems to monitor implementation</td>
<td>Aligning People - communicating the direction by words and deeds to all those whose cooperation may be needed so as to influence the creation of teams and coalitions that understand the vision and strategies, and accept their validity</td>
</tr>
<tr>
<td><strong>Execution</strong></td>
<td>Controlling and Problem Solving - monitoring results versus plan in some detail, identifying deviations, and then planning and organizing to solve these problems</td>
<td>Motivating and Inspiring - energizing people to overcome major political, bureaucratic, and resource barriers to change by satisfying very basic, but often unfulfilled, human needs</td>
</tr>
<tr>
<td><strong>Outcomes</strong></td>
<td>Produces a degree of predictability and order, and has the potential of consistently producing key results executed by various stakeholders (e.g., for customers, always being on time; for stockholders, being within budget)</td>
<td>Produces change, often to a dramatic degree, and has the potential of producing extremely useful change (e.g., new products that customers want, new approaches to labour relations that help make a firm more competitive)</td>
</tr>
</tbody>
</table>


The leadership exercised by North American executives has often been compared to that of a director of an orchestra, or the skilful operator of a well-oiled machine. Continuing this analogy the Dominican leader may also be compared to a director of an orchestra with the only difference being that few of his instrumentalists know how to play, and most only play when he looks at them. He is always managing on

[^198]: According to Kotter (p35) "Setting direction is never the same as planning or long-term planning, although people regularly confuse the two. Planning is a management process,
the verge of chaos, improvising or jumping into the orchestra pit to fix what can be fixed. The classical example of the mule in front of the cart also fits the Dominican leader. For in order to make the employees move, he has to be present, applying the carrot, his charisma and interpersonal skills as well as the promise of rewards or, alternatively, he has to wave the stick. Japanese leaders, in contrast, seem to be present more in spirit than in person. We can hardly ever find them involved in the day-to-day business. They are more like the godfatherly producer of the opera, standing in the background, catering relentlessly to the emotional and physical well-being of his performers. Japanese leaders, however, are highly respected and never threatened in their positions because of the common values that put age and loyalty first. Therefore, they voluntarily leave most work matters to their subordinates. Their stated mission is to foster the right spirit, cohesion, and harmony within their group. The group will then take care of the rest.

For Blake and Lawrence (p71) the requirements of leadership depend on the nature of the job as well as the situation of the company:

"- jobs in production management, sales management, general management and top positions put a higher premium on leadership skills than other jobs;
- some situations, such as crisis, turn-round or strategic change, put a higher premium on leadership than other situations.
- managers are usually required to do other things besides exercise leadership e.g., control, organize, co-ordinate."

The theory of situational leadership holds that no leadership style is correct for all the circumstances in which an organisation can find itself immersed. The best leaders are, therefore, capable of adapting their style to the specific circumstances of the situation and the characteristics of the group they are supposed to lead. Krepp (p206) holds that the situational leader balances the strengths of each leadership style with the specific restrictions of the people, place, time and

fundamentally deductive in nature, and primarily designed to help produce orderly results, not change. That is quite different from the direction-setting aspect of leadership."
problem of a particular situation. Situational leaders are, therefore, highly flexible and analytical.

Dominican (broadcasting) managers definitely have to deal with situational factors that make leadership necessary (electricity shortages, breakdowns of old or damaged equipment, problems with untrained and irresponsible personnel, etc.). However, the manager can only respond to a crisis to a very limited extent as he often he does not have the necessary means (funding) to take effective action. In the case of him possessing the means, he might well be reluctant to take any measures diverging from his regular tasks in order to avoid any personal responsibility.

The limitations of the Japanese leadership become evident in a crisis, like the failure of the established bureaucracy to act appropriately during the aftermath of the Kobe earthquake. The Japanese were simply not able to respond in a fast and co-ordinated manner to the disaster. Despite the urgency, precious time was lost by the discussions by the authorities. Inertia was the result, with the notorious lack of much needed leadership. The ambiguous handling of the TBS top management of the 'TBS - Aum Shinri Kyo' scandal offers a similar observation of the limitations of Japanese management and leadership (the paragraph on 'Journalism ethics in Japan and Latin America' discusses this scandal in detail.).

Lawrence and Blake (p71) also propose a structuring of leadership along the behaviour dimension into

- task centredness: the extent to which the task is taken seriously and rationally pursued.
- people centredness: the extent to which people are valued, motivated, cared for and well handled.
- participativeness: the extent to which colleagues/subordinates are involved in plans and decisions.”

199 All cheques in Telecentro have to be signed by the administration.
Dominican and Japanese managers are at the opposite ends of the scale in terms of participation, with the Dominicans being highly authoritarian and the Japanese highly participative. Dominicans are definitely not "people centred." The concept of people centeredness might be too influenced by the Western value of individualism. In Japan this concept acquires a different meaning. Therefore, a term like group centredness would include the different focus involved in Asia: First of all, Japanese feel lost if separated from their group, they feel uncomfortable if singled out. When managing Japanese one has, therefore, always to take the group as a whole into account, and the role of the leader is not to assure the well-being, progress and fulfilment of the individual, but the harmony and well-being of the group.

Japanese leaders are good at clarifying and gathering information, adhering to the values of the current chief executive officer or founder, conflict resolution through the use of authority, exchange of information prior to meetings, sharing of information down the line, use of a control system based upon employee self-discipline and commitment to work, long-term performance evaluation, consensus decision making, frequent informal and social exchanges, commitment to change, and reliance on policies of promotion from within. (Kagono and colleagues, 1985 in Organisational communication in Japan and the United States by Lea P. Steward).

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200 The first two dimensions are contemplated in The Management Grid (Blake's Grid) by R.R. Blake and J.S. Mouton, that assesses managers in regard to their concern for tasks and people.

201 Blake and Lawrence (p72) enumerate the following benefits of participative leadership:
(a) making subordinates well informed;
(b) helping subordinates to balance the efforts-rewards equation;
(c) getting subordinates more committed (to objectives they have more or less chosen through consensual decision-making);
(d) giving subordinates more control over their work which is generally good for morale.

202 Benefits that do not include the group as a whole easily make Japanese feel uncomfortably. Many Japanese are even ashamed to take their vacations on other days than the rest of the department.
D. Comparison of the Decision Making Process

A decision making process refers to the ensemble of thoughts and actions concerning a sequence of choices. This also includes the phase of becoming aware of the existence of a problem as well as the choices that are actually made. The notion of choice implies that there are alternatives of action, and that each alternative has associated opportunities and constraints.

Hickson et al. (p96) argue that the "process of making a decision is a response to the problems and interests inherent in the matter for decision, a response to their complexity and politicality. It is set in motion, by those who have the power to do so, when they signify their recognition of the decision-making topic."

The decision making process can be structured into the following activities or routines (Mintzberg, p58):

Identification:
- recognition of the need to initiate a decision process.
- diagnosis of the situation.

Development:
- search
- design

Selection:
- screening
- evaluation-choice
- authorisation

Decision processes can be categorised by their importance in the organisation:
- operating
- administrative
- strategic
First of all, decision making in Japanese companies is predominantly bottom-up (at least from middle-managers), while in Dominican companies decision making is top-down. The clear chain of command in a Dominican company serves as a blueprint not only for authority and responsibility, but also for the flow of information, while in Japan its flows more freely, like water filling an open space. Notwithstanding, this is only a description of the predominant process. Naturally, there are also senior managers who are actively setting an agenda of corporate policy.

Second, in Japan decisions are made by consensus, that is to say unanimous agreement, while in Santo Domingo the most powerful person or coalition exercises his will as far as possible. Naturally, to achieve an unanimous agreement on any issue is something that is hard to achieve, but to maintain harmony is the sine qua non of any Japanese enterprise. In chapter III we explained the difference between tatemae and honne, which are the clues to solve the Japanese mystery of taking decisions unanimously. But first, let us see the whole decision taking process:

1.) nemawashi (see p. 199) - a proposal is prepared through initial consultation with all employees concerned. This proposal is like the most common denominator for everybody involved, something with which everybody can live.

2.) tatemae (face) - in an official decision-making meeting when everybody subscribes to the prepared proposal and formal harmony is secured.

3.) honne (content) - during the more relaxed atmosphere of a formal party that follows the meeting, the leader addresses the points in contention and employees may indicate dissenting opinions.

203 The decision-making in TV Azteca is also top-down, as a manager told me 'not because of company policy or values, but because of necessity. We have no alternative because of our fast growth.'
4.) *nijikai* - during a second, more informal party with fewer people present and after the advanced consumption of liquor, dissatisfied employees can freely communicate highly controversial dissent to senior managers.

The *ringi* process described in the paragraph on upward communication can also be regarded as a part of the decision making process. The *ringi* is a formalised (written) internal process, that takes place on a formal *-tatemae-* level, after the basic agreement about an issue, and with the intention of fine-tuning the details.

As a consequence of their high involvement, Japanese employees are very supportive and fast in the implementation phase, thereby balancing the time spent on the decision-taking process, slowed through extensive consultation and information sharing. In contrast, such implementation in Dominican companies is an arduous task, as Dominicans are resistant to any kind of change, because they fear that it may threaten their position.

In conclusion, the Japanese decision making model is a mixture of consultative and participative elements, decentralisation, back-door politics, hierarchical concerns and a zeal for formal harmony, whilst in the Dominican Republic decisions are simply taken in an autocratic, centralised and political way.

**E. Comparison of Impact of Culture**

1. **Definition of Corporate Culture**

For Brown (p141) culture includes all the accepted forms of behaviour by a group of people. It builds a common understanding. It is the total sum and the organisation, or arrangement, of all ways of thinking, feeling and acting by a group, including physical manifestations. For Hofstede it is the 'collective programming of the mind which distinguishes the members of one group or category of people from another.' For Deutsch culture is made of the community of communication which consists of socially stereotyped models, including language and thought habits, which take place through different forms of social learning. There is,
therefore, a close relationship between communication and culture in organisations.

Corporate Culture can, hence, be referred to as the set of shared attitudes, assumptions, beliefs, and expectations which are found within an organisation, defining the way its members act and interact, and identifying the organisation as being different from others.

The corporate culture is often held to contribute to the attainment of the formal organisation’s two classic needs, for:

(a) external adaptation, and

(b) internal integration.

The first, the way the company relates to its environment, may be helped by the place of the company’s mission in the corporate culture, by beliefs about its objectives, about the legitimate means of achieving them, about what is owed to society, and what it is reasonable to take from society. Internal integration, or the holding together of the parts and members of the company, may be helped by the corporate culture serving to legitimise the company’s status system, rewards structure and differential distribution of authority; the shared understandings and common meanings will facilitate communication, help to integrate new members, give a sense of identity and show that it means something to belong to this company and not some other” (Lawrence 1989, p34).

2. The Multiple Dimensions of Corporate Culture

Corporate Culture cannot be exclusively regarded in terms of content and intensity but also in terms of homogeneity, as the set of attitudes, beliefs, assumptions and expectations that can be shared only at the level of organisational subcultures. Anyway, the relationship of the organisation’s members’ attitudes, beliefs, assumptions and expectations with the organisation’s internal dimensions of general practices; staff, structure, systems, and strategy as well as external factors are complex, dynamic, and interactive. In this dynamic and interactive relationship between the attitudes, beliefs, assumptions and expectations and the internal and external dimensions, Corporate Culture is created, which manifests itself in norms
and values, company values, organisational climate, management style, and organisational behaviour.

In TV Azteca for example, the corporate culture is under the influence of the president Raul Salinas, who studied accounting. His preference for numbers and control led to the integration of all areas via the intranet, MBO, tight budgeting and the general information processes.

a. The Influence of Norms and Values

Norms and values are unwritten rules of behaviour which strongly influence the climate, style, and the way people work and interact. In Japanese companies in general, and in TBS in particular, it is considered impolite for an employee to go home before his superior finishes his work. On the other hand, the superior normally pays for a meal or the after work drinks if the employee continues work in the evening. Those rules of behaviour further a climate of dedication and work, and put the workplace and the department in the top spot of an employee's life. Loyalty, commitment, conformity are key values in TBS.

Company Values are the basic beliefs of the top management about what is good and important for the company. Those beliefs are not necessarily shared by all members of the organisation. TBS employees share the same values in the extreme, whilst the values of management and the work force in television often diverge. TBS embraces as company values, innovation, care and consideration for its core employees, competitiveness, team work, priority to organisational needs. Telecentro’s company values are determined by its owners, who first of all consider it a commercial enterprise.

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204 Every manager has a generous budget for this kind of expense.
b. The Organisational Climate

The climate of an organisation is the atmosphere as perceived by the members, that is to say its internal emotional tone. Depending on the emotions the members of an organisation have towards each other and towards the organisation itself there can be a supportive and friendly climate or, to the contrary, a destructive, unfriendly and unhelpful climate. In TBS the department and immediate work group are the focus of life for the employees, turning the workplace into a substitute for family life. In Japan your level is not too important. What is very important, however, is to which group you belong. The scandal and media bashing following the discovery that TBS staff had showed members of the cult Aum Shinri Kyo an interview with a critical lawyer, who later was abducted and killed by the Aum Shinri Kyo significantly affected the climate for months, as all the employees felt guilty and ashamed, as they identified entirely with their TBS family. On the contrary, in Latin America it would seem ridiculous for employees to consider their company as the centre of their life. There is no doubt that their friends (which are normally different from their colleagues), their real family, and their personal interests are of higher importance.

The relationship, however, between employees of the same level is very informal, easy-going and relaxed, while relations between levels are authoritarian (even if friendly). The working atmosphere was described as good by Telecentro employees. The working atmosphere depends on the department. The production and engineering departments are more informal than the administrative departments.

c. The Style of Management

Management style\textsuperscript{206} is the way superiors interact with their subordinates in order to achieve results. The style of a manager is influenced by his character, the

\textsuperscript{205} This scandal is discussed in detail in the section on Journalism ethics in Japan and Latin America.

\textsuperscript{206} Please compare with the paragraph on 'Leadership.'
norms, values and climate of the organisation, and also by situational factors. Simplifying, TBS managers are rather democratic, laissez-faire, people-oriented, rigid, but also demanding, while Dominican managers seem to expect less of their subordinates and are autocratic and directive in style.

d. The Organisational Behaviour

Organisational behaviour describes the way people and processes work in an organisation. Organisation behaviour is influenced by the organisational values, norms, climate and management style. In regard to the behaviour of employees, those at TBS seemed more committed and co-operative than their Dominican counterparts, which were rather indifferent to their work output. Processes are much more frequent and varied in TBS than in Telecentro, where work is more compartmentalised. In TBS planning, innovating, delegating, co-operating, involving, and communicating are essential processes. In all departments there are scheduled planning meetings with different agendas. Work is delegated to the lowest possible level. Co-operation and involvement is secured through work groups. In Santo Domingo there are no processes aimed at suppressing the divisions between workers, functions, and departments. The gap was only bridged on an ad hoc basis through intervention from above.

e. Symbols, Rituals, Stories and Language

When talking about corporate culture we think first of all of general practices like symbols, rituals, stories, and language. The TBS employee ID card for example is required to be shown at all times inside the TBS building for security reasons. At the same time it has also become a status symbol, and is worn ostentatiously as it distinguishes them from non-TBS employees. Within TBS a particular semi-professional television related language has developed, that mostly adjusts English terms for Japanese use as, for example, CAMHERI for a camera rehearsal. It has to be noted that these terms are different from the language used
in other Japanese television networks. Rituals are represented in meetings, parties, etc. The internal and external design of buildings, office space, and recreational facilities also reveal and create corporate culture.

f. The Company Policy

At the staff or personal level the operation and content of reward systems, pay and fringe benefits, promotion and appraisal, recruitment and selection have all strong implications for the creation of values. Naturally, as there is both a formal and an informal structure, there may also be two sets of values: those the company proclaims and those it practices. For example, in TBS there are the same restaurants, the same health clinic, the same drugstore, even the same office space for everybody inside a department and these human relations considerations are in synchronisation with the stress that is put upon values like long service and loyalty, and the company resemblance to a family. In the big Japanese corporations outspoken values like loyalty must be practised both by employer and employee. This means that privileges like life-long employment and secured ascension in the hierarchy have to be guaranteed to the new employees entering the corporate family. If these practices were abolished, so would the existent corporate culture, because practices and reflecting values are interdependent and it is not possible to maintain a cognitive dissonance for a long time. The length of mutual commitment between Japanese employer and employee is one part of the explanations as to why transplanting so-called "Japanese Management" to other countries has failed so often, because it is not possible to put a machine to work if essential parts are missing. In this case, the parts being the underlying structural and cultural factors that support it. Actually the employees of the big Japanese corporations are not diligent by nature, nor do they work 16 hours a day in order to give their employer a free ride. They expect a commensurate contribution from their employer in the form of the substantial benefits mentioned, and if they do not receive them, they will not put in the same effort.
g. The Relationship to Structure

The relationship between structure and corporate culture is especially closely knit. The culture determines the amount of rigidity or flexibility of the structure, the extent to which informal accompany formal communication channels, the degree of compartmentalisation of jobs, the span of control, the layer of management, the degree of democratisation of the decision making. In regard to flexibility the contrast between Western top-down and Japanese bottom-up decision making is obvious. The authoritarian culture allows the Dominican “La loi c'est moi” owner-manager to easily adapt to changing situations by simply changing the rules. In Japan, ad hoc changes are rare but nevertheless, adjustment to changing conditions is always actively pursued and after being properly discussed swiftly executed. Both in Latin American as well as in Japanese companies the informal communication channels are very important. In the Dominican Republic the personal connections and loyalties not associated with the company are the real working channels, whilst in Japan the system of same year entrants allows it to disseminate information over functional borders to the benefit of the company. In TV Azteca the Latin preference for informal channels forms a cultural counter balance to structural rigidities that could result from the design of the organisation and its complex processes. In TBS, a specialised and huge company, the culture of a variety of assignments and frequent job rotation produces “multi-functional” TBS employees, who have worked in different departments and acquired very different perspectives within the same company during their career, in sharp contrast to the employees of Dominican Telecentro in their highly compartmentalised functions. Japan is a culture where hierarchy is very important. However, this structural factor is eased by the belief that “the group one belongs to is more important than the position one occupies within the group.”

Basing on Handy (1986, 1989), who offers a model which combines certain values to specific 'host structures', TBS and the Japanese television networks would be close to his 'task culture', the employees forming an open network without a
central point, while a Dominican television station, would be better described by the opposing 'power culture', a network around a central point, 'the boss'.

h. The Relationship to Company Systems

The relationship of corporate culture to systems becomes clear once considering the decision making process. In a Dominican company which embraces autocratic values decisions are taken top-down, while in Japan where the company is like a family, a Schicksalsgemeinschaft, all layers of the organisation participate in the decision making and the process becomes bottom-up. By opting for a total information system TBS, as well as TV Azteca, aim to increase efficiency and performance in all steps of television production and management processes. TBS was certainly motivated by the special values Japanese give to efficiency, control, information, and innovation, primordial to outperform the competition, the ultimate motive in this vertically structured society. In contrast, TV Azteca's corporate culture is heavily influenced by the personality of its owner-president Ricardo Salinas Pliego, a certified accountant and believer in the benefits of total information systems. The introduction of TV Azteca's Total Information System has turned this Mexican network into a company with less "Latin" and more "US" management values, that is to say with more emphasis in objective parameters provided by factual information and, hence, comparatively less leverage involving personal connections. For instance, with every employee working for his individual results (MBO), being monitored and having access to his individual performance, the whole organisation seems to become more individualistic.

I. Corporate Culture and Strategy

The link of culture to strategy is also easily drawn. In the Dominican Republic we find short-term profit oriented strategies, emanating from the century old culture of speculation, profit-taking and profiteering, while in the Japanese television networks market share and long term growth are the major strategic
considerations. Therefore, for Japanese TV stations, lifetime employment, bonuses based on the company's performance or heavy capital investment reflect strategic interests. TV Azteca's strategy emanates from the corporate policy of Elektra. Elektra's drive to become a multinational player in the Latin American retail market, by opting for cross-promotions with TV Azteca and TV stations acquired by TV Azteca in other countries, underlines the need to orientate TV Azteca into an organisation with a structure, systems, management, and personnel that enable the station to operate as the corporate headquarters of various TV networks all over Latin America. Hence, the steps to implement total information systems, expansion of capacity and increase in staffing. Hence, the effort to continuously educate the personnel. Hence, the importance given to transform TV Azteca from a Mexican company into a company with the corporate culture of a multinational organisation.

j. The Environment Factor

When considering the link between the environment and corporate culture, it becomes clear that the values of the Latin American and Japanese societies permeate into the corporate cultures of their organisations. The corporate culture of companies is, to a great extent, the product of the environment in which it is operating. Even if Japanese companies steep their new employees in their specific company values by a wide array of rituals and company rules (from company songs to collective morning physical exercises, from collective vacations to life employment), the company culture has also absorbed general Japanese societal values. Like the emphasis on loyalty or the ie model, in which the company assumes a family role for the employee, becoming their new loci of life, assuming the same roles and behaviour inherent to the traditional ie model (see p22).

In Dominican television companies there has, so far, been neither the vision, the will nor the means to foster a specific corporate culture. The corporate culture is, therefore, the unconscious result of situational factors and administrative action, mirroring the culture of its industry, and those of the society as a whole.
k. Titles

In Santo Domingo it is usual to address subordinates by their first name. Superiors are keen to be addressed using a title. The most frequent is “Licenciado” (equivalent to an BA), “Ingeniero” (Engineer) or “Doctor” (of law). When there has been a longer relationship, the superior is referred to as Don or Doña. The way a person is called is a little more complex in Japan. At the intra company level a person is normally addressed with the polite suffix san, for example, Lawrence san, the equivalent to Mr. Lawrence. However, when speaking of himself, the Japanese says “I am Tanaka” without the san. It is possible that the superior will call his new (younger) employees with the caring suffix kun, which is more personal. It is also frequent to hear superiors referred to, not by their name but simply by their rank. For example, bucho (which means department head).

At the inter-company level, when talking in the third person, the following applies: When, for example, a customer calls and politely asks for Tanaka san, then Tanaka’s secretary refers to Tanaka (without the polite san). The reason for this is that Japanese employees are strongly identified with the company they are working for and, hence, when dealing with people from other companies the same humble and polite forms apply.

I. Name Cards

In Japan name cards or mejis are indispensable for the smooth functioning of interpersonal relations within a company and with any unknown person in general. The meiji provides the hierarchical standing of its holder. The exchange of name cards during the introduction ritual provides the hierarchical ranking of the present group, which is indispensable for smooth communication. The relative hierarchical position of the other person is of utmost importance as language as well as behaviour are thereby influenced. The Japanese language allows for several levels of politeness which have to be applied according to the relative hierarchical standing. Furthermore, the differentiation the Japanese language allows is
mirrored in the bowing practice. The degree of inclination as well as the frequency of the bowing has to be commensurate with the relative hierarchical standing of the people involved. The exchange of name cards, therefore, allows for the precise determination of one's own relative hierarchical position.

3. The Influence of the Japanese Value System on Corporate Culture and Management

It becomes clear that the long-term, collectivist, and seniority orientation of Japanese management is the product of a corporate culture that reflects the overall values of Japanese society as well as the influence of Confucian philosophy.

The long-term and collectivist orientation for example, is the consequence of the fact that the value of an Japanese as an individual almost exclusively exists in being part of the group he belongs to which, nowadays, is his company, which has replaced the traditional focus of the *ie* (see p22). Furthermore, the Japanese perception of time is not chronological, they believe that their ancestors are around them, as they will be with their descendants when they themselves die. This all leads to the strong, everlasting organisational identification, the collectivist behaviour and, hence, to the priority that is given to the advancement of the organisation's interests in the long term. The seniority orientation stems from the Japanese time perception and the belief that the dead are still around, and also from Confucianism's influence.

The long-term orientation within the Japanese corporations leads to the following management characteristics:

- recruitment of a loyal workforce possessing potential
- life time employment
- long term research
- emphasis on growth and market share, rather than profit
- reinvestment of profits
- self-discipline.

The collectivist orientation leads to:

- rotation of workers in different work assignments
- company as a family with the employee's social life interwoven with that of his colleagues
- collective responsibility
- propensity to sacrifice and over-work
- peer pressure
- interdependency and cross-learning
- participatory decision-making with emphasis on harmony and consensus.

The seniority orientation leads to the following management characteristics:

- seniority system, with a large share of remuneration according to the time in the company, differing from the hierarchy of organisational ranks
- competition is channelled into advancement of the organisation, not of the individual, conflict is diminished
- older and higher-ranking employees have nothing to fear from delegating power, sharing information, recognising errors, or advancing the ideas of their subordinates, but are eager to do so, as their position is secured
- *sempai-kohai* system (senior-junior), mutual obligation (*giri-hon*):
Senior is like a mentor for the junior, protecting, teaching, advancing him. In turn, Junior is loyal, committed, deferent, respectful, and works overtime without remuneration.

4. Cultural Values according to Hofstede

In his remarkable analysis of a multinational company Hofstede (1980, 1990) structured cultural values along four dimensions:

1. **Power distance** is the extent to which people accept that power is distributed unequally. A low power distance would imply that people do not accept power inequalities.

2. **Uncertainty avoidance** is the extent to which individuals seek to control ambiguity. A high uncertainty avoidance would imply that people try hard to limit their exposure to uncertainty.

3. **Individualism** is the extent to which individualist behaviour is expected of people. A high individualism would imply that people prefer a society in which individuals and their immediate family are very independent, while a low individualism would imply that people prefer tightly-knit communities with strong bonds of loyalty.

4. **Masculinity** is the extent to which individuals have a preference for aggressive, object-centred behaviour. High masculinity would imply that people prefer achievement and assertiveness over sufficiency and caring relationships.

According to Hofstede's study, employees in Japan exhibit high power distance, very high uncertainty avoidance, collectivist behaviour, and are extremely high on the masculinity scale. We believe that employees in the Dominican Republic have, like the Japanese, a high power distance, the reasons and characteristics of this power distance, however, differ. As explained in Chapter III, in Japan the power distance is high because the whole Japanese culture is geared towards hierarchy.
In Japan vertical relations are much more important than horizontal relationships. The Japanese societal machine only functions smoothly if every person knows his place exactly, that is to say his hierarchical standing, in society, company, family. Nevertheless, the enormous power distance derived from the focus on hierarchy is counterbalanced by the almost equally important notion of in- and out groups. The belonging to a group protects the Japanese individual and gives him self-worth as the hierarchical standing of his group is, in the end, more important than his personal standing. Therefore, despite the high power distance, employer and employee, superior and subordinate, stand on common ground in Japanese companies.

In contrast, in Latin America the high power distance derives primarily from the marked class differences. Employer and employee do not have a common ground. The employer regards himself as a member of a higher class, which is totally separated from the class to which his employees belong. Even if Latin America has high scores on collectivism, this is first of all divisive, and applies only within a social class. It appears that Dominicans tend to be geared to the short-term and not long-term achievement and would, therefore, score low in uncertainty avoidance as well as on the masculinity scale. For Hofstede the culture of a company derives primarily from accumulated and shared social experiences and values of a wider social context. On the one hand, this underlines the point we made before, that the essence of Japanese corporate culture is not a creation of management but the consequence of the corporations’ strong roots in Japanese society. On the other hand, it provides an explanation for the corporate culture of Dominican television networks, which is only a mirror of Dominican society. In chapter II it has already been suggested that the set of values currently embraced by Latin American societies are still predominantly shaped by the easy and fast profit seeking speculation economy of the colonial era, as well as the Catholic faith (as opposed to the Protestant work ethic), trading heavenly rewards for endured misery against the immediate benefits of worldly achievement.
5. Manifestation of National Culture in Corporate Culture of Japanese and Dominican Companies

Fig 39 CULTURAL TRAITS ATTRIBUTED TO THE JAPANESE AND THEIR MANIFESTATION IN JAPANESE CORPORATE CULTURE

<table>
<thead>
<tr>
<th>Social values</th>
<th>Corporate manifestation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertical society (Oya-bun/ko-bun)</td>
<td>Loyalty to superior.</td>
</tr>
<tr>
<td>Corporation (le) has taken the role of ‘the house’ as the locus of life and gives identity to individual?</td>
<td>Loyalty to company.</td>
</tr>
<tr>
<td>Mutual obligations (Giri and Hon)</td>
<td>Reciprocity between functions and levels.</td>
</tr>
<tr>
<td>Soto and uchi (in-group and out-group)</td>
<td>Individual has only value as a member of a group. Confers self-control and commitment.</td>
</tr>
<tr>
<td>Omote and Ura (front and behind)</td>
<td>Harmony first priority. Therefore obsession with consensus and the bottom-up decision making process.</td>
</tr>
<tr>
<td>Confucian Philosophy (diligence and responsibility)</td>
<td>Pride in achievement, quality, and service.</td>
</tr>
<tr>
<td>Egalitarianism (dominant middle class, social mobility by merit)</td>
<td>Value of educational credentials. Recruitment of top-graduates.</td>
</tr>
<tr>
<td>Respect for age and tradition.</td>
<td>Seniority, life-long employment, age-group promotion, long term strategy.</td>
</tr>
</tbody>
</table>

This contrasts sharply to the values held in Latin America
### CULTURAL TRAITS ATTRIBUTED TO THE DOMINICANS AND THEIR MANIFESTATION IN DOMINICAN CORPORATE CULTURE

<table>
<thead>
<tr>
<th>Social values</th>
<th>Corporate manifestation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horizontal Society (personal network and loyalties, class conscientiousness)</td>
<td>Loyalty to friends.</td>
</tr>
<tr>
<td>Family <em>(familia)</em> is the locus of life and refers identity</td>
<td>Company is regarded as way to support family (money, nepotism).</td>
</tr>
<tr>
<td>Bias for non-action (heated discussions are frequent on the most insignificant topics without further consequences)</td>
<td>Lack of long term strategy. Trouble shooting. Much talking but no analysis.</td>
</tr>
<tr>
<td>Social ability (people are expected to have many friends and connections).</td>
<td>Power cliques are formed in and outside companies.</td>
</tr>
<tr>
<td><em>Machismo</em></td>
<td>Man only has value in the group/society if he can prove his power.</td>
</tr>
<tr>
<td>Catholicism (justifies status quo)</td>
<td>No interest in raising performance, quality, or service.</td>
</tr>
<tr>
<td>Elitism (rule of the economically powerful, value put on race and class)</td>
<td>Reflection of social divisions at work place.</td>
</tr>
<tr>
<td>Instant gratification.</td>
<td>Speculation - short term.</td>
</tr>
<tr>
<td>Morality bias. (Life is a struggle, the street is the jungle, everybody steals, so it is nothing bad)</td>
<td>No confident business practices. Fast money making.</td>
</tr>
</tbody>
</table>
F. Conclusion

In this chapter we showed that the cultural and socio-economic homogeneity of the Japanese people allow for a more participative kind of management than in the Dominican Republic, where the societal divisions by economic status and race are reflected at the work place, ranging from authoritative communication models to non-participative decision-making. The concept of leadership also varies enormously in the two cultural settings. While the Japanese leader has the primary function of maintaining harmony within the group, the Dominican leader is heavily involved in operational matters. We finally identified factors of Japanese and Latin American culture that foster the identification of the employee with his company.

After discussing the influence of the particular national culture on the communication, leadership, decision making and corporate culture of TBS, TV Azteca and Telecentro, we will take a close look in the following chapter at the impact of the national context on the structure of the surveyed television stations.
Chapter VIII
Organisational Structure and Labour Force

A. Introduction
In chapter VII, the informal side of relationships and roles within organisations were explored. These mainly related to the issues of communication, leadership and corporate culture, which are partly responsible for the behaviour of an organisation. In order to complete the picture, in this chapter, the formal side of roles and relationships in organisations are considered. The comparison of the organisational structures of TV Azteca, TBS, and Telecentro, will allow us to identify the main determinants of the country-specific characteristics of these companies and, hence, provide a further step to the answer to the central question of our research: What is more important for the business behaviour and management practice of a particular company, the national context or the industry it belongs to?

B. The Basic Elements of Structure
The structure of an organisation refers to the socially created pattern of rules and procedures, and the roles and relationships that exist within it (Dawson, p107), aimed at facilitating effective co-ordination and control. The formal structure materialises in the organisation chart, rule books, job descriptions, and committees' terms of reference. The formal structure has to be distinguished from the "informal" organisation which reflects the actual relationships and procedures maintained, rather than those which are officially "specified."

Mintzberg (pp3-7) holds that there are co-ordinating mechanisms which constitute the basic elements of structure:

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207 Roles are formally laid down in job descriptions, whilst relationships are established in organisation charts, written rules, and procedures.
- Mutual adjustment, which engenders the co-ordination of work by the simple process of informal communication.

- Direct supervision, which obtains co-ordination by having one individual taking responsibility for the work of others,

- Standardisation of work processes, when the details of defined tasks are specified or programmed.

- Standardisation of output, when the results of the work, for example the dimensions of the product or the performance, are specified.

- Standardisation of skills and knowledge, when the kind of training required to perform the work is closely defined.

Fig 41  THE CO-ORDINATING MECHANISM: A ROUGH CONTINUUM OF COMPLEXITY

No company relies exclusively on a sole co-ordinating mechanism, several are usually present. But a company can be characterised by its most pronounced co-ordinating mechanism. Which co-ordinating mechanism is used normally depends on the complexity and size of a company. Simplifying it, it is possible to say that
the more complex an organisation becomes the more urgent the need to change the primary co-ordination mechanism.

In the Japanese television company, the Tokyo Broadcasting System (TBS), the primarily co-ordination mechanism is mutual adjustment by the subordinates. The informal communication between members of a group is very high, while their superior spends most of his time on representative tasks rather than acting as a direct supervisor. The TBS's reliance on mutual adjustment is primarily based on cultural factors, which are reinforced by the complexity of its operations.

Fig 42 MUTUAL ADJUSTMENT

Source: adapted from Mintzberg, p4.

In the Dominican station Telecentro (TV13) the primarily co-ordinating mechanism is direct supervision. The superior gives orders and monitors their acquittal.

Fig 43 DIRECT SUPERVISION

Source: adapted from Mintzberg, p4.
Mintzberg (pp5-7) proposed three forms of standardisation:

- Standardisation of work processes.
- Standardisation of outputs.
- Standardisation of skills.

In the Mexican television network TV Azteca, the primary co-ordinating mechanism is also direct supervision, but it is also, to some extent, standardised, e.g. by the implementation and use of a complex Total Information System. The co-ordination mechanism is incorporated in the work programme itself. As a consequence, the need for continuing communication is reduced. The Programme Manager, for instance, has to complete pre-formatted report pages on his net-worked terminal with the performance data of his programmes (standardisation of work processes). As a result of this system of automatic reporting, his supervisor, at least in theory, will only communicate with him by exception when, for example, his programmes do not achieve some planned performance criteria (standardisation of output). The supervisor does not, therefore, have to control his subordinate directly in regard to his allotted tasks.

**Fig 44 STANDARDISATION**

According to Mintzberg (p6) "...the standardisation of skills achieves indirectly what standardisation of work processes or of work outputs does directly: it controls and co-ordinates the work." A reporter in Japan as well as a reporter in Latin America
can instantly work with a TV cameraman from either country. Each is trained to do an almost identical task and, for standard situations, such as a stand-up or an interview, hardly any communication is necessary between the reporter and cameraman.

Referring to the organisation as a whole, Mintzberg (II, p36) holds that "we can define a structure as bureaucratic to the extent that its behaviour is predetermined or predictable, in effect standardised (whether by work processes, outputs, or skills, and whether or not centralised)." Mintzberg (II, p36) differentiates bureaucratic organisations from more flexible work arrangements, which he refers to as organic structures, and which are not based on standardisation, but on the co-ordinating mechanisms, mutual adjustment and direct supervision: "We shall define organic structure by the absence of standardisation in the organisation" (Mintzberg, II, p36). The theory of bureaucracy was first developed by the sociologist Max Weber.

C. The Classical School of Organisation

Max Weber's "The theory of Bureaucracy" draws a descriptive model of the structure as well as the nature of highly hierarchical organisations. Together with Fayol and Taylor, the sociologist Weber builds the backbone of the classical school of organisation which promotes bureaucratic models to increase the effectiveness of administration.

1. Weber's Bureaucratic Organisation

Weber's ideal bureaucratic organisation features eight structural characteristics:

1. Formalization of rules, regulations and procedures: Standardised actions facilitate the direction of the organisation's members.
2. Specialisation of roles and functions: The division of labour simplifies the activities of the individual in complex work situations, and thereby increases his productivity.

3. Hierarchising formal authority: Power is impersonal and legitimised by the assigned function within the organisation.

4. Emphasis on qualification: The worker is assessed on his ability to accomplish the tasks of his assigned position within the organisation.

5. Interchangeability of personnel: Different people can accomplish the same activities in the organisation. The task is independent from the worker.

6. Impersonality and professionalism: Workers exclusively pursue the organisation's interests in their assigned tasks.

7. Detailed job descriptions: The clear designation of the limits of formal obligations and work responsibilities, which effectively communicate to the worker what is expected of him by the administration.

8. Rationality and predictability: Rational and predictable rules are essential for achieving the goals of the organisation.

2. Fayol's Administrative Theory

While the bureaucratic theory offers the descriptive lay-out of an "ideally" structured organisation — the bureaucracy, the administrative theory suggests specific strategies of implementation. In 1916 Henry Fayol identified in General and Industrial Management his 20 "principles of direction" designed to put the descriptive principles of the bureaucratic model into action. These principles of direction are:

1. Planning. The directors analyse the organisation and its environment, establish objectives, identify necessary human and capital resources and design strategies for the achievement of these objectives.
2. Organisation. The directors assign the personnel and capital resources.

3. Orders. The directors direct the activities of the organisation's members in order to achieve its objectives.

4. Co-ordination. The directors co-ordinate the activities of different groups within the organisation in order to achieve its objectives.

5. Control. The directors use their authority in order to assure that the members of the organisation fulfil their assignments and keep its rules.

6. Division of labour. Authority legitimises the directors' use of power, and also the control needed for the direction of the organisation.

7. Discipline. All members of the organisation are bound to abide by the rules and face punishment for any contraventions.

8. Unity of command. For clarity of working relations and the identification of authority, as well as the responsibility each member of the organisation has to act on orders from only one person.

9. Chain of command. Each member of the organisation responds directly to his superior and has to control his subordinates directly.

10. Unity of direction. This principle puts the welfare of the organisation above that of its individual members, establishing that all of them have to work towards the accomplishment of the organisational goals.

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208 Please compare with the second principle of bureaucracy of Weber.
209 Please compare with the third principle of bureaucracy of Weber.
210 Please compare with the sixth principle of bureaucracy of Weber.
211 For emergencies Fayol proposed a horizontal channel of communication (the 'Fayol bridge'). In Latin America informal communication channels and power structures between employees of different departments counter-balance as some form of 'Fayol-bridge' the direct chain of command; so do informal information channels between Japanese employees from the same entrance year into the company or the communication between group members.
212 Please compare with the sixth principle of bureaucracy of Weber. Japanese organisations definitely have a strong unity of direction. Please refer to the paragraph on corporate culture and motivation.
12. Subordination of the individual\textsuperscript{213}. Basically, the same principal as Number 11. The individual has to be subordinate to the bigger group and act in the interests of the organisation.

13. Remuneration. This principle is based on the assumption that employees are primarily motivated by financial rewards and holds that they have to be compensated in proportion to their productivity\textsuperscript{214}.

14. Centralisation of power\textsuperscript{215}. Direct hierarchic supervision and the control necessary for the achievement of the organisational goals puts a natural limit on the degree of decentralisation.

15. Order. All activities within the organisation have to be clearly designed and accomplished.

16. Equality\textsuperscript{216}. Objective and impartial rules have to apply when dealing with the organisation's personnel.

17. Stability of employment\textsuperscript{217}. The organisation secures the employment of the worker if he abides to its rules and does a good job.

\textsuperscript{213} Please compare with the sixth principle of bureaucracy of Weber. This principle is re-enforced in Japan due to cultural factors which put emphasis on the group, and diminish the value of the individual when separated from his group.

\textsuperscript{214} TV Azteca follows this principle with its MBO approach and three-month bonuses based on performance.

\textsuperscript{215} Please compare with the third principle of bureaucracy of Weber. Dominican organisations especially subscribe to this principle. In Telecentro all important and most of the not so important decisions need the authorisation of the administration. In the process of becoming a company with international operations TV Azteca has to decentralise its operations. However, even if its (partially owned-) channels operate independently, they will be integrated into the TV Azteca's Total Information System in order to execute a subtle but immediate control (based on information obtained by the author during interviews with TV Azteca's financial department).

\textsuperscript{216} Please compare with the first principle of bureaucracy of Weber. TV Azteca abides by this principle, while the Japanese network TBS goes even further. The core work force of TBS enjoys a practical life-time employment guarantee. This guarantee has to be assessed in the context of Japanese work relations. The structure of TBS is not designed to assess the performance of individual employees but of work groups. While a weak member of a group, whose personal performance might be low, integrates into the group process and demonstrates high loyalty to the group and company, the group will cover for this member. Employment stability depends in Japan, therefore, more on loyalty and integration than simply on performance. Certainly, the economic recession of the Japanese economy will slowly increase the importance of individual performance in order to assure the productivity of a company.
18. Initiative. All members of the organisation have to work for its interests at all times.

19. Solidarity. This principle puts emphasis on the importance of loyalty and an emotional bond between the employee and his company, as it will increase the overall performance of the organisation.

20. Line and personnel functions. The division of line and staff functions (research, personnel, etc.) assures a more effective functioning of the company.

D. Models of Organisation

1. Degree of Control and Authority

Hickson and Hinings (p123) proposed analysing the structure of an organisation by determining its degree of personal control, structure, and concentration of authority. An organisation with a high degree of impersonal control, a high degree of structure, and a high degree of concentration of authority would be a "full bureaucracy" in the Weberian sense. Applying this model Telecentro would have a high degree of personal (line) control, a medium degree of structure, and a high degree of concentration on authority and, hence, a "nascent personal authority". In TBS we find the contrary, a medium degree of personal control (in fact, control is more likely to be exercised through company culture and self-accountability), a low degree of structure at department level, and also a low degree of concentration of authority. Hickson and Hinings describe this kind of organisation as a "pre-work flow bureaucracy."

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218 In Japanese companies the solidarity works two-ways with a mutual commitment by both employer and employee. Please refer to the chapter on Japanese culture and Japanese management.
2. The Contingency Theory

As to the structure of organisations, the contingency theory establishes a relationship between internal factors (age, size, technologies, product, capital) and external ones (markets, economy, policy). Its basic assumption is that the more complex and uncertain the environment, the more organic and flexible the structure of the organisation.

3. Mechanistic versus Organic

Burns and Stalker (1961) also refer to two types of basic structures: the mechanistic and the organic. The mechanistic structure centralises information and decision-making at the top. Subordinate management layers have precisely defined responsibilities and vertical communication channels. This structure is considered appropriate for stable environments. On the other hand, organic structures deal well with fast changing environments. In this type of structure horizontal communication is important, and generally information disseminates freely because there are no stringent or exclusive channels of communication. The functions of the individuals, as well as their associated responsibilities and authorities are not clearly defined and more easily adjust to changing circumstances.

Even if the formal structure of TBS — because of size, complexity, and the importance attached to hierarchy — resembles the mechanistic, in reality, the interactions between the personnel tend to be organic. Employees in the production department often change project teams, and at a company level they are often rotated between departments. Furthermore, the life-time job guarantee, the promotion of year groups, as well as the pronounced esprit de corps helps the establishment of a vast net of informal horizontal communication channels. This informal structure is an overlay to the formal mechanistic structure, giving flexibility to the well-oiled machine.
4. Mintzberg's "The Structuring of Organisation"

a. The Five Dynamic Parts

Mintzberg in *The Structuring of Organisations* puts forward his concept where organisations are basically comprised of five dynamic parts: the operating core, the middle line, the strategic apex, the techno-structure, and the support staff.

Mintzberg (pp24-35) lists the following as the dynamic parts he identified:

The operating core of the organisation consists of those who perform the basic work directly related to the production of products and services, that is to say, the operators. The strategic apex ensures that the organisation accomplishes its mission effectively, and that it also serves the interests of those who control or otherwise have power over the organisation (such as the owners, government agencies, trade unions, and pressure groups. The middle-line is made up by the managers who serve as an interface between formal authority, the strategic apex, and the operating core. The control analysts of the techno-structure comprises those who work to implement standardisation in the organisation. Finally, the support staff is made up by those great number of units, all specialised, that exist to provide support to the organisation outside the operating work flow, e.g. research and development, catering, internal lawyers, payroll, public relations, and the mail room. Typical support staff for a television channel would be those in the video library and media research.

b. Five Organisation Forms

These parts configure, depending on internal and external factors, with five specific forms of organisation: the simple structure, the machine bureaucracy, the professional bureaucracy, the divisionalised bureaucracy, and the adhocracy. Mintzberg (II, p23) in *Structure in Fives: Designing effective organisations* defines the characteristics of these specific forms of organisation in the following way:
"- Simple Structure, based on direct supervision, in which the strategic apex is the key part.
- Machine Bureaucracy, based on the standardisation of work processes, in which the techno-structure is the key part.
- Divisionalised Form, based on the standardisation of output, in which the middle line is the key part.
- Adhocracy, based on mutual adjustment, in which the support staff (sometimes with the operating core) are the key part."

c. Application to Dominican Networks

It is impossible to label the television networks we have been examining with one of his schemes. However, as Mintzberg's "Simple Structure" organisations have:

- Little or no techno-structure and support staff.
- A loose division of labour.
- A low degree of specialisation.
- A small managerial hierarchy.
- A hierarchical form of control and direct supervision.
- Centralisation of important decisions.
- The domination of the strategic apex, often consisting of only one or two people,

it is the Dominican networks, that most closely adhere to this structure.

d. Application to Japanese Networks

The Japanese networks cannot be fitted into one of Mintzberg's organisation forms. They do, however, possess some of the attributes of Mintzberg's
The adhocracy features as its prime co-ordinating mechanism mutual adjustment which is in close proximity to Japanese group-oriented work behaviour. Reliance on mutual adjustment as the prime co-ordinating mechanism results in an elevated need for communication between all employees to an extreme which could be seen as inefficient. This organic working relationship between employees, with over-staffing and an enormous time investment in communication bears a striking resemblance to the situation within TBS. Furthermore, in Mintzberg's adhocracy the support staff, together with the operating core, form the key part of the organisation, with the main organisational design parameters being liaison devices (the Japanese decision-making process), organic structure (job rotation, participation, and flat but effective hierarchies), and functional grouping (typical of the working practices in television networks). In the adhocracy, the decentralisation (of decision-making power) is selective, both vertically and horizontally, as Mintzberg formulates (II, p257): "Decision-making power is distributed among managers and non-managers at all levels of the hierarchy, according to the nature of the different decisions to be made." This approximates to the participatory work culture in Japanese companies. In their organisations the decision-making power is also decentralised and selective but, at the same time, is always a collective endeavour. The support staff was seen by Mintzberg to increase the autonomy of the organisation by including functions like in-house catering or a mail room.

In TBS, the support staff has maximised this dimension by providing human relations oriented services for the employees such as a medical clinic, a bank, a chemist's shop, a general shop, and several restaurants and cafeterias within the company building. There are also work oriented facilities like a media library, media research, and legal and international departments etc. A second dimension has also been added to the TBS organisation, which has something in common with Mintzberg's (II, p259) administrative adhocracy, that "makes a sharp distinction between administrative component and operating core." Indeed, in TBS a striking structural differentiation between its actual employees, and those who

\[219\] Mintzberg, II, pp253ff.
are employed within, and work for TBS, but are not on the payroll of the company can be found. These freelance workers, a support staff, carry out the operating functions of the network (from assistant directors to secretaries). They have literally taken over the traditional job of the operating core, concentrating TBS employees in the middle line of management handling the problems, as the leaders and supervisors of the non-TBS workers.

The line that Mintzberg draws between the strategic apex and the middle line is naturally diffused in Japanese companies because of the way decisions are taken and where authority is positioned. Even if strategic decisions are not literally taken from the bottom-up within the core work force comprised of TBS employees, the decision making process does rely on discussion and approbation at all organisational levels. Furthermore, there is no real techno-structure in the sense of a group that establishes and maintains the administrative and technological controls which standardise and specify activities, outputs, and skills relevant to the operating core and the middle lines, in TBS or in Japanese companies in general. Workers are expected to acquire their skills by observing their assigned superior over several years. This, together with the emphasis on group instead of individual performance, can result in low quality technical output when compared with other television companies like the BBC, CBS, or NBC despite TBS's huge financial resources. Perhaps the sole reliance on cross-learning and observance, as well as the lack of a techno-structure which would press for quality and process standards, and standardised learning procedures are accountable for this situation, in which neither technicians nor creative staff have to formally study their craft and obtain accepted qualifications in order to exercise it. Japanese television is, however, way ahead, in quality and content, of Dominican television, where both financial resources and professional capability are in short supply.
E. Organisational Design

The basic work processes and functions of every company are production, marketing/sales, finance, purchasing, and personnel. Some enterprises organise their work force according to these functions, yielding a functional structure. Others organise their employees upon other criteria such as product groups or on a geographical basis. Others still mix functional criteria with product considerations and go for a matrix structure.

1. Criteria of Organisation

   a. Mintzberg's Grouping Categories

Mintzberg (II, pp48-50) proposes the following model in order to categorise this kind of grouping of workers into units:

1. Grouping by knowledge and skill.
2. Grouping by work process and function.
3. Grouping by time.
4. Grouping by output.
5. Grouping by client.
6. Grouping by place.

The most characteristic grouping is by work process and function. All television networks subscribe to this basic structure with at least the following departments\(^{220}\): programming, production, sales, engineering, finance, and administration (the operations of each function is discussed in detail in the next chapter). Depending

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\(^{220}\) Most of the Dominican networks have the same formal structure with a network president, who is normally the biggest stockholder, then a general executive administrator, and then a layer of administrators for the functions of accounting, programming, news, sales, and engineering.
on the size and complexity of a television network, however, most of the other groupings can also be found.

Grouping by time can, for example, be found within the engineering and production department where several shifts cater for the 24 hour operation of the channel.

Grouping by output can be found within the programming department where each manager is in charge of one programming block (product).

Grouping by client can, for instance, be found in the sales department where each sales person is assigned customers in a specific industry.

Grouping by place may be found in the news department where journalists are grouped into local, national, and international news.

**b. Determinants of Organisational Structure**

If has been argued by P.A. Lawrence and R. A. Lee (p37), that the determinants of structure are:

- Size, which involves explaining why TBS, which is a much bigger company than TV 13, also has a much more complex structure.

- Independence of the unit of analysis from the larger entity. This is important considering the close inter-relatedness of TBS with the production companies in which they hold a stake.

- The particular operating exigencies in the industry.

An established structure which is the product of historical considerations can be out of synchronisation with today's requirements. In this case, the attempt to change the structure to fit the new environment may encounter resistance from the groups which have vested interests in the current system. Therefore, each
organisation should aim at creating a structure that combines appropriate levels of control and co-ordination.

c. Relationships within Organisations

Two axis can be differentiated when analysing the relationships within an organisation. First, the vertical axis or hierarchy, dealing with the dimension of control and resistance and, second, the horizontal axis dealing with the dimension of co-ordination and fragmentation.

(1) Vertical axis

There is a inversely proportional relationship between management layers and the span of control, that is to say, the more hierarchical levels within a given organisation, the fewer people on average a superior has to control. In companies with many management layers, the control of the subordinates tends to be higher. In TBS, the hierarchy is differentiated in order to assign every employee a precise position in the organisation which provides relief from the anxiety of not knowing how to interact with other employees. (In the chapter on Japanese culture, the vertical structure of its society, and the important implication for interpersonal contact in language and modals are discussed).

(2) Horizontal axis

There are basically two ways to organise the work of an organisation: First, the functional structure, in which the corporate tasks as a whole, such as production, engineering, or sales, are concentrated into specialist departments. The main advantage of this structure is efficiency within the departments because of the synergy between them. The disadvantage is the bureaucratic overload and co-ordination costs between the departments, as well as the greater distancing of the customer. The second type is the product organisation, which splits its structure
into product divisions, headed by managers who oversee their own micro organisation and departments. In reality, there is a continuum between the functional and product organisation and most companies adopt features of both resulting, for example, in organisations with a matrix or divisional structure. Often, the structure of a company has to be transformed as it grows, in order to adjust to the different requirements of size and markets. Most frequently, a functional structure is adopted in the founding phase, which transforms into a product structure as the company grows. The functional structure of Telecentro, and television networks in general, is a good example of this adaptation. In TBS, a company of a much larger size which operates in a sophisticated market, elements of other structures have had to be included.

2. Differences between the Japanese and Dominican Management Structures

a. Comparison of Hierarchies

Japanese companies in general are highly structured hierarchies. There is the keieishasó (top management), the kannrishasó (middle management), and the seishain (management cadre). The following hierarchy does not include the wide range of categories and positions created to grant a "formal" promotion to a wider group of employees.
### Fig 45 COMPARISON OF JOB TITLES

<table>
<thead>
<tr>
<th>Japan</th>
<th>Dominican Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>yakinkai</td>
<td>Board of Directors</td>
</tr>
<tr>
<td>kaichō</td>
<td>Chairman</td>
</tr>
<tr>
<td>shachō</td>
<td>President</td>
</tr>
<tr>
<td>keieisha</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>fukushachō</td>
<td>Vice President</td>
</tr>
<tr>
<td>senmu torishimariyaku</td>
<td>Managing Director</td>
</tr>
<tr>
<td>jōmu torishimariyaku</td>
<td>Executive Director</td>
</tr>
<tr>
<td>torishimariyaku</td>
<td>Board Director</td>
</tr>
<tr>
<td>kansayaku</td>
<td>Auditors</td>
</tr>
<tr>
<td>buchō</td>
<td>Head of a department</td>
</tr>
<tr>
<td></td>
<td>General manager</td>
</tr>
<tr>
<td>jichō</td>
<td>Departmental Administrator / Deputy Head of Department</td>
</tr>
<tr>
<td></td>
<td>Administrador de Departamento</td>
</tr>
<tr>
<td>shichō</td>
<td>Office Manager</td>
</tr>
<tr>
<td>kachó</td>
<td>Section Chief</td>
</tr>
<tr>
<td>kachó-ho</td>
<td>Assistant Section Chief</td>
</tr>
<tr>
<td>kakarichō</td>
<td>Section Leader</td>
</tr>
<tr>
<td>shunin</td>
<td>Group Leader</td>
</tr>
<tr>
<td>chūken Shain</td>
<td>Middle level staff</td>
</tr>
<tr>
<td>shinnyū Shain</td>
<td>New recruits</td>
</tr>
<tr>
<td></td>
<td>Jefe/Encargado de Departamento</td>
</tr>
</tbody>
</table>

Source: Japanese section on table taken from Ozaki-Ward

With eight levels of (only) top management, the formal Japanese management pyramid has lost most of its geometrical shape. Why? The high number of management levels make it tall like a sky scraper, while collective promotions extend the executive levels horizontally. The formal structure resembles more of a square than a pyramid. Furthermore, the ex-employees on low pensions try to stay
in part time positions as advisors, counsellors, and honorary chairmen long after their productive working life (compare Okazaki-Ward, p123).

In the Dominican Republic the spectrum of control is rather large, there may also be an unclear line of command, but the company president, the administrator, and the department chiefs are recognised, followed, and give shape to the pyramid.

b. Comparison of Top Management

In the Dominican Republic the chairman of the board of a television network is always a member of the owning family. The Managing Director, the Gerente, may be a trusted manager.

In Japan, the boards do not represent outside interests, such as the shareholders, because the members all come from within the ranks of the company's senior middle management. Together with the practice of life-time employment this has two major implications (compare Okazaki-Ward, p115):

- All lower managerial ranks are motivated in their work by the theoretical possibility of eventually becoming a member of the Board of Directors or even the President.

- The Directors have been inculcated throughout their whole working lives with the company's values and philosophy; they feel like inseparable members of the corporate family and are well disposed to place its interests before their own.

The only "outsiders on the board" may be retired high-ranking bureaucrats, who "descended from heaven" (amakudari) and are given top management positions down on earth, or executives sent by the parent company. By appointing bureaucrats, the companies attempt to "draw on their experience" and smooth their relationships with the mighty Japanese bureaucracy. Others might just call it a monthly kick-back in form of a salary cheque. The boards of large Japanese
corporations usually have 30 to 40 members, the majority of them being either Executive Directors, *jomu torishimariyaku*, or plain Board Directors, *torishimariyaku* (Okazaki-Ward, p115). The board of TBS consists of 22 members. Directors lose their employee status when they become members of the board.

The whole board usually meets once a month in the *keiei kaigi* (business meeting), principally to make decisions about the company's personnel. The main body for corporate level decision making, however, is a smaller executive body called *jómkai*, which includes the executives from the managing director upwards. From the Vice Presidents downwards however, the board members also have some line-management responsibilities, such as running departments, units, or business divisions. This does not lead, however, to a conflict of loyalty on the part the *torishimariyaku* between the interests of the division he leads, and the interests of the company as a whole, when exercising his function as a board member. Instead, it forces the *torishimariyaku* to raise divisional problems and for the board to find solutions.

The Chairman (*kaichó*) is usually a former President of the company. His function is mostly representative, and his most important job is to designate the next president and give him legitimacy. When the Chairman does not appoint the next president (*shachó*) based on the criterion of seniority but on merit, the Japanese speak of *batteki jinji* (appointment on merit from the junior ranks). Changes in the Presidency normally occur after the announcing of the company's results in May. The re-election of a President every two years is assured, because he alone appoints and dismisses the members of the board.

c. Comparison of Middle Management

The *buchó* can be the head of a department, a General Manager of a factory or a store, or a Branch Manager. The Dominican equivalent would be the *Gerente*. The position of *kachó*, Section Chief, is the first real managerial post in a Japanese company. The equivalent in a Dominican company would be the *Encargado*. 
Between these two grades, however, the Japanese have at least two more levels: the Jichó, or Department Administrator, and the Shichó, or Office Manager.

d. Comparison of Management Cadre

In a Japanese company, before arriving at a real managerial rank starting with the buchó, employees have to climb a defined promotion ladder during their first 12 to 15 years with the organisation. These first years are characterised by overtime, on-the-job-training, and absorbing the corporate culture. In Latin America, graduates become managers (Ejecutivos) much earlier. One of the main reasons for this, is the shift to more professional and international management of companies in this age of globalisation, which makes the incorporation of new, preferably US American management theories necessary. The importance of this new class of "Latino Yuppies" is reinforced by the high demands of growing economies and the limited number of qualified university graduates (with even a smaller number having studied in foreign countries).

### Fig 46  PARALLEL GRADING SYSTEM

<table>
<thead>
<tr>
<th>Shokuno-shlkaku</th>
<th>Posts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bucho</td>
</tr>
<tr>
<td>Sanyo</td>
<td>X</td>
</tr>
<tr>
<td>Huku-sanyo</td>
<td>X</td>
</tr>
<tr>
<td>Sanji</td>
<td>X</td>
</tr>
<tr>
<td>Huku-Sanji</td>
<td>X</td>
</tr>
<tr>
<td>Kanrishaho</td>
<td></td>
</tr>
<tr>
<td>Senmonshoku 3</td>
<td></td>
</tr>
<tr>
<td>Senmonshoku 2</td>
<td></td>
</tr>
<tr>
<td>Senmonshoku 1</td>
<td></td>
</tr>
</tbody>
</table>

The Japanese have devised a parallel grading system (shokunō-shikakuseido) in order to alleviate the pressure for the limited amount of available positions for promotion. This grading scheme consists of six to nine steps, the relation to the hierarchical positions being loose but important. This system consists of creating positions void of authority, responsibility, and functions, and has no actual impact on the group oriented work processes within a department. But it does alleviate the pressure by the employees to determine their precise hierarchical position in the complex company organisation, something which is necessary for their interaction.

e. Comparison of the Importance of Seniority and Hierarchy

In Japanese companies the graduates who enter its work force in the same year are the dōhai. They identify strongly with their group and rely on their dōhai network throughout their working lives. The dōhai also acts as the benchmark against which they can measure the success of their own careers. The senpai are the employees that are ahead of a new employee, and the kōhai are the employees that entered the company after him. The concept of senpai and kōhai underlines the parallel hierarchy in a Japanese company. There is the detailed hierarchy of ranks and positions on the one hand, and the parallel hierarchy based on seniority on the other. An executive on the fast track has to show the utmost respect for a senpai on a lower rank. The focus on seniority, however, leads, in the extreme, to the collective promotion of the dōhai group, creating a wide range of "reigns without power and citizens" for those only promoted because it was also their turn. The reverence the Japanese show for the elder employees is not present in Latin American companies, where standing and respect is determined by the individual's social skills as well as his power base within the organisation.
F. Labour Relations

1. Workforce

TBS has 1576 employees (January 1995). This figure does not include the television personalities who have special contracts, or the employees of independent production companies who work for TBS inside its building. It also uses a type of inter-divisional mobility as the employees of the radio division sometimes transfer to television and vice versa.

TV Azteca has about 2,000 permanent employees which are called *personal de confianza* (personnel of confidence). The *personal de confianza* is supplemented by staff without permanent contracts. These are the producers of television programmes, artistes, etc.

TV Azteca finds itself in a phase of high expansion. All the surveyed executives indicated that the departments are in a recruitment frenzy and that their staff can double or triple in a few months. Of the personnel employed in the News Department, for example, 90% have worked for TV Azteca for less than one year.

In all areas of TV Azteca the personnel’s gender split is quite equitable. As a result, the proportion of women employed is much higher than in TBS or Telecentro. Also, the average age of TV Azteca’s employees is much lower than that in the other two channels.

Telecentro is much smaller and has about 35 employees (January 1996). This figure does not include performers, producers using rented programme space, or security personnel. The company’s employees do not have very specialised functions, and the technical staff, for example, are expected to execute a wide range of different tasks.

Japan’s dual industrial structure with the large corporations relying on small subcontractors, repeats itself with a dual labour market. Japanese with sound professional qualifications enter the big corporations, attracted by good employment conditions, including extensive social welfare, life-long employment,
and continuous education. The Japanese who are not able to enter the larger corporations work for smaller companies and neither earn attractive salaries nor enjoy job security, and have no promotion prospects. In the TBS production department there are also two classes of workers. Those who are full employees of TBS, and other workers who are not employees. Being an employee of TBS gives a range of privileges, including job security and much higher pay. But obtaining that status is not easy. TBS only hires graduates from the top universities (Tokyo, Waseda, Keio, Sophia, Kyoto), who pass the tough entrance examinations. If a person has obtained outstanding qualifications in his profession in another company he might be accepted as a TBS employee later in his career. For example, a director of the "Amazing animals" programme was previously the chief editor of a very well-known weekly magazine about animals. The programme has three management layers. At the top is the producer of the programme, then comes the chief director, the director, the location director and the assistant directors. The bilingual secretaries who help with the co-ordination are generally expected to look after the staff functions. Assistant directors are not TBS employees, but freelancers or employees of production companies. They earn very little by Japanese standards (under US$2,000) a month, do not receive pay for extra hours or any other benefits. Their educational background did not permit them to become TBS employees, so they hope to become a director on this alternative track which, if they should succeed, takes three years longer. Their different status is obvious. Their office is in a central part of the building, and not in the spacious and well lit production department. Their identity cards do not permit them to purchase food at the TBS restaurants, and they earn no extra remuneration for overtime hours. As easily as they are recruited, they are also terminated. A new TBS employee who also starts as an assistant director, is immediately paid better than his freelance counterparts, and he also enjoys a higher social standing. After becoming familiar with the basic work he will then be put in charge of the assistant managers. If the management is unhappy with the work of a TBS employee he is not dismissed, but probably transferred to a keiretsu, a company associated with TBS by a cross shareholding. For example, TBS has
no editing or master audio rooms for its production departments (with the exception of news). It does everything via companies like TVC, which is in part of the group to which TBS belongs.

2. Working hours

In TBS, the administrative departments mostly work normal office hours. In the production departments, however, working days and hours vary greatly, depending on the programme. As a general rule, those in the production departments come to work around noon, and stay until late into the night. The staff of "Broadcaster", a weekly news magazine broadcast on Saturday nights, for example, do not work on Sundays and Mondays. All the staff, however, except the senior producers work right through Friday night and do not sleep until the programme has been broadcast.

In Telecentro, attendance and punctuality, especially in the management positions are not of utmost importance. In general, blue, as well as white collar employees do not work extra hours. Technical staff such as camera operators, lighting technicians, etc. also work at other television companies and must, therefore, leave on time.

3. Remuneration

In 1986 a president of a Japanese company was, on average, paid 8.5 times more after tax than a new graduate entrant (see Okazaki-Ward, p123). In Telecentro, the highest paid person in the company, President Jimenez, earns RD$25,000 a month, about 13 times the salary of the lowest paid employee. Technical workers earn RD$2,000 a month for an 8 hour, 6 day working week (about US$160). Administrative positions command salaries starting at RD$2,000 a month. The salary is split and paid in two tranches, on the 15th and at the end of the month.
The total health insurance premium for the employees is about RD$10,000 per month.

All the members of the TBS core work force have special carnets with which they have to log on at special computers and enter their daily working hours, as they are paid for overtime. Employees of the companies who work with TBS in the production department, however, do not receive overtime pay. Members of the TBS core work force also enjoy retirement and severance benefits.

In TV Azteca the remuneration is designed to form an essential element in the motivation or the workforce. Each employee has to meet the certain numerical objectives which he determined with his superior, and to which he committed himself. Depending on the meeting of these quarterly objectives, the employee can earn a bonus not exceeding one month's salary every three months. The objective of an account executive in the sales department is to exceed a certain amount of billing, whilst that of a programme manager is to obtain determined minimum ratings for his programmes.

4. Education

In the Dominican Republic, production staff normally have no tertiary education at all, not even having attended technical courses in television production. It is not unusual, that in order to enter the production department in a Dominican television station, one has to spend several months as a "training period" in the company without pay, assisting the regular employees.

"Indoctrination is the label used for the design parameter by which the organisation formally socialises its members for its own benefit" (Mintzberg, p97).

\footnote{TBS has retirement and severance plans that provide for lump-sum payments based on current rates of pay and length of service for employees who retire or terminated their employment for reasons other that dismissal. Payments in connection with voluntary severance are less, in amounts varying with length of service, than payments for involuntary severance of retirement (TBS: Annual Report April 1995 - March 1996: Financial Section: Notes to non-consolidated financial statements).}
In Japan, what is more important than acquiring certain technical or professional skills is the blending of the new employees into the organisation. They have to fit in. The core work force (even the technical staff) in the TV stations is mainly recruited from graduates from the best universities. Normally they have to pass tough entrance examinations in order to enter the biggest networks. These elite employees are the gravitation centre of the television network, surrounded by many employees who belong to subcontracted companies. When the new recruits arrive at TBS they are given precise instructions about their behaviour and are rotated for a year through several departments where they have to observe closely the work of their new colleagues before being allotted their own tasks.

TV Azteca looks for well qualified employees and offers the possibilities of continued education while working for the company. After entering TV Azteca those who come from a university receive a two week general course on issues relating to television. After this, further learning is mainly "on the job" and is, therefore, specific to the functions of the department where they are employed.

5. Technology

Telecentro works primarily with the out-dated U-matic format for programming. Independent producers, however, also work with S-VHS or 8mm formats that do not have "broadcast quality". All lighting, transmission equipment and editing equipment is old and in a bad condition. During the research period, however, Telecentro invested heavily in new equipment changing from U-matic to BetacamSP and even buying a non-lineal editing island for the creation of bumpers and announcements.

TBS, which opened its new broadcasting centre in Tokyo in 1995, is fully packed with high technology. Like every Japanese top network TBS gathers news in the

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Telecentro is the only Dominican VHF channel that owns a non-lineal editing island, a Media 100 that allows a compression of 2:1 which equals the high-end D2 format. With this equipment TV Azteca totally re-designed the face of the channel, that is to say the bumpers
BetacamSP format which is later, during the post-production period, transferred to the digital format D2\textsuperscript{223}. All the studio productions and the fully automated video library system are in digital format and therefore at the cutting edge of technology. TBS produces and broadcasts programmes in High Definition Television, and has modified its production and broadcasting equipment to respond to the requirements of EDTV II (wide-screen television).

Most of TV Azteca's inter-departmental processes are fully integrated over the company's intranet and several function-specific proprietary software programs. The production process of the News and Production Department are digitised to a high degree with full digital post-production on non-lineal editing platforms. TV Azteca's news department, however, switched from the "world-standard" and high-end analogue BetacamSP format to Panasonic's new (digital) DVC Pro format, mainly because of cost considerations\textsuperscript{224}.

\textsuperscript{223} D2 is a composite digital audio-visual transmission system which produces higher quality images and sound than the analogue component BetacamSP format, while reducing deterioration caused by transmission, processing, and storage.

\textsuperscript{224} Sony enjoys a virtual monopoly, and hence, monopoly profits, in BetacamSP equipment, which is used by most international television channels. Panasonic claims that DVC Pro performs equal or better than BetacamSP. As most TV stations face, however, enormous barriers of exit in the form of multi-million dollar investments in non-compatible BetacamSP equipment, the success of any new standard is precarious.
G. Conclusion

Determining the causality in the relationship of structure and performance is difficult, maybe impossible. "Do I adopt a rigid, controlled structure because, for example, sales are declining, or do sales ultimately decline because I adopted a rigid, controlled structure, that leaves no room for the operating core to adjust to the needs of the clients?" Indeed, the consideration of structure only describes the mechanisms for co-ordination and control from a managerial point of view, but falls short of explaining the behaviour of employees. Therefore an examination of the structure can only serve as the departure point for an analysis of the culture, systems, operations, etc. which are needed in order to evaluate an organisation in all its complexity. In chapter VII we already analysed the role of culture and processes, in the following chapter we will take a detailed look at the operations of the surveyed television stations.
Chapter IX
Comparison of Operations

A. Introduction
All network key stations comprise the following operations: programming, production, engineering, sales, invoicing and collecting, accounting, and administration. Depending on the size of a company, the organisational structure becomes more complex as functions which were executed before, by a few employees (or not at all), develop into their own specialised departments. The functions of programming, production, engineering and sales are very specific in the television industry, and will therefore be discussed in detail.

This chapter is of especial interest for our research as we shall show by means of comparison that, even if the basic operations of a television station remain the same worldwide, the national context significantly influences them.

B. Organisation of Operations into Functional Departments
Ansoff (p258) characterises organisational forms as “semi-permanent and static arrangements for grouping the productive work of the firm and assigning managerial roles for guiding the work.”

1. Organisation of Operations in Telecentro
According to the study of the Dominican television stations by Baez, Beras Goico and Messina (pp32ff), the below listed departments execute the following operations (the precise division of labour depending on the channel in question):


- Programming Department, which compiles the daily programming and schedules the commercials that have to be broadcast.

- Editing Department, which prepares the spot-reel of the advertisements and physically edits the programmes from taped raw material.

- Control Department, which is in charge of cameras, master control (the brain of the studio production), the stage properties, and the monitoring of the commercials broadcast.

- Sales Department which, on the one hand, sells programming space to independent producers (block timers) and, on the other, sells commercial time to advertising agencies and also directly to other customers. The department receives such orders accompanied by the commercial (on tape). The subject advertisement is entered into a traffic book or sheet (pautas), which is then sent to the control department. The control department places the commercial according to the instruction in the traffic book, and monitors its effective broadcasting.

- the operations executed by the Purchasing Department, the Personnel Department, as well as the Accounting Department are basically the same as those generally operating within all Dominican companies.

In Telecentro we find basically the same operations. These, however, are structured slightly differently. Telecentro has no separate Purchasing or Personnel Department. These functions are carried out directly by the administration. Programming (production and traffic), Editing (post-production), and Control are undertaken by the Production, Traffic, and Engineering Departments. Telecentro's mode of operating will be discussed in detail, together with those of TBS and TV Azteca.

2. Organisation of Operations in TBS

TBS uses a much more complex and specialised organisational structure than those employed in Dominican television stations:
Fig 47

ORGANISATION CHART - TBS

Board of Directors

Statutory Board of Auditors

Chairman, President

Council for Programme Practices

Board of Executive Managing Directors

President's Office

Chief Technical Officer

Administrative Division

Finance Division

Div for Human Resources & Labour

Div for Corporate Planning

Div for Radio Programming & Production

Radio Sales Division

Div for Reviewing Rights & Data

TV Programming Division

TV Sales Division

TV Network Division

Division for Project Development

TBS News

TV Production Division

TV Sports Division

Production Design Centre

Announcers Centre

Div for TV Technology

Div for Media Development
C. Comparison of Programming

"The programming of a television station or a channel is the total of programs, commercial advertisements, events, movies, documentaries, news programs and special broadcasts that can be live or recorded, or a combination of both. The volume or extension will depend on the possibilities of the channel, the number of sponsors and the time sold to them" (Viya p130 - translated by the author).

1. Decision Parameters for Programming

a. Introduction

Simply put, the most important decision parameters for producing or purchasing programmes with a high profitability is their potential for drawing a large audience and the costs involved. The return on programmes in a specific time slot can be presented in terms of advertisement revenues minus the production costs or the price paid for a purchased programme. The advertisement revenues are the product of the price of commercial space for a programme and the number of advertisements placed in it. The price of commercial time normally depends on the audience range of a programme, measured in ratings and audience share. That is to say the number of people who see the advertisements placed in the programme. (Innovations in the field of measuring devices will make this more precise in the future and, moreover, affect pricing in regard to the demographic composition of audiences as, for example, programmes having a high share of younger people amongst their viewers are favoured above those with a majority appeal to older generations because of the concepts of life-time values, propensity to consume, and purchasing power).

"In television programming, TBS aimed at producing programs reflecting an objective and impartial approach in response to the changing political, economic and social scenes in Japan. At the same time, efforts were made to fully grasp the needs of viewers seeking to comprehend the nature of these changes" (TBS - Annual Report 1994-1995, p4).

Sydney W. Head (pp10-17) puts forward compatibility, habit formation, control of audience flow, conservation of resources, and breadth of appeal as major strategic themes regarding the scheduling of programmes.
b. Compatibility with Lifestyle

Compatibility may be defined as scheduling programmes in accordance with the audiences psychographic profile (lifestyle, behaviour, attitudes). This practice is called day parting, the day being divided into segments that suit the activities of the audience (getting up, driving to work, doing household chores, the homecoming of children...). Each of those parts has its common denominator (drive time, early fringe, prime time). One major difference in compatibility between the Dominican Republic and Japan, is that in Santo Domingo the hours between noon and 2pm are considered prime time, as most families have lunch together in their homes.

c. Habit Formation

TV Azteca strips many of its programmes. This means that they are scheduled for the same hours from Monday to Friday. The object is to form a habit amongst the viewers so they regularly “tune in” at the same times. In Santo Domingo most of the cheap Venezuelan and Mexican telenovelas are stripped. These low-cost soap operas, which obtain high ratings, are not only the foremost exponents of Latin American television and reflect the popular culture but, moreover, manifest the region’s fascination with melodrama. The stripping promotes tuning habits within their specific audience, which is mainly composed of housemaids and housewives. TV Azteca strips not only telenovelas, but all types of broadcasts, from news to animation programmes.

Stripping is not possible for Japanese networks as they cannot

- commit large resources in original programmes as they would have to buy them for the whole season,

- and restrict their programming choices in prime time. Therefore, stripping takes usually place when an off-network programme goes into syndication, that is to say it is available for sale to local stations.
d. Audience Flow

The audience flow refers to the extent to which the audience of a programme stays tuned to the same channel for the next one, or switches to another network. In Japan, for example, a quiz about animals with a family audience on Saturday nights is followed by a similar one about the mysteries of the world, with the aim of maintaining the same audience. One factor which can be very detrimental to such a flow on the same channel is the commercial break between the two programmes. This break is much more critical than one inserted within a programme as the latter do not encourage audiences to switch over so easily because they are normally placed at points of high interest. Naturally, at the end of a programme much of the interest dissipates and the audience feels free to switch over to an alternative channel. TV Azteca has eliminated all "low-interest" commercial breaks between two programmes, in order to reduce this temptation.

e. Conservation of Programme Resource

Conservation of programme resources: Networks aim to maximise the return on investment in programmes purchased or production financed, as they are normally only permitted to broadcast them as often as the contract stipulates. In the relaxed legal environment in the Dominican Republic, where films are broadcast without permission before they even seen on U.S. cable TV, and programmes are illegally copied from the satellite, this is of a lesser significance, but in Japan it is very important.

225 The Japanese animation series for teenage girls “Sailor Moon”, for example, can be seen on TV Azteca from Monday to Friday at 6.00pm.
f. Potential Size and Demographic Characteristics of the Audience

The breadth of appeal of a programme refers to its capability in attracting the biggest possible audience. *Telenovelas*\(^{226}\) in the Dominican Republic, for example, have women as their major audience, while marathon variety shows are watched by the whole family with an emphasis towards the poorer social classes. The biggest audience for the quiz programme “Amazing Animals” in Japan, which we referred to previously, is comprised of four to 14 year old boys. It is, however, broadcast on Saturday nights, and is now becoming a family affair with the children being joined by their parents and siblings. It now has become the highest rated programme in that time slot.

g. Past Performance

In the case of productions that have already been on the air (network or first-run syndication) on a national channel, or in another country, for Japanese as well as Latin American television companies past performance measured in ratings and share is a valuable indication of its commercial potential.

If there is no past performance available, because it has not yet been produced or its previous market differed too greatly, Japanese TV companies make an analysis of the elements composing the programme, mainly concept, appeal,\(^{227}\) and TV personalities, comparing these features with their successful similar programmes in the past or those of the competition, in order to assess its potential. In general, programmers prefer programmes that revive old, successful concepts which, in Japan as well as in the Dominican Republic, are mainly panel and variety shows.

\(^{226}\) Even if the *telenovela* output of TV Azteca is much smaller than Televisa’s, the former is competing quite well. Its 1997 season’s “*Mirada de Mujer*” (The Look of a Woman) is the telenovela with the highest rating in Mexico.

\(^{227}\) It is argued by Sydney W. Head (pp17-20) that primary appeals are conflict, comedy, sex, information, human interest, and secondary appeals identification, sympathy, nostalgia, acquisitiveness, credibility, importance, beauty, novelty. Because of the low professionalism of the television industry in the Dominican Republic, no conscientious analysis of programmes in regard to appeal are undertaken.
2. Programme Content and Ratings

a. Programme Content in Japan

Japanese TV networks are rather cautious in political and societal topics. For example, an unfavourable news media coverage of the Royal Family is out of the question. On the other hand, they are rather free-handed with sexual, bullying, or sexist attributes in their programmes. In many of them there is an abundance of swim-suit girls, whose sole function is to giggle and show their flesh to the camera lens. In the Dominican Republic, RTVD Radio Televisión Dominicana is known as the “Government Channel”. Being State-owned it cancels any programme in order to cover the activities of the President. The Japanese people believe that NHK is ahead in documentaries and information. NHK continues to produce extensive news, information, documentaries, cultural and dramatic programmes and the difference between the public interest NHK and the commercial interest stations is growing wider. NHK has the highest ratings in the mornings. Between 6.45 and 8.15am “NHK News Wide” has 16% of the audience. After 9am NHK starts to loose its viewers. In contrast, the commercial networks offer a quite uniform programming menu containing mainly Japanese style talk and variety shows, and soap operas. They have what is called geinokai, the fascination within the audience especially for women and teenagers. In Japan the midday hours are now dominated by talk shows that ostensibly discuss the news and provide other information, but which actually deal in sensationalism and speculation. In the evening, the airwaves are dominated by inexpensive quizzes, and food and travel programmes. Quality dramas and news specials are in the minority. TBS is very strong\textsuperscript{228} in dramatic serials, quite comparable to Latin American soap operas.

\textsuperscript{228} TBS claims to be regarded as the “Drama Channel” of Japanese television.
Fig 48 COMMERCIAL PROGRAMMING BREAKDOWN, JAPANESE BROADCASTING COMPANIES

<table>
<thead>
<tr>
<th></th>
<th>Radio</th>
<th>Television</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entertainment</td>
<td>66.0</td>
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<td>12.6</td>
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<tr>
<td>News</td>
<td>13.2</td>
<td>20.3</td>
</tr>
<tr>
<td>Cultural</td>
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<tr>
<td>Non paid advertising</td>
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<td>1.0</td>
</tr>
<tr>
<td>Others</td>
<td>0.3</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Figures are average for 88 radio stations and 117 television stations (neither including satellite stations) in 1993.\(^{229}\)

In 1996 the top five most popular TBS programmes were:

1. hashida sugako (Drama)
2. Tokyo Friendly Park 2 (Quiz / Variety)
3. kyoosookeyoku "Concerto" (Drama)
4. doobutsu kisootengai "Amazing Animals!" (Quiz, Documentary)
5. hitori kurashi "Living Alone"

Japanese television executives all confirm that the tastes of their audiences are very different. Even if there are many high quality productions (dramas, entertainment programmes) from overseas they cannot, in general, achieve high ratings in Japan. The only exceptions are the popular Hollywood features. All Japanese networks other than TBS offer weekly film nights. TBS abstains from Hollywood features, saying that the audience ratings do not justify the costs involved as well as the unfavourable package deals offered by the Californian studios, because in order to obtain the broadcasting rights for a blockbuster they have to buy several bad films at the same time. Therefore, in April 1993, TBS stopped showing foreign films. In total, foreign programming only comprises about

\(^{229}\) Japan's Mass media, p57.
7% of TBS's broadcasting time. Co-productions with foreign companies are also a rare occurrence in TBS and usually only apply to documentaries. For example, TBS co-produced a documentary about the Great Wall of China with a Chinese company and currently, a series of shows in High Definition TV format called "Hyperactive" and "New York: On the Edge" with an US production company (REBO Studio).

b. Programme Content in Mexico

TV Azteca is increasing its participation in the Mexican television market. According to the rating service IBOPE the company's two national networks increased their prime time ratings\textsuperscript{230} from 9.6 points during the half year January-June 1995 to 14 during the same period in 1996, and their share went up from 14.5% to 22.2%.

TV Azteca has traditionally been very strong in sports and news. With Televisa as the "government channel" TV Azteca easily assumed its role of being the channel "in opposition to the Government" which implies, without saying, credibility, and last but not least, ensures high ratings for its news programmes. The Company's employees proudly refer to its daily news magazine Hechos from 10.15pm to 11.30pm presented by Javier Alatorre, which is beating, by an increasing margin, Televisa's news magazine "24 hours."

In the total programming schedules of its two Mexican TV channels TV Azteca has about 60% in foreign productions and 40% self-produced local programming. This proportion, however, does not indicate a preference by the Mexican audience for foreign programmes, but demonstrates that TV Azteca still does not possess sufficient production capacity and the economic means to produce 100% in-house. The foreign productions shown on TV Azteca are mainly from the US together with Latin American telenovelas.

\textsuperscript{230} Mexican prime time is from 7pm to 11pm.
TV Azteca still does not have the huge production capacity of Televisa, which turns out new episodes for seven telenovelas daily. Currently, it only produces two hours of telenovelas a day, with one hour being produced in co-operation with the independent production company Argos. TV Azteca has, therefore, to purchase telenovelas from abroad, mainly from Venezuela and Brazil, in order to fill its "telenovela gap" in the daily programme schedule. Productions from the television "factories" in the USA are undoubtedly amongst the cheapest choices for the Mexican programming director.

c. Programme Content in the Dominican Republic

In the Dominican Republic inexpensive variety shows with prizes and a lot of merengue music broadcast at noon during the working week with day long mammoth sessions at weekends, and a wide range of inexpensive panel shows featuring "talking heads", coverage of US sports events (stolen from the satellite) and, of course telenovelas, (daily soap operas from Mexico and Venezuela) dominate the airwaves.

Differing from Japanese programming, where documentaries are relatively frequent (even when included into a game show format) and draw a significant audience, in the Dominican Republic just the mention of a cultural content frightens potential programme sponsors. The cause resides in the overall educational level of the audience. In Santo Domingo, as in Mexico, television is directed in the first instance at the lowest and middle socio-economic strata, mostly urban illiterates with a pronounced interest in variety shows and telenovelas, while in Japan the main audience is composed of the sophisticated middle class. Furthermore, the public station NHK has to follow its educational and cultural mission, while the Dominican RTVD tries unsuccessfully to compete in the commercial field with the private networks. Finally, because of cultural determinants, the private networks in Japan have the urge to present themselves to their public as responsible broadcasters in order to maintain their long term
standing. Therefore, they also carry some educational programmes even if they could reap higher short term benefits with cheaper variety shows.

For the Dominican Telecentro, local productions have several advantages over foreign programme purchases:

- Dominican productions have become relatively cheaper because of the more expensive U.S. dollar,
- foreign programmes require a large investment by way of an up-front payment, as packages of serials are normally purchased.
- an independent production can be easily replaced if it does not deliver a decent audience, while once the money is spent, the network is stuck with the foreign programmes even if they turn out to be a failure.

3. Programming Strategy

a. Programming Strategy in Japan

Japanese television is in a highly competitive market with a lot of funds available for programmes with high ratings. This does not necessarily lead to a greater variety in the programmes offered, but rather to uniform programming as networks tend to copy the successful formulas of their competitors instead of taking risks with highly innovative formats. NTV, for example, has an high rated morning "infotainment" programme called sumui asa. This is a co-production between the key station and its affiliates. A key anchorman sits in front of a television set and talks to reporters from some of the affiliates. This format has been imitated by the other networks. This is quite easy and proves a safe course to take as all networks work with outside production companies and free agents, who also work with other networks.
b. Programming Strategy in Dominican Republic

The situation in the Dominican Republic is quite similar. The programming strategy too, is generally based on copying the most successful format offered by the competing networks. This leads to a uniform content of programmes as when, for example, one network starts those marathon variety shows and draws a large audience, the others launch similar programmes in the same time slot. As a consequence, cost has become the most important factor in production or purchasing decisions. The high frequency of cheap variety shows on Japanese TV is merely maximised in the Dominican Republic, where improvisation in zero quality live shows has found its extreme form. Few programmes, mainly telenovelas from Venezuela and Mexico and cartoons, are bought by the stations in the Dominican Republic. A lot is pirated from the satellite channels or releases on video. The highest return on investment in Santo Domingo is delivered by the marathon variety shows, followed by the telenovelas. In Telecentro there is no purchasing department as for example in TBS, where decisions regarding programme purchases and production are taken by a special programming department.

4. The Programming Department

a. The Programming Department of TV Azteca

In TV Azteca, they hold a weekly meeting between the Vice Presidents of Programming, Production, International Affairs and Telenovelas and President Ricardo Salinas at which all important decisions regarding programming are taken, specifically:

- what programmes are going to be bought, and

- when and where are in-house as well as purchased programmes going to be broadcast.
The organisation of TV Azteca's programming department, in which 16 people are employed, is the consequence of dayparting:

**Fig 49 ORGANISATION CHART OF PROGRAMMING DEPARTMENT OF TV AZTECA**

TV Azteca broadcasts 24 hours a day. The programming scheduled is divided ("dayparted") into 5 blocks (barras). Each of the five directors under the Vice-president of Programming is in charge of one of these programming blocks. As TV Azteca broadcasts on two channels (Channel 7 and Channel 13\(^{231}\)) each director supervises two programme managers. Manager 1 is in charge of the programming block for channel 7, Manager 2 is in charge of the programming block\(^{232}\) for channel 13. The programming managers can therefore be compared to product managers, their respective blocks being the products TV Azteca is offering.

The responsibilities of the Programme Manager are mainly the control and the assessment of TV Azteca's, as well as the competition's programmes, during their assigned block, following their performance and determining both their strong and weak points. The Programme Manager, for example, has to fill out a daily standardised report sheet (see annex) with the following data about his programmes: rating, share, production costs, and profit.

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\(^{231}\) TV Azteca's Channel 13, which is broadcast in Mexico, is different from TV 13 (Telecentro), a Dominican TV channel, which was bought by TV Azteca.

\(^{232}\) One programming block, for example, would be prime time. Prime time is the period for the highest ratings and is usually in the evening, the exact start and ending differing from country to country. Prime time in Mexico is from 7.00pm to 9.30pm.
In the case of the *telenovelas*, TV Azteca's Programme Manager daily analyse the episode that is going to be broadcast. They take notes scene by scene of technical errors, inconsistencies in the plot, or an excess of "filling", that is to say the scenes that do not advance the story. He later communicates through informal channels with the producer of the *telenovela* (or programme) in order to improve the production wherever possible. At the start of a *telenovela*, focus groups, monitored by the Programme Manager, assess the preferences of the audiences in regard to the characters and plots. The findings of these focus groups influence the development of the story. At the end of a *telenovela* series the responsible Programme Manager submits a long report to try and avoid "the same errors being committed twice."

**b. The Programming Department in Telecentro**

In the Dominican company Telecentro, the traditional function of programming, that is to say the decisions as to which programmes are to be broadcast and at what times, is made by the chief of the production department together with the General Manager. Television is a commercial enterprise and programme content is regarded as a commodity. In Telecentro the function of programme traffic comprises some tasks which would normally be handled by a separate programming department.

**5. The Scheduling Function**

The programme traffic department in a TV station (in Spanish *trafico*) schedules the broadcasts on a day to day basis, establishing a detailed master plan for the next day, including programmes as well as commercials, and preparing the non-live material.

In Japan's TBS this process is entirely computerised. That is to say that once a programme or commercial is scheduled in the master plan (in the information
system) and the video material is entered, the computer automatically broadcasts the items according to the established matrix. In TV Azteca also, all functions ranging from the sales and scheduling, to the control and invoicing of a commercial are situated in the sales department\textsuperscript{233}.

In contrast, in the Dominican television station Telecentro the function of programme traffic has not been automated. The programming department’s tasks fall into \textit{pautas}\textsuperscript{234} (scheduling), spot reel, and film and video. The scheduling is a planning function, while spot reel and film and video refer to the physical manipulation of broadcast tapes. The programme traffic process develops in the following way:

First, as the main programme schedule is only restyled twice a year, Telecentro’s production director indicates only the changes in the schedule in the form of a memo to \textit{pautas}. Telecentro’s director of sales, on the other hand, periodically sends a communication listing the commercials that have to be placed. Then Telecentro’s \textit{pautas}, using this information, assembles a direction sheet that details the schedule of programmes and advertisements. This allows the operator in the control room to broadcast with a continuity in accord with the said schedule. Later, scheduling also has a control function as they check the placing of commercials on the “direction sheet.” The operator in the control master states on the “direction sheet” that all the commercials have been broadcast, and then scheduling makes a report which goes to production, administration, sales, accounting, and invoicing and collecting. Spotreel prepares the commercials to be shown on a master tape in accordance with the information from Scheduling, and takes them to the Master Control. This process is also fully automated in TBS. In Telecentro, Film and Video is also in the programme traffic department, whilst in

\textsuperscript{233} The physical manipulation of the materials, however, are carried out by a separate traffic function.

\textsuperscript{10} In Mexico’s TV Azteca’s organisation \textit{pautas} is situated in the office of the administration of the sales department. \textit{Pautas} (scheduling) is more inclusive in TV 13’s than in TV Azteca’s organisation. While pautas in Telecentro includes the scheduling of commercials as well as regular programme content, \textit{pautas} in TV Azteca refers only to the scheduling of commercials in the designated programme breaks.
most other television organisations this function is carried out by separate departments.235

6. The Programming of the Affiliate Stations

In Japan, most affiliates do not clear their frequencies for 100% of the programming emanating from the key station - only about 60% (in the case of TBS). The rest of the programming they produce themselves. The main times for this local content are early and late mornings, late afternoons, and late evenings on weekdays. At weekends, almost all the time is used for local programming except between 7.30 and 9.30am and 6.00pm and 1.00am. The blocks of time allocated to network programming are predetermined by contract and cannot be deviated from if they wish to maintain their affiliate status. During other blocks of time, however, the local stations are basically independent and can broadcast what they wish. Local programming usually consists of local talent, sometimes speaking in the local dialect, local news or entertainment shows. These are usually fairly low budget productions, and it is unusual (except in the cities of Osaka and Nagoya) for them to produce their own dramas starring nationally famous actors.

D. Comparison of Production

1. The Production Process

The production process can be structured into pre-production, production, and post-production.

Pre-production encompasses the overall programme planning and co-ordination with other departments, as well as all the preparatory tasks necessary to undertake taped or live broadcasts.

235 Please refer to the paragraph on support functions in television channels.
Production includes all tasks carried out shortly before and during the taping or live broadcast of the programme, mainly camera work, audio control, lighting and master control.

Post-production takes place with programmes or other items that have not been live broadcasts, but taped. It comprises video editing, treatment of audio and video, as well as computer graphics and animation.

a. Pre-production

In Telecentro the process of production planning encompasses the assignment of programmes to directors, the organisation of the timetables for cameramen and editors, equipment and facilities.

Each television programme for TV Azteca forms a cost centre. All services - satellite transmissions, mobile units, cameras, editing facilities - that are solicited from operations have to carry their cost centre number in order to be effected. The system for the ordering of in-house production services\textsuperscript{236} is in line with the concern of TV Azteca to integrate and automate processes, as far as possible, for increased efficiency and control. It is necessary to have a computer access key code, the number of the cost centre to be charged, and for funds to be contained within that cost centre in order to requisition any in-house service.

b. Production

(1) Master Control

The master control is the brain of a television station. Programmes are taped and broadcast, commercials are placed according to schedule, audio and video levels are controlled, all centrally. Depending on the size and complexity of a television

\textsuperscript{236} The process was written into the soft ware "SCHEDUALL."
station, the master control heads several sub master controls, each one in charge of one of the studios.

Telecentro has two master controls; one per studio. The minor one is only used for the taping of programmes in the smaller studio. In Telecentro the functions of master control are camera direction, sound control, and the operation of the VTR (according to the “direction sheet” provided by the traffic department). The person in charge of the video level also puts the commercials and programming on air, while another handles audio levels and mounts microphones on the set.

In TBS the master control room, after receiving the TV programming via the “TV broadcasting system”, the in-house circuit, it broadcasts them automatically controlled by computer. Audio, as well as video, signals are all digitised from input through output within the in-house TBS circuit, and converted for final transmission into analogue data. The TBS Master Control has a high degree of viability because of a duplicated system on the release signal equipment, line system equipment, and process computers, together with hand-operated input devices.

(2) Studio Facilities

The Dominican Telecentro has two main studios (the ‘floor’), mainly for the production of live broadcasts. At the floor level Tramollas (stage hands) erect the sets, a lighting engineer checks the illumination, and cameramen shoot the programme. The floor director is in charge of the action. In the case of Telecentro, he is a cameraman at the same time. The new TBS building contains six studios mainly for the production of live and semi-live programmes. Four of the studios (A, B, C and D) were built for all kinds of programmes, one studio (N) is reserved exclusively for news broadcasts, and another (P) is a panorama\textsuperscript{237} studio. The A and B studios can be connected for the production of big events, while the C and D studios are for live information programmes such as the afternoon variety shows which last for several hours every day. Finally, the N studio, together with the sub-

\textsuperscript{237} This small scale studio allows images to be displayed in the background.
control room and the news department comprise the area from which 24 hour a day fixed time news, news shows and weather forecasts are broadcast.

In TBS, the studio production equipment is all of a high-end state of the art status, quite out of reach for Dominican channels and even TV Azteca. The high-end video system equipment has been totally digitised, and the lighting for example is “intelligent”.

c. Post-production

In the Dominican Telecentro there are no special facilities for post-production as most programmes are live broadcasts or are edited directly by the blocktimers. The only exception is the recently acquired digital editing system Media 100, which is mainly destined for the preparation of promotional packages, programme bumpers or general image spots for Telecentro.

The Post-production in TBS falls into the functions of Editing and VTR (video tape recorder), Design, Computer Graphics (CG), Sports Editing, Public Affairs Editing, Common Editing, High Definition Editing, and Master Audio (MA). In the Editing and VTR room mainly high-end D2 (digital) equipment is used for the play-back, recording, editing, and transmission of programmes. Design prepares still pictures and flip charts, and stores and administers trademarks of the advertising companies (sponsors). Computer Graphics produces two and three dimensional animation. Sports, Public Affairs and Common Editing does programme recording, dubbing, and editing, using the lower-quality analogue BetacamSP format. The final sweetening of audio is done in the Master Audio room.

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238 This system, for example, comprises remote control, a one point suspension system with a detection function for lighting control, and height information in a single portable control panel.
2. In-house versus Outside Production

Many networks around the world sub-contract their production work to outside companies. This has various benefits:

- production companies do not have to pay their employees such advantageous social benefits as do the big networks, they thus have lower labour costs.
- production companies normally do not adhere to union rules regarding working hours, etc. They are, therefore, not only cheaper, but also more flexible.
- production companies work for more than one customer and are therefore a valuable knowledge source for developments in the media industry. They allow the network to make better programmes.
- production companies can be more easily terminated if a programme fails. The programming choice increases.
- the network has to commit fewer resources (personnel, capital, management) to production.

a. Subcontracting of Production Services in Japan

According to the Association of Television Programme Producers (ATP) in 1991, the dependence of the Japanese networks on independent producers or co-productions was as follows (in Shimizu, p22):

<table>
<thead>
<tr>
<th>Network</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>NTV</td>
<td>88%</td>
</tr>
<tr>
<td>TBS</td>
<td>72%</td>
</tr>
<tr>
<td>Fuji TV</td>
<td>75%</td>
</tr>
<tr>
<td>TV Asahi</td>
<td>91%</td>
</tr>
<tr>
<td>TV Tokyo</td>
<td>82%</td>
</tr>
</tbody>
</table>
Once the decision for producing a programme is taken in TBS, it is produced in-house, by independent production companies or by the affiliates. As of 31 January, 1995, the proportion of programmes produced in-house by TBS rose to 68.4%\textsuperscript{239}. Even if in-house production is more expensive, as a consequence of the fixed nature of the Japanese workforce (life-long employment), it has been more advantageous to utilise the idle resources on the pay roll for in-house production.

In NTV the news and sports programmes are made in-house (and by the affiliates.) For example, if popular professional baseball games are held in other places, the affiliated companies make the broadcast. Circa 60% of the entertainment programmes are produced by outside production companies. The concepts for programmes (entertainment, dramas, or documentaries) are created by NTV staff, but finally produced by outside companies. News Station, TV Asahi's principal news programme, is co-produced with the independent production company, Office Two-One Inc. (Shimizu, pp21-22).

Even if the key station TBS covers 100% of the production costs of a drama, it normally only retains the right to broadcast this programme once or twice (runs) over two years. After this period the domestic rights of the programme return to the production company, while the key station does keep some rights for overseas sales. This is because of legal limitations on the scope of production a network can operate.

The case of animation in Japan is special, because of the high costs involved (around US$100,000 per episode). Here the key station normally covers only about 70% of the production costs, while the production company finances the rest on its own. Because of this arrangement the production company also holds the overseas distribution rights.

b. Subcontracting of Production Services in Mexico

\textsuperscript{239} This proportion is higher than that of networks in the United States, where they sub-contract most of their productions, as they are not allowed (FCC rules) to possess rights, and production or distribution companies. (We understand that this may have recently changed.)
Production costs in television are lower in Mexico than in the US. Therefore, the Miami based Spanish-language TV network Telemundo frequently uses TV Azteca's production facilities in Mexico for its own productions. In return, TV Azteca receives a share of the sales revenue.

TV Azteca tries to produce as much in-house as possible. However, especially in the area of *telenovelas* it still does not have the capacity to produce more than two hours daily, one of those two hours being a co-production with the Mexican production company ARGOS. All transmission rights in this arrangement, however, stay with TV Azteca.

The main motivation for the choosing of an external production company, besides expanding capacity has been the much higher production standards\(^{240}\) of ARGOS.

c. **Subcontracting of Production Services in the Dominican Republic**

In Dominican Telecentro the work load and responsibilities of the in-house production and sales staff are diminished by the large numbers of block timers, that is to say independent producers who pay the network a fixed amount for renting time and then broadcasting their own production, retaining the advertising revenue earned during their time slot. There are also participation contracts, involving independent producers who do not pay a fixed amount of money for broadcasting their programme, but divide the advertising revenue with the channel (normally 60% for the independent producer and 40% for the channel).

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\(^{240}\) The Mexican production company Argos also makes TV commercials for local advertising agencies. The much higher production standards, from technical execution to consistency of script—necessary to compete in the market for TV commercials, reflects also in the production of Argos' *telenovela* "Mirada de Mujer", the highest rated Mexican soap opera. Instead of long still shots, the camera is in constant movement (dollies and cranes) making the audience a part of the plot, the illumination is closely watched and the story progresses quickly.
E. Comparison of News Department

1. The News Department in TV Azteca

The News Department of TV Azteca comprises the sections: production, information, engineering, administration and the news magazine *hechos*.

**Fig 50 NEWS DEPARTMENT - TV AZTECA**

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VP(News)---
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a. The Production Function

In TV Azteca's section for production (news), 30 editors divided into three shifts assemble and edit the news reports that are going to be broadcast. The chief editor is responsible for the quality of the final material.

TV Azteca's news department is fully digitised. Each editor has a digital editing island (Avid McXpress) which is networked with the digital master. The video material is digitised from the tapes of the news gathering team onto the hard-disk of the editing island. Then, it is digitally edited, that is to say the raw footage is cut
and reordered through an easy to use computer interface and reduced to, for example, a news report which normally has a duration of around 90 seconds. In TV Azteca this news report is not recorded again on tape and physically carried to the Master Control from which it is broadcast, but the file of the report is sent through the network to the Avid Master. The Avid Master consolidates the news reports from all Avid editing islands, and directly feeds them to TV Azteca’s Master Control that broadcasts the incoming signal from the news department.

b. The Information Function

TV Azteca’s news department is divided into information groups, the domestic news gathering journalists and reporters in different regions of the country, international, events, and the capital city. The head of the information section, the Director de Información, determines the editorial line of the news casts by selecting the events that the station’s reporters are going to cover and, in effect, decides “what events become news”, how they are covered and finally, which of the finished reports is going to be broadcast and in what order.

The Director de Información, thus has ample possibilities to articulate and propagate the channel’s point of view on political, social, and economic issues. These views are not necessarily objective, even if they are packed into the “objective” format of news reporting.

TV Azteca’s News Department has structured its news gathering staff by region. In a centralised country like Mexico most of the economic, political, and cultural life of the nation takes place in the capital city. Commensurate with the “weight” of the capital, TV Azteca therefore has 25 reporters assigned to cover events in Mexico City. These reporters are employees of TV Azteca. The federal states of Mexico, generating regional news, are covered by 25 “correspondents” who, in fact, are not genuine correspondents and employees of TV Azteca, but are free lance journalists. As these reporters are paid by the story, they usually try to “sell” as many as possible to the Company, even if they are not very newsworthy. This is
one reason for the post of assignment manager in TV Azteca's news department. He makes the first editorial decision as to which stories should be covered and "assigns" them to the various reporters. The other reason is the necessity to provide editorial supervision over the post production of the often low quality and unfinished reports submitted by the regional correspondents.

TV Azteca's International news mainly consists of satellite feeds taken from the international news services and then edited under the guidance of the international assignment desk.

The Events section covers so-called "Entertainment News" and prepares the items for broadcasting.

c. The Engineering Function

The head of the Engineering Section within TV Azteca's News Department, the Director técnico, is in charge of the integration\(^{241}\) and the maintenance of the different production equipment used in the department as well as the supervision of all its video shooting. He also directs the department's maintenance engineers, cameraman, and two mobile units.

d. The Programme Hechos

TV Azteca produces three main news magazines for its two channels per day in the following time slots:

- 3.00 - 3.30 PM
- 5.00 - 5.30 PM
- 10.15 - 11.30 PM

\(^{241}\) In the News Department are about 12 Avid McExpress, 1 Avid Media Composer, 3 Silicon Graphic Onyx Workstations, 1 Paint Box, 1 News Cutter as well as other digital video editing, animation and graphics applications running on Macintosh, WindowsNT and Unix platforms have to be integrated with each other as well as non-computer-based equipment like BetacamSP, DVCam, Hi8, connections to satellite down-links or the control master, etc.
Mexico's highest rated news programme is TV's Azteca's *Hechos* at 10.15pm presented by Javier La Torre's. The lion's share of Azteca's audience for its main news magazine *Hechos* at 10.15pm is made up by 30-40 year old male heads of families. Because of the high popularity of this programme its presenter has also been distinguished by being given the title of Director, he is known as the *Director de Hechos*.

### 2. The News Department in TBS

In Tokyo Broadcasting System's 'Big Hat' the news department is conveniently located on the second floor giving ease of access for reporters that have to meet last minute deadlines. The department falls into the main functions of News Coordination Centre, News Video, Computer Graphics, Bi-lingual, News Library, and Radio News. These sections are also physically separated.

Video material enters the News Video Room from in-house or outside circuits or via microwave or satellite. The video material is then edited and transmitted to the Master Control for broadcasting. These rooms are interconnected by intercom and are equipped with a news information system terminal which can interface with an intra-office LAN. As a consequence, important information such as news manuscripts and schedules can be shared and, furthermore, on-air information such as programme direction charts or cue sheets, both provided by the chief editor, can be used simultaneously in every room.
F. Comparison of Sports Department

As Sport has been a traditional stronghold for TV Azteca, the sports department has its own Vice-president.

Fig 51  SPORTS DEPARTMENT - TV AZTECA

The Vice President of TV Azteca's Sports Department is, at the same time, the producer and host of the channel's main sports magazines. He supervises 60-70 freelance commentators and freelance programme producers. Sports Affairs deals with the administrative features of the production process, including the pay of suppliers, per diem allowances, and the supervision of exhibition rights. Sports Sales forms the link to TV Azteca's sales department and, therefore, the commercial time sales during sports programming.

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242 En caliente, Deport TV, Los protagonistas en vivo.
243 Only four of the freelance programme producers are allowed to order production services with the in-house ordering system "SCHEDUALL." The rest need the authorisation of the Director de Deportes, who is second in rank to the VP for Sports.
G. Comparison of Sales Departments

1. The Product to be Sold

a. Characteristics: Reach and Frequency

The customers of television stations want to deliver a commercial message to an audience attracted by the programming of the broadcasting station. Television companies, however, do not only compete with each other for the advertising budgets of an economy, but also with other media (printed, electronic) which can deliver the advertising. The concepts of reach and frequency (definition taken from Witek (p182) of a given medium are, therefore, of high importance:

Reach is the number of different homes (or individuals) exposed to a medium within a given periods of time, usually one or four weeks.

Frequency refers to the average number of commercials to which a home (or individual) reached by a schedule is exposed to within a given period of time, usually one or four weeks.

Every advertising medium -newspapers, radio, television - has a maximum reach potential, and so has each television daypart. According to Witek (p182) “Prime time generally has the greatest reach capability, while daytime, early evening, and the late night have lower reach potential and greater frequency potential.”

b. The Demographic Profile of the Audience

The time sales departments have the important function of competing with other TV stations and media for the advertising budgets in an economy. When selling "commercial time" to advertisers, a television station actually sells an audience reached by its programming for the showing of the advertiser’s commercial. The time sales department of a television station has, accordingly, to convince its customers that it can effectively deliver target audiences, which in the ideal case
match the demographic and psychographic profile of the prospective customers targeted by the advertiser. Depending on the advancement of the television industry the time sales department relies on the quantifiable relevant data (rating, shares, demographic composition of audiences) to support their selling efforts.

2. The Sales Function in Japan

a. The Different Forms of Placement

In Japan there are two kinds of sales: spot sales between two programmes and time sales or programme sponsorship, that is buying a programme time slot, bearing the time slot charges and the programme production expenses. In return, the sponsor obtains commercial time in the subject programme and a name announcement. Time sales of programmes is the regular sponsorship of a programme. ("This programme was brought to you by KAO or SONY"). The contract time for a programme is at least 3 months. With this kind of arrangement the advertisers pay for the production of a programme as well as a fixed programme sponsorship charge expressed in CM (commercial minutes) and depending on the broadcasting time zones (A, B, B', C).

b. The Relationship with the Affiliates

For commercials on TBS' nation-wide network, JNN (Japan News Network), the advertisers will be charged a time rate as well as network rate by each of its 27 affiliated stations. The revenue for the time rates is collected by TBS for the whole network (total collection) or on a station-by-station basis (individual collection). Spot sales are normally local. TBS only sells its own spots and not for the whole network.

The sponsor also covers the production costs of the programme. As NTV produces most of its programmes it is the final recipient of this revenue. If an affiliated company is the producer of the programme, NTV pays the incurred production costs.
network. In case of “total collection”, TBS will pay the affiliates some kind of compensation, after breaking even with production costs, and other charges.

In fact, in Japan the key station represents the affiliated stations and receives the income from the sale of commercial time, allocating a share of it to the affiliates which had cleared their broadcasting time in exchange. For own programming during non-prime time, the affiliates sell spots on their own account.

When TBS is the programme producer, it receives the costs of the production. If the programme is produced by MBS in Osaka, then Osaka will collect the production cost from the programme sponsor.

National sponsors pay Fuji TV for commercial time, which divides the revenue with the affiliates. It is possible that under the initiative of Fuji a major advertising agency may obtain the rights for a big event such as, for example, a golf tournament. The advertising agency sells the commercial time of the event to its customers and pays the key station.

c. Legal Restrictions

In Japan, these types of companies are not permitted to broadcast:

- Companies whose entire business is the lending of money (TBS only)
- Marriage arrangement agencies
- Funeral directors
- Hostess bars - bars where customers pay women to sit and drink with them
- Pachinko parlours - a marbles based gambling game.

It is important to note that affiliate stations are not necessarily held to these restrictions. Any other product that suits the needs of the general public can be advertised, but that has not always been the case. Sanitary towel commercials
were prohibited up to only a few years ago. Even now, in Japan, tobacco commercials are only allowed after eleven at night and those advertising alcoholic products only after midday. In the Dominican Republic there have also been tough restrictions imposed on the TV advertising of alcohol and tobacco.

3. The Sales Function in Telecentro

a. The Different Forms of Placement

In the Dominican Republic there are three major forms of time sales. The TV Company

- renting programme space to a producer who independently looks for sponsors willing to place advertisements therein.

- and the independent producer selling both advertising time for his programme and for his sponsors, the advertising revenue being split between them, in a proportion dependant on the agreement made (normally the network takes 40-50%).

- selling advertisement space between programmes or during programmes produced or owned by the TV company through advertiseingt agencies or directly to the client.

Especially in the state-owned RTVD “special relationships” with the party in power determine the extent of advantageous conditions for the independent producer. Independent producers who rent broadcasting time at Telecentro have to pay a fixed amount + variable fee for extra use of equipment. Telecentro has about 120 customers, (30 are programme renters, 30 pay cash, and 30 interchange broadcast time for other services: for example, the security service provided by Dominican Watchman).
b. The Pricing of Commercial Time

In the Dominican Republic the determination of prices for commercial time is not done by using any rating points or formula. The main reason is that the rating information provided by Dominican companies is not considered objective or close to reality. Indeed, several programme producers advised that it is possible to “buy” a good, but false, rating from these research companies. At present the basis for the spot rates are the commercial value and image of the TV moderators as well as the subjective perception of the success of the programme. Anyway, spot rates are at a derisory low at about US$ 200 for a 30 second spot.

In the Dominican Republic three minutes of programming are followed by two minutes of advertising, which adds up to twelve minutes of advertising per thirty-minutes, or seventy-two minutes for three hours.

Although the country is relatively small and poor, it has more than 20 television channels. As a consequence, the competition in the advertising rates is ferocious, prices are down and almost on a level with radio advertising. A television spot of 30 seconds sells at between US$120 and US$200, depending on the rating of the programme and the time slot, while in Japan a 15 second commercial easily costs US$100,000 in prime time.

The form of advertising for sponsors also differs between the two countries. In the Dominican Republic the announcer frequently promotes the sponsor with a direct reference (“And do not forget to buy your Ochialli glasses in the central mall...”) during the programme. This also happens in Mexico, but not in Japan. There, sponsorships are announced during the programme breaks (“This programme was brought to you by ...”). The Dominican Telecentro offers several modalities of time sales for advertising: mentioning, exclusive sponsorship, co-sponsorship, spots in-between programmes, spots during the channel’s own programmes: news, cartoons, soap operas, films. In TV Azteca sponsorships, brand presence on the set or direct mentioning are individually negotiated with the area Sales Marketing in the Sales Department.
4 The Sales Function in TV Azteca

a. The Concept of CPR

Mexico's TV Azteca has introduced a new method for calculating the value of commercial time and charging a price, which is called CPR\textsuperscript{245}, an acronym for \textit{Costo por Punto de Rating Nacional} (cost per national rating point).

Firstly, the approximate investment for the placement of commercial spot is calculated and charged to the customer's account. The formula for the calculation is as follows:

\[
\text{CPR} \times \text{Rating}^{246} = \text{Advertising Investment}
\]

The CPR depends on the duration of the spot (10, 15, 20, 30, 40, or 60 seconds) as well as on the specific programme. The reason why prices can vary widely for different programmes which might have the same rating, is that ratings have a tendency to compound audiences, as each viewer, whatever his profession, sex, age or income is lumped together. Each advertiser, however, tries to expose his commercials to a certain segment of the TV watching population, a segment with a certain set of common demographic characteristics. Therefore, the composition of an audience is as significantly important to an advertiser as the rating. Where ratings quantify the number of spectators to which the commercial is exposed, the composition\textsuperscript{247} determines the quality of this audience for the advertiser.

The formula with which the announcer determines the exposure of his commercial message to his target segment would be thus:

\[
\left( \frac{\text{Target Segment}}{\text{Audience}} \right) \times \text{Rating}
\]

\textsuperscript{245} See in the annex a promotional flyer of TV Azteca which shows the tariff (CPR) for four programmes.

\textsuperscript{246} \textbf{Rating} is the percentage of households owning a TV set that actually watch a specific programme. \textbf{Share} refers to the percentage of households watching TV that watch a specific programme. For example: A village where 1000 families own a TV set and on a certain day and at a certain time 740 families are watching TV. If 157 families watch the news on channel A, the rating for this programme would be 15.7 (157/1000) while the share would be 21.2 (157/740).

\textsuperscript{247} If, for example, a cosmetics company wants to aim a commercial at young working women from 18-26, it might look for a programme with such an audience composition.
The more rational approach of calculating the price for the placement of a spot based on the CPR (Cost per rating), as opposed to the more arbitrary system used by its competitor Televisa, proves a very effective selling tool for TV Azteca's sales force.

While in Japan and the Dominican Republic advertising fees are normally paid after the broadcasting of a commercial, the situation is quite different in Mexico's TV Azteca. This company closes "investment contracts" for one year with most of its customers. The latter pay these contracts from their advertising budgets up front and thus maintain a positive balance on their account with TV Azteca. During the year TV Azteca then debits all its advertising services to the customer against this balance. All account executives have to assure a minimum of monthly advertising revenues for the customer group for which they are responsible.

TV Azteca's sales department comprises the following sections: Sales, Marketing, Promotions, Operations, and Administration.

**Fig 52  SALES DEPARTMENT - TV AZTECA**

The Vice Presidency of Sales embraces the Head Offices of Sales Administration, Promotions, Sales Marketing, and the Sales Force.

The Head Office of Sales Administration falls into *Pautas* (Operations) and Administration.
In TV Azteca's *Pautas* (Operations) the following functions are undertaken. First of all, the "investment contracts", that is the contracts under which the advertising customers buy broadcasting time are administered.

*Pautas* sells broadcasting time for spots directly over the telephone, promotes and sells programmes, special events, and package deals. Then *pautas* places commercials (the investment in commercial broadcasting time) in the programming schedule of TV Azteca's two channels according to the contracts. To do this, *guías de continuidad* (continuity guides\(^{248}\)) are designed.

Those guides ensure that the broadcast is continuous, that is to say that there are no blank spaces within the network programming. Later the actual broadcasting of the commercials, and the fulfilment of the investment contract, has to be controlled. In the case of a broadcast of a commercial having been adversely affected or cancelled, *pautas* has to file a report and to reschedule the item. If the broadcast of a spot is confirmed, *pautas* charges the showing to the account of the advertiser. Finally, *pautas* make the account statements of its customers. *Pautas* is constantly trying to improve the efficiency of the commercial spaces it administers. Therefore, *pautas* also co-ordinates with the VP Sales about meeting its objectives.

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\(^{248}\) The continuity of a channel is the order in which programmes, spots, and all components of programming are broadcast. Once the Chief of Continuity receives the orders from the department of operations and sales of a channel, he designs his continuity for the day, week and month, specifying in detail what is going to be broadcast each hour, each half an hour, each minute or second of the time. The commercials have to be programmed for their broadcasting as much during the course of a programme as during the breaks of the
TV Azteca’s Conciliaciones (conciliation) supports the area of pautas and supervises the reconciliation of the accounts for each one of its clients. Conciliation checks to see if all the commercials that have been placed (pautado) have actually been transmitted. If there are discrepancies between placement and broadcasting, the client’s account has to be adjusted. These reconciliations are a monthly exercise.

TV Azteca’s Sales Administration has the following functions:

- administrative support of all sales areas

- satisfaction of all the exchange249 ("intercambio") arrangements made by TV Azteca

- control of TV Azteca’s interests in its participation in local stations

The area of sales administration is structured in the following manner:

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249 Intercambio refers to the barter trade of air time (property of the TV channel) for the placement of commercials against services or materials offered by the advertising company.
*Intercambio* administers everything relating to *intercambio* contracts. This encompasses supervising and controlling the actual balances of *intercambio* arrangements.

Human Resources computes the commission payments to the sales force, controls personnel and sets up contracts for commissions.

Even if the programming of TV Azteca is the same for the whole of Mexico, it offers its advertisers the choice of placing their advertisements nation-wide, or selectively on a regional basis.

Regional Sales - *Locales* - revises sales reports of the advertisement placements in the geographical regions, nets national sales with local sales and implements policies and procedures in the regional sales.

Sales Marketing activities in the Sales Department are structured in the following way:
The activities grouped in Internal Marketing are the pricing of individual packages, special events, and sports seasons, as well as the co-ordination of promotions, sales promotion and printed materials. The organisation chart, however, is not structured in accordance with these activities, but according to the following programme types: Sports, Entertainment, News and Specials, for which the activities are undertaken.

In TV Azteca the advertising client also has the possibility to convey his commercial message during promotional films, within the Company they are commonly referred to as *promos*\(^{250}\), being his preferred or already sponsored programmes. For example, the clients logo can be superimposed on promotional films. In TV Azteca, Internal Marketing co-ordinates the pre-production, production and placement of this kind of advertisement. Furthermore, Internal Marketing co-ordinates with *pautas* (operations) the content and cost of package deals as well as the charge to the client’s account.

The Co-ordination of Production, placed in a supporting staff position, deals with advertising issues commonly referred to as “product placement.” The advertisers, for example, might want the star of a telenovela to consume their product in a particular show. Co-ordination of Production then checks the viability of this “product placement” proposal and tailors a package according to the specific needs of the customer. After the package is sold, Co-ordination of Production

\(^{250}\) These promotional films are passed before the broadcasting of the programme in order to announce and remind.
supervises it, assuring the fulfilment of the contracted service. It later also controls the broadcasting of sold commercial spaces. In this area the "demos" of the programmes for which TV Azteca is selling commercial space are edited and continually up-dated. Furthermore, special productions are budgeted.

The activities grouped in External Marketing are:

- the maximisation of the profitability of the programmes.
- the analysis of the clients by category leading to the creation of specific package deals, the pricing of those packages and specific information on the programme
- the application of a demand and supply model,
- the analysis of actual and future programmes, as well as the analysis of market indicators,
- the publishing of the magazine "Azteca Avances", which contains information on ratings and new programmes and is distributed to direct clients and advertising agencies,
- the up-dating of general presentations of the network in printed form or in video,
- support for design,
- co-ordination with Strategy:
  This includes the screening of the clients in regard to their advertising cycles (seasons), their investments, and tariffs.
- co-ordination with Research:
  This includes a weekly inventory, the determination of the 25 best and worst programmes, the designing of graphics that depict the rating and share by programme and hour, the collection of data for periodic polls (Nexus/
Gallup), ascertaining audience levels (number of people), information about polls or focus groups.

- co-ordination with promotion, specifically in the creation of ideas.

The activities grouped in "Client Services" are:

- the co-ordination, organisation and logistics of congresses, seminars and other events with participating parties and specifically clients,
- purchase and logistics of promotional materials and gifts for clients,
- co-ordination of invitations for events,
- logistics of education courses,
- show room.

The sales force of TV Azteca comprises about 80 people.

Fig 57 SALES FORCE - SALES DEPARTMENT, TV AZTECA
The sales force is structured by types of clients. TV Azteca divides its customers into three categories (type A, B and C) according to the sector they belong to and the products they offer:

- **Type A Clients** comprises the groupings food, juices and soft drinks, fast food chains, clothes and sport articles, and self-service stores.

- **Type B Clients** comprises the groupings home and personal care products, pharmaceuticals and laboratories, and white goods (cooking stoves, coffee machines, dish washers, etc.).

- **Type C Clients** comprises the groupings banks and insurance companies, government, communications, computers, airlines, electronics, cars, tobacco, and alcoholic beverages.

Besides direct clients TV Azteca also sells commercial time via advertising agencies. As in the Dominican Republic advertising agencies claim 20% of the revenue.

In the TV Azteca's Sales Department six people are assigned to an area called Promotions. This section arranges draws and raffles intended to increase the sales of the advertising client's products. They are designed in accordance with the client's expectations and production's requirements.

In TV Azteca the complete process of selling air time to customers from the initial order to the final billings is fully computerised and networked.

In the Tokyo Broadcasting System all commercial spots that arrive from the advertising agencies are received by Commercial Message (CM) Bank Room before being broadcast through a computerised tape reproducing system. This system consists of 14 D-2 VTRs and two robot cart machines. Each unit has a 1000 cassettes storage capacity, and automatically stocks and plays the materials.

251 For example Burger King.

252 The current software "Columbine" still runs on DOS and is actually revised and improved. The new version "Paradine" will run under Windows NT.
G.Comparison of Programme Sales


a. TBS Service and the International Programme Sales Department

The domestic sales activities of off-network programmes are managed by TBS international sales. Such sales of programmes and concepts belonging to TBS are handled both by the international programme sales department and by the affiliated company TBS SERVICE for historic reasons. TBS SERVICE started as a printing business producing promotional devices for TBS some 20 years ago and gradually entered domestic as well as international programme sales. The International Programme Sales department handles the bulk of TBS programme and concept sales abroad. However, the double approach leads to double effort and leads to inefficiencies. For example, the sales function of TBS is represented by major international trade shows in Las Vegas and Cannes both by the TBS SERVICE and the International Programme Sales Department, which draws on resources and, moreover, confuses potential customers. In practical terms the TBS SERVICE and the International Sales Department secure the handling rights of certain programmes. An interesting point is that every two months sales executives of all major Japanese networks meet in order to talk about industry practices, especially about issues over the rights of authors and production companies.

Fig 58 INTERNATIONAL PROGRAMME SALES DEPARTMENT
- TBS

- International Programme Sales
- International Traffic
- International Sales
After the network run of a programme, an "independent" company like TBS SERVICE can obtain the rights for domestic sales once more from the production company:

- TBS SERVICE makes a down payment per episode for a period ranging from 5-7 years and 2-3 runs, or

- TBS SERVICE acts as an exclusive sales agent for the production company and nets 20-30% of the net revenue.

TBS SERVICE then sells the off-network programmes to local stations of the JNN network or even to stations in a competitor's network, who schedule them in time slots without network programming.

**b. Legal Situation and Special Deals**

Basically Japanese key stations permanently hold the copyrights for overseas distribution of their programmes. This contrasts with the situation in the US where before the recent FCC ruling, networks could only obtain the rights to air a programme a certain set number of times after which they returned to the producer for further distribution. There may be exceptions, however, as in the case of animated pictures, where rights are often shared between companies. The proportion of foreign production in the programming schedule which stands at about 4% has not varied substantially over the last few years.

The system of barter syndication is not as extended as in the USA. In fact, it may only take place in the case of big events such as the America's Cup, international golf matches, etc. Then an advertising agency, who unites a range of sponsors, offers the transmission rights plus cash in exchange for the free commercial time during the broadcast of an event.

Another way of providing syndicated programmes to stations is the following: an advertiser, rather than a station, buys the rights to a given programme. After
incorporation of the advertiser's own commercials in some (usually half) of the breaks in the programme, the advertiser offers it to stations at no charge. The station gets a "free" programme and has the chance to profit by selling the remaining open spots. An advertiser particularly anxious to place a programme in a particular market and/or on particular station may sweeten the deal by offering the station more than half the spots.

2. Sales of Off-Network Programmes, Concepts, and Materials at TV Azteca

The programme sales department in TV Azteca is rather small. Whereas in TBS more than 15 people push the sales of TBS production, in TV Azteca only one person is -formally- in charge of programme sales. This "understaffing" is mainly due to the very recent start of offering TV Azteca productions for sale. Anyway, as the work in TV Azteca is not very compartmented, the Programme Sales Manager is supported by the VP and Director for International Affairs. Another clue to understanding the reason for the recent start in sales activities\textsuperscript{253} is the fact that, whereas, in TBS a huge legal department sets up the sales contracts, TV Azteca's legal people only check contracts submitted by potential clients. Final decisions on contract terms are taken by the VP for International Affairs.

TV Azteca mostly sells its telenovelas and the exhibition rights for some Mexican football matches. TV Azteca has traditionally been strong in sports. It not only owns the team Veracruz, but also the exhibition rights to 9 of the 18 Mexican football teams. TV Azteca's telenovelas are sold to Latin America and to Indonesia, Russia, Bulgaria, the former Yugoslavia, and the Arab countries.

\textsuperscript{253} For details on the structure of TV Azteca's international sales activities please refer to the paragraph on its "International Department."

Because there are no affiliate television stations in the Dominican Republic, there is no need for a domestic sales department. In contrast to Latin American countries such as Mexico, Venezuela, Brazil, Colombia or Argentina who conquered the international TV screens with their telenovelas, the international sale of a Dominican production is a very, very rare exception, last but not least because of the low standards of the television industry. The only programme that can be seen internationally is the marathon variety show “Sabado con Corporán” on the low quality satellite channel *Cadena Sur*.

H. Comparison of International Department

1. The International Department in TV Azteca

Besides the management of international contacts, TV Azteca’s International Department covers international programme sales and purchases. A total of 16 people work in this department.

**Fig 59** ORGANISATION CHART INTERNATIONAL AFFAIRS DEPARTMENT - TV AZTECA

International Traffic Export and Import, refers to the following up of the despatch and receipt of the actual programmes to and from other international networks and other suppliers, that is to say videotapes with the programmes recorded on them. International Exhibition Rights refers to a legal department specialised in the legal
questions of international sale and purchase of television programmes. International Exhibition Rights checks all the contracts dealing with the international sale and purchase of programmes.

2. The International Department of TBS
The grouping of these functions is different in TBS and in the Dominican station Telecentro. In TBS, the international programme sales and the International Traffic, is grouped together into the department “International Sales”. In TBS all contracts dealing with international programme sales and purchases are set up by TBS’s general legal department. Besides this, TBS has a separate “International Department” which is in charge of contacts with other networks around the world at top management level, assists in questions of strategic planning as well as in all contacts with foreign countries (due to the language limitations of the rest of the TBS staff, who exclusively speak Japanese).

In the Dominican Telecentro, international activities are conducted directly by the TV station’s administration.

I. Comparison of Engineering Functions
Engineering plays a pivotal role in television, which relies on highly sophisticated, fast depreciating equipment, for production as well as for transmission. The engineering department in Telecentro falls into transmission, maintenance, and support. Engineering maintains, checks and sets up all equipment necessary for recording programmes, especially audio, lighting and cameras. It is responsible for maintaining and operating the transmission facilities within the station (master) as well as on the national level (transmitters). The tasks of transmission include the maintenance and repair of aerials on hills throughout the Dominican Republic, and the control of three satellite dishes as well as a microwave receiver.

The function of engineering in a top-notch network such as TBS is basically the same, but the engineers deal with much more advanced, and expensive
equipment. Accordingly, the educational and knowledge levels of the TBS engineering staff are much higher.

J. Comparison of Support Function

1. Administrative Functions

In Telecentro the Administration department makes the contracts with agencies, blocktimers and clients, controls the financial transactions of the whole company and hires new employees. The administration of Telecentro is not at the top of the pyramid but the centre of decision and control of the network. Here the important contracts are made with the blocktimers, here, the conditions given by sales to advertising companies and other clients are checked, here, every single purchase order issued and the corresponding cheques in payment have to be signed. These are all indications of the close controls deemed to be necessary, and the authoritarian culture. Administrative controls in TBS are very efficient. Expense reports are partly on paper, and partly computerised.

Accounting in Telecentro falls into two sections, accounting, and invoicing and collection.

Accounting registers financial transactions (invoicing, cheques to suppliers, and the pay roll), prepares financial statements and management reports, and it also has a personnel and purchasing function. Purchases are channelled through accounting, which solicits cheques from the administration, and pays the suppliers. The personnel function covers the entry of new employees and the administration of personnel files.

Invoicing and collection follows the contracts Telecentro has with its clients (agencies and advertising companies) and blocktimers (purchasers of broadcasting time).
2. Operative Support Functions

The operations of the key station on a television network depend on many support functions. Depending on the size of the organisation in question these support functions either form a separate department or are included into more general functional grouping, which might be rather arbitrary. For example, in Telecentro’s section film and video, which is grouped into the programming traffic department\textsuperscript{254}, the control of the technical quality, the programme duration, as well as the content (in regard to obscenity), is undertaken. Film and video also administers the video library, makes format transfers and records satellite transmissions (Worldnet). While in Telecentro the functions grouped under film and video are carried out by only three people, in Japan’s TBS the video library, the satellite control, and format transfers, each form high-tech departments. In TBS three employees are solely in charge of the booking and confirmation process of satellite transmissions. The video archive is a fully computerised, robot-based ("virtually man-less") storage facility in which tens of thousands of digital video tapes are catalogued and bar-coded for easy retrieval. TBS TV producers can access via networked terminals in their departments the video archive and check for programmes or footage which they might need for the production of new programmes. In the Dominican Telecentro the video archive is limited to five wooden cupboards with video tapes of various origins, mostly catalogued in a note book. While format transfers in Telecentro are carried out with the same machines the employees of \textit{trafico} are using for checking in and out going video material, and for assembling the spot reel. In TBS format transfers are carried out by in-house companies like TBS Service or with equipment located within the departments that need transfers. In TBS the CM Bank Room\textsuperscript{255} that deals with the placing of commercial spots and the Filing Room which is in charge of preparing incoming programme materials (C, BetacamSP, 16mm) for broadcast (D2) are both separate support functions. In Telecentro these two functions are grouped into the Programme Traffic department (as Spotreel and Film and video).

\textsuperscript{254} Telecentro has no separate Programming Department.

\textsuperscript{255} Please see the paragraph on time sales.
K. Conclusion

The comparison of the operations of TV Azteca, Telecentro and TBS showed that while television stations in whatever national context maintain their basic functions (production, sales, programming, finance), the operational differences are very substantial. This is due to the varying degree of complexity, scale, and sophistication, in the structure and work processes of the three networks. TBS employs about 50 permanent employees for each one with Telecentro. At the same time TBS's employees are higher qualified and have the latest machinery and abundant financial resources. This translates into a more sophisticated output by the work processes and, finally, higher productivity per employee. The sheer difference in size between TBS (or TV Azteca) and Telecentro allows the former to develop more and more complex techniques. While in Telecentro several functions might be executed in co-operation by some employees or are totally automated, in TBS (or TV Azteca) each one of these functions is probably executed by an entire department. We saw, for example, the crucial importance of the programming department in developed TV markets like Japan or Mexico, and the absence of such a department in the Dominican Republic. This difference in the style of operation is a consequence of the differing national context, that is to say the different level of economic development, demographic factors, and the national advertising budget.

The effective operation of networks in the Dominican Republic and Japan is so different, it suggests that the national context has a bigger influence than factors of a certain industry. Indeed, because television is a service industry it responds less to the dictates of universal industry procedures than to the needs of its particular environment.

We are going to analyse in the following chapter the differences in the competitive environments of TBS and Telecentro in order to assess their individual strategic choices.
Chapter X

Comparison of Competitiveness and Strategy

A. Introduction

"In strategic planning the future is not necessarily expected to be an improvement over the past, nor is it assumed to be extrapolable. Therefore, as the first step, an analysis of the firm's prospects is made which identifies trends, threats, opportunities, and singular 'breakthrough' events, which may change the historical trends" (Ansoff, p15).

After determining the differences in operations of TBS and Telecentro, we will in this chapter compare their respective strategic choices. To this end, we will first draw a structural comparative analysis of the Japanese and Dominican TV industries, then present several models of strategic formulation, before, finally analysing the respective strategies employed by TBS and Telecentro.

B. The Structural Analysis of the Japanese and Dominican TV industries

"Two central questions underlie the choice of competitive strategy. The first is the attractiveness of industries for long-term profitability and the factors that determine it. Not all industries offer equal opportunities for sustained profitability, and the inherent profitability of its industry is one essential ingredient in determining the profitability of a firm. The second central question is the determinants of relative competitive position within an industry. In most industries, some firms are much more profitable than others, regardless of what the average profitability of the industry may be" (Porter, pp1-2).

Porter's model of 'Five competitive forces' is a helpful framework for the analysis of the industry attractiveness of the Japanese as well as the Latin American television industry. As Porter (p4) postulates: "The fundamental determinant of a
firm's profitability is industry attractiveness. Competitive strategy must grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness." Porter's 'Five competitive forces' heavily influence the profitability and, hence, attractiveness of an industry, because of their impact on prices, costs, and required investment.

1. Telecommunication Industry

Furthermore, the television industry has always to be regarded in the context of the telecommunications of a country. The final product of broadcasting and telecommunications are different (so far). The fast evolving media world with rapid technological changes and platforms makes forecasts regarding the shape of the broadcasting industry in the future difficult. Telecommunication companies might offer the dominating platforms for providing entertainment (by cable TV, Internet, interactive television, and multimedia in general). Therefore, the decisive environmental factors are technology and the stage of development of the telecommunications industry within a country when considering strategic choices for television companies.

The very advanced technological development of Japan in telecommunications is widely known, being commensurate with its stage of economic development, and hence of no further interest in this analysis. In the Dominican Republic, however, the telecommunications industry is much more advanced than the overall Dominican stage of economic development. In fact, the Dominican Republic features telecommunication services equal to those that can be found in the world's most advanced economies.

The Compañía Dominicana de Teléfonos (CODETEL) is a subsidiary of the US American General Telephone and Electronics (GTE). In its over 60 years of practically exclusive operation of the telecommunications in the Dominican Republic, Codetel has put the most sophisticated (imported) technology in the service of the Dominican people. Codetel's long monopoly even extended to
international telecommunication services via satellite and representing the Dominican Republic at the INTELSAT consortium, which groups over 100 countries. The heavy investment in the Dominican telecommunications infrastructure was encouraged by beneficial tax treatment.

The submarine cable installed by Codetel in 1968 was the fourth of its kind in the whole of Latin America. Recently, a new cable which allows digital communications via optical fibre (Cruz Sanchez, p281) was brought into use. From 1975 onwards, Codetel installed three earth stations for satellite transmissions. From 1986 onwards the telex was widely introduced. In 1987 cellular telephones started to appear, as well as long distance calls without operator intervention, and also the Internet.

In the 1990s, however, the long-enduring virtual monopoly of Codetel ended, and All America Cables and Radio Inc. (AACR) and Telepuerto San Isidro (Tricom) came into the market. Tricom is the most complete competitor for Codetel, offering local and long-distance calls, cellular services, Internet, and satellite transmissions.

Industry structure refers to the underlying economic and technical characteristics of an industry (Porter, p5), as shown in Fig 57. Industry trends that affect a given industrial structure are, therefore, highly important for the future of a company.

According to Porter (p7) companies can change, through their strategic choices, the characteristics of their industry structure and, as a consequence, exert influence on the industry's attractiveness. Using the framework of Porter's 'Five Competitive Forces' we will determine the structure of the Japanese as well as the Latin American industry and, later, assess those strategic choices the surveyed television companies made in order to change the structure of the industry.
Fig 60  ELEMENTS OF INDUSTRY STRUCTURE

(GENERAL MODEL)

Entry barriers
Economies of scale
Proprietary product differences
Brand identity
Switching costs
Capital requirements
Access to distribution
Absolute cost advantages
Proprietary learning curve
Access to necessary inputs
Proprietary low-cost design
Government policy
Expected retaliation

Rivalry Determinants
Industry growth
Fixed (or storage) costs /value added
Intermittent overcapacity
Product differences
Brand identity
Switching costs
Concentration and balances
Informational complexity
Diversity of competition
Corporate stakes
Exit barriers

Determinants of Supply Power
Differentiation of inputs
Switching costs of suppliers and firms in the industry
Presence of substitute inputs
Supplier concentration
Importance of volume to supplier
Cost relative to total purchases in the industry
Impact of inputs on cost or differentiation
Threat of forward integration relative to threat of backward integration by firms in the industry

Determinants of Buyer Power
Bargaining Leverage
Buyer concentration versus firm concentration
Buyer volume
Buyer switching cost relative to firm switching cost
Buyer information
Ability to integrate backwards
Substitute products
Pull through

Price Sensitivity
Price/total purchases
Product differences
Brand identity
Impact on quality / performance
Buyer profits
Decision makers' incentives

Determinants of Substitution Threat
Relative price performance of substitutes
Switching costs
Buyer propensity to substitute

Source: Porter (p6), Competitive advantage: Creating and Sustaining Superior Performance
2. Industry Competitors (Other TV Stations)

a. Competition

Within the telecommunication industries television broadcasting is one of the most concentrated. Japanese, as well as the Dominican TV networks can be described as oligopolies, as there are only a few main players. However, the Japanese oligopoly works, and the Dominican oligopoly does not. Why? The Japanese broadcasters are highly regulated, disciplined, business-minded and have a big, growing advertising market, while the Dominican ones experience the complete opposite and face many new entrants in the form of UHF and cable channels. The result in the Dominican Republic is a price war.

The Japanese broadcasting industry can be described as rather coercive, as the major networks rely on the weakening of competition and the shutting out of new entrants, and not on innovation and differentiation in order to obtain a greater market share:

- the advertisement agencies are all powerful brokers of time slots and therefore regulate the market.
- the networks rely on strategies of imitation and not of innovation in programming (as everywhere).
- licences are not available for new entrants, and foreign shareholders are shut out (this changed recently with Rupert Murdoch buying a Japanese publishing house that owns part of TV Asahi).
- Japanese television is personality driven and the TV personalities work for several networks at the same time.

b. Performance

The economic output of a company is measured, for example, in terms of profitability, efficiency, and growth. The attractiveness of the Japanese television
industry is high, because of the oligopolistic market structure and the high advertising expenditure. Telecentro, even if mismanaged, is also quite profitable, mainly because of the low costs and risks associated with broadcasting in the Dominican Republic.

c. Effectiveness and Efficiency

In regard to channel availability and technology, Japan is certainly one of the most effective broadcasting markets in the world. Japanese citizens have access, around the clock, to a range of local and network TV channels, cable TV, CS, BS, DBS satellite channels, HDTV, etc. Nevertheless, in regard to human efficiency Japan trails a long way behind their US American network counterparts, who laid off many of their under-utilised personnel, and streamlined their operations in the consolidation phase at the end of the 80s. According to our experience in the news field TBS needs, for the production of one minute of programming, almost three times the staff that would be used by CNN, with not even comparable quality in the end product. The high prices for commercial time and accordingly the high revenues of the Japanese networks finance such inefficiencies. In the Dominican Republic there are also inefficiencies, mainly because of a lack of personnel training and out-dated equipment - not because of over-staffing.
Fig 61  ELEMENTS OF THE TELEVISION INDUSTRY

STRUCTURE IN THE DOMINICAN REPUBLIC

**Entry barriers**

- High capital requirements for free air, (low for cable TV)
- Restricted access to distribution (no frequencies available)
- Government policy

**Rivalry Determinants**

- Low industry growth
- Low fixed (or storage) costs / value added
- Intermittent overcapacity
- Little product differences (imitation)
- Brand identity of renowned TV personalities (Freddy, Corporan)
- No switching costs
- Concentration of ownership
- High diversity of competition (cable, UHF)
- Low exit barriers

**Bargaining Power of Suppliers**

- Determinants of Supply Power (programme producers)
  - High differentiation of inputs
  - Low switching costs of suppliers in the industry
  - High presence of substitute inputs
  - High impact of inputs on differentiation
  - Low threat of forward integration relative to threat of backward integration by firms in the industry

**Bargaining Power of Buyers**

- Determinants of Buyer Power (Advertising Agencies and direct clients)
  - High bargaining leverage
  - High buyer concentration and volume
  - Low buyer switching cost
  - High ability to backward integrate direct clients (many TV stations are owned by industrial groups)
  - Many substitute products

- **Determinants of Substitution Threat**
  - Bad relative price performance by substitutes (radio, press)
  - Electricity shortage (frequent power cuts make placement in radio [battery powered / car] and press more reliable)

**Source:** Adapted from Porter (p6), *Competitive advantage: Creating and Sustaining Superior Performance*
**Fig 62 ELEMENTS OF THE TELEVISION INDUSTRY STRUCTURE IN JAPAN**

**Entry barriers**
- Enormous economies of scale
- Enormous capital requirements
- No access to distribution
- Absolute cost advantages
- Proprietary learning curve
- Access to necessary inputs
- Government policy

**Rivalry Determinants**
- Moderate industry growth
- High fixed costs / value added
- Product differences
- High Concentration
- Low diversity of competition
- Corporate stakes
- High exit barriers

**Determinants of Supply Power**
(Production companies)
- High differentiation of inputs
- High switching costs of suppliers and firms in the industry (cross-share holding, etc.)
- Presence of substitute inputs (e.g. foreign programming, but 'Japanese taste')
- High impact of inputs on cost or differentiation
- High threat of backward integration by firms in the industry

**Determinants of Buyer Power**
(Advertising Agencies)
- High Bargaining Leverage
- Buyer duopoly (Dentsu and Hakuhodo)
- High Buyer volume
- Buyer information available
- No ability to backward integrate
- Few substitute products
- Low price sensitivity
- Objective product differences (measured by ratings)

**Determinants of Substitution Threat**
- Newspapers are still very important due to high literacy rate and reading habits.
- Multimedia booming in Japan, High purchase power for specialised media

**Source:** Adapted from Porter (p6), *Competitive advantage: Creating and Sustaining Superior Performance*
3. Buyers (Advertising Agencies and Direct Clients)

a. Buyer Concentration

Clients are all commercial backers (Subscribers, Advertising Agencies, Advertisers, Sponsors), because the market for television is advertising. Advertising effectiveness depends on the size and characteristics of the audience. According to Sherman (p58) the objective of television is to produce "large, identifiable and, therefore, saleable audiences." Once more, the product a TV network sells are audiences, not programmes. Referring to programmes, however, we talk about their "audience delivery." The buyers of audiences are advertisers who look for programmes with the highest "audience delivery" in order to promote their products. The buyer concentration is especially high in Japan where the two advertising agency giants Dentsu and Hakuhodo buy commercial time in large quantities and then resell it to their corporate clients. For the Japanese networks, however, this arrangement has benefits. First of all they have practically no bad debts for time sales as the placement of the commercials are paid for by Dentsu and Hakuhodo. In Santo Domingo, the buyer concentration is also high, because the advertising agencies also hold the most important accounts. Buyer concentration is a problem mainly for small television stations, as advertisers target large audiences and these are normally delivered by the biggest stations. As a consequence, the big stations can often select advertisers for their most popular shows while small stations have to lower their prices to get even a share of the advertising pie. In Santo Domingo this is the case of many cable and UHF channels who often have to sell commercial time for TV spots at practically the same rate as radio stations.

b. Advertising Outlook in Japan

TV advertisement revenue overtook that of newspaper advertisements in 1975 and has increased its share ever since. Nevertheless, it was the "other media", such as sales promotion advertising (e.g. direct mail, inserts, outdoor advertisements, and
exhibitions) which experienced the most rapid growth in the last decade and holds the biggest share today. In principle, commercial broadcasting relies upon advertising income for its financing (just as NHK relies upon subscriber fees), and much of the industry’s present prosperity can be attributed to the increase in advertising spending as the economy grew. The first few years of the 1990s, however, have been marked by one of the worst recessions in Japanese history. Total Japanese advertising fees in 1992 were ¥5,461.1 thousand million, a 4.6% decline from the previous year. This is the first decline since the recession of 1965, and there is little prospect of a recovery in 1994. All the media have seen their advertising revenues drop, and the situation is grim. All the commercial broadcasting companies project lower revenues and lower profits in 1993 and 1994. Advertisers are cutting back on their spending and being more selective about where they advertise. The disparities amongst the media, with many more stations entering the market, are thus coming into sharper focus. As a result, the flagship stations are paying more and more attention to audience ratings and are spending less on programme production. There are limits to the amount of advertising a station can accept, however, and the NAB industry standards stipulate that television commercials must not account for more than 18% of the total broadcasting time in any one week, or more than 10% during “prime time” (the 3.5 hours that the station designates as prime time between 6pm and 11pm).

256 Japan’s Mass Media, p58.
Note: Figures include advertising agency fees, which are usually 15% of the advertising cost.


"The broadcasting industry, however, experienced a boost in advertising activities as a result of renewed interest on the part of consumers, and intensified competition from sponsors in the industry."

In Japan, the television advertisement sales to beverage and automobile firms are growing steadily, while the telecommunications boom in mobile telephones, the
PHS (personal handy system), and relatively new areas such as cellular telephones and computer-related industries show vigorous growth rates.

Direct contracts with sponsors or advertisers are seldom employed in Japan, unless the advertiser is a government agency. The role of the advertising agencies is also rather like that of a financial guarantor, which provides financial security to the network because, if a sponsor goes into bankruptcy, the network still receives its monies from the agency.

In the Dominican Republic, according to Revisa in the magazine Mercado, the total amount of media spending during the first half of 1995 was more than RD$1,303 million pesos, of which 74% went to television, 16% to newspapers, and 10% to radio. The television spending in 1995 experienced a modest growth of 3.9% compared to 1994. Channel 6 leads the growth ranking with a 70% increase, and Channel 13 runs in second place with 27%. Channels 2 and 9 experienced a significant decrease of 22% and 13%. In total spending Channel 6 still leads the ranking, followed by Channel 9 and Channel 11.

The major sponsors of advertising in the Dominican Republic are the 'department stores', which have experienced an increase of 24% when compared to 1994. The second place is held by 'beers and lagers' accounting for a total amount spent of RD$55 million. Meanwhile the traditional advertisers, rum and cigarettes, spent little more than RD$44 and RD$32 million during the first half of 1995. (All data supplied by Revisa).

The Dominican rating service Monitoring Corp. quotes the following advertising spending for the period January-September 1997257:

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257 Data courtesy of Cumbre advertising agency on November 3, 1997.
Given the economic uncertainties, advertisers all over the world, but especially in the developed markets, are pursuing cost effectiveness by placing their advertising in programmes in which their target demographic consumer group prevails. As a consequence, rating information becomes increasingly refined, moving from information by household to personal viewers. The quality of the audience, not its quantity, thus gains in importance. As markets fragment into numerous segments, companies move from mass production and marketing directed to the whole population, to marketing strategies directed to target consumer groups. The same happens with the television commercials. Advertisers no longer look for the gross exposure of their commercials to the greatest possible audience, but for the most effective use of their advertising budget, and this means that they now place their commercials in programmes which are watched, not primarily by the greatest number of people, but by the greatest number of those belonging to their target consumer group. This, in turn, translates into the net exposure of their commercials. The higher the proportion of the target consumer group in the audience for the programme, the more cost-effective is the placement of the commercial. The composition of a programme comes first. For efficiency, advertising clients will increasingly purchase programming whose target audience matches the demographic (age, sex, income, and education) and psychographic
(lifestyle, behaviour, attitudes) profile of their prospective customer. Targeting programmes to significant audience groups which coincide with demographic consumer groups identified by potential advertising clients is, therefore, of increasing importance in the strategies of television stations for the future.

4. Suppliers

a. TV Production Companies

The audience delivered is the final product of television. The intermediates, however, are the programmes which these networks produce by relying increasingly on the services of independent production companies. Production companies also provide other services such as the use of post-production facilities, equipment, and personnel, or produce whole programmes on their own. The reason why the networks rely on production companies are mainly cost considerations in Japan, and production know-how in Santo Domingo.

b. Fixed Costs

With rapid technological change the formats of recording, storing, and broadcasting programming are very short-lived. The Japanese networks do not only want "state of the art" technology, they have to possess it in order to remain competitive. As a result, they have to upgrade their equipment and installations constantly, which translates into high fixed costs. TBS reduces its risky exposure to fixed costs by contracting out a large part of its technical services. As a result, the high-tech broadcasting centre of TBS in Tokyo is surrounded by a cluster of small production companies and studios who provide expensive production and post-production services on a constant basis. The Dominicans avoid this cost factor by not investing in new equipment (not even spending on maintenance). This is possible because as everybody in the marketplace behaves in the same way and

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258 Compare Witek, p181.
the reception signal in many places is bad, people do not even recognise the quality flaws. The Dominican audience has literally become conditioned to being quite happy and content with low quality. Finally, for the Japanese, the lifetime employment guarantee enjoyed by the core workforce adds a further burden in the area of fixed costs.

c. Variable Costs

The human capital, the strength of the big Japanese Kaisha, including the commercial television networks, may also be their greatest weakness. The fast-changing media landscape, the opening of the Japanese television market, the short technology cycles, all increases the competitive pressure for the networks and transforms the in-house production with benefit-packed, highly paid network employees into a financially risky enterprise. In order to reduce its exposure to high labour costs TBS has reduced its payroll to a core workforce of around 1500 employees. These people are mainly graduates from the elite universities whose task is to operate the network by using low-pay employees from subcontracted companies. The high labour costs have motivated TBS moves to sub-contract most of its production and post-production work. One important point to note is that TBS holds capital in several of the production companies, and the reason for their existence is that TBS does not have to give the employees of these associate companies the same benefits enjoyed by its own core employees. In the Dominican Republic, because of the low labour costs and un-complicated dismissal procedures such factors are given little importance.

The threat of forward integration is also normally very low because of the high barriers of entry (huge capital investments) and the limited access to frequencies. Nevertheless, in the case of the Dominican Republic the "national institution" and well-known TV producer and announcer, Freddy Beras Goico, who personally directs three hours of programming on weekdays (Punto Final), and a six hour marathon variety show on Sundays (El Gordo de la Semana) will open his own television channel in 1998. As there are no VHF frequencies available he has to
broadcast in UHF, which has a much smaller reach (a special antenna to receive the UHF signal is needed). He eventually intends to distribute thousands of cheap antennas in order to increase the reach of UHF.

d. Production Know-How

Dominican networks broadcast programmes produced out-of-house, because they lack knowledge in television production and do not possess their own talent. They depend on the famous television personalities and producers, who have set up their independent production companies. This arrangement to put block-timers in place of own productions significantly reduces the possible revenues for the network.

5. New Entrants

a. Barriers to Entry

New entrants in the television field face several barriers: Network television is very capital intensive requiring huge investments in equipment and programming. In Japan, the network has to lure enough independent stations into its “net” in order to achieve economies of scale. Furthermore, in order to secure a minimum compliance with the clearing network air time, many networks normally need to own and operate several stations themselves (the so-called “O&O”). This increases the initial investment. If the network decides to set up new stations, it needs an own frequency (limited) and a government licence. In Santo Domingo, such decisions are political. In Japan, ownership is limited to its nationals. Recently, Rupert Murdoch of News Corp. circumvented the legal restrictions by buying shares in a publishing house which owns a significant number of shares in TV Asahi.
6. Substitutes

The products of commercial television are the formation of audiences suited to the purposes of the companies who purchase advertising. Substitutes within the framework of competitive analysis are, therefore, all the related media that can deliver the same audiences. The Japanese NHK is not in competition for advertising budgets, as it is entirely financed by virtually compulsory subscription fees paid by everybody owning a television set. NHK, however, also competes for audiences delivered, as everybody tuning in to its frequencies stops watching a commercial broadcaster. As a consequence, the public NHK should also be included in the group of direct alternatives for commercial terrestrial television.

The placing of commercials in media other than the traditional free air television (substitutes) becomes increasingly important for advertising companies who want to reach their target group effectively and efficiently. In fact, the age of the mass audience, as traditionally delivered by the big networks, is over. Immigration, individualism, later marriages, longer life-expectancy, social reforms, all these trends led to a fragmentation of the audience for television, in catering to the needs of continuously more highly defined audience segments. This has brought about the surge in 'narrow-casting' instead of 'broadcasting' with channels dedicated exclusively to news, specific musical tastes, weather forecasts, or cooking\footnote{In the Japanese cable we find for example a "Golf channel", exclusively reporting on the Japanese's favourite pastime, and even a 'Goldfish channel' that transmits a live goldfish swimming in an aquarium, allowing the viewers to tune in to their pet, as the crowded living conditions do not allow the possession of the real thing.}. Thus the increase in the media that allow greater channel variety, and the catering to specific tastes such as cable, direct broadcasting satellites, and pay-per-view.

a. Paying Services

The audio-visual entertainment of terrestrial television can also be provided by paying services such as cable TV, satellite TV, cinema, Internet or video-rental. In
Japan the general population has enormous purchasing power and terrestrial television has to compete directly with these alternatives. In the Dominican Republic, however, because of wide-spread poverty, there is no alternative to television for the vast majority of the population.

b. Cinema

In Japan the per capita cinema attendance is 1.1, one of the lowest in the World. The film attendance in 1991 was 138,330,000, the lowest since the end of the Second World War (Shimizu, p8). The gross cinema box office takings in 1991 was ¥163.4 thousand million, ¥4.5 thousand million less than 1990 (Shimizu, p7). One of the reasons for the low attendances in Japan are the high ticket prices (about ¥1,800 or US$20, in 1995). Cinemas can be found in all the 29 provinces of the Dominican Republic. Santo Domingo and Santiago alone, the two biggest cities, have more than 40 screens. Films of a dramatic nature are the most important means of introducing foreign culture (almost exclusively US) into the Dominican Republic. Unlike television, where the broadcasting of foreign programmes has somewhat diminished over the last years, the Dominican big screens are dominated by US productions\(^\text{260}\).

In the Dominican Republic cinemas (with ticket prices at RD$40, about US$2.5 in 1997) are too expensive for the vast majority of the population.

c. Rental of Video Tapes

The VCR penetration in Japan is 83.4% (Shimizu, p8), that is to say that almost all households in Japan possess a video cassette recorder. In the Dominican Republic relatively few households own a VCR, but in both countries people look to VCRs and rented video cassettes as a cheaper form of quality entertainment.

\(^{260}\) The only exceptions are the native Dominican productions 'Nueva Yol' and 'Nueva Yol III', which were enormous successes. These technically amateurishly produced films depicted
Just as in the other developing countries, copyright has also become a major issue in the Dominican Republic. Video rental, as well as cable companies have been accused of the pirating of satellite signals and video tapes. Under pressure from the US American media companies (and the US Government) the Dominican Republic now guarantees authors’ rights under the Reglamento No 85-93 / Ley 32-86 (Cruz Sanchez, p273). The effectiveness of this measure cannot be assessed at this time.

d. Cable Television

In 1955 CATV started in Japan. According to MPT figures, the number of cable subscribers was 7,431,000 at the end March 1992 (Shimizu, p7). Its expansion is rather limited, because DBS transmissions fit better into the diverse geographic and architectural conditions of Japan. Only 870,000 subscribers (3% of all TV households) had access to CATV services, which distributed independent broadcasting or relayed NHK DBS programmes or CS programmes, the rest being old-fashioned facilities, engaged in the re-transmission of TV programme from local TV stations (Shimizu, p12). Commercial TV networks take minority positions in cable supply operations together with their newspaper affiliates (Shimizu, p24). In the Dominican Republic, three cable television providers (Tele Cable Nacional, Cable TV Dominicana, and Tele Club) offer their services to the upper echelons of Dominican society. The channel menu (about 63 channels, including premium channels like HBO and Cinemax) offered, is basically the same as in the USA, with the addition of Dominican VHF and UHF channels. Cable service is available in the principal cities of the Dominican Republic and it is estimated that about 300,000 Dominican homes are connected (Cruz Sanchez, p272).
e. Radio

Commercial terrestrial television is advertising financed and, hence, free for the viewer. A substitute for this free form of entertainment and information would also be radio, in Santo Domingo as well as in Japan. Radio tends to be somewhat eclipsed by television, but it is still a popular medium with drivers, thanks to the widespread use of car radios, and with older people who find they are more comfortable with the radio playing. It is also an important channel for emergency news and information. Radio has some exclusive advantages over television for advertisers:

- lower cost of production and placement of commercials.
- match of time-of-purchase (TOP) and the major audience of radio broadcasts; according to Veras (p10) “90% of consumer spending occurs during the time of the highest radio audience: 6:00 am to 6:00 pm.”
- radio exactly adjusts to the audience's life style and habits, as it can reach everybody at any time of the day. From waking up to driving to work, even during work radio commercials are heard by people who are usually difficult to reach (because of their low consumption of other media).
- the time-of-decision of radio is shorter than that of any other major medium, that is to say TV influences on average 2 hours 54 minutes before the moment of purchase, newspapers 3 hours and 24 minutes, while radio influences in less than an hour. (Veras, p7).
- Veras (p3) underlines the special advantage of radio in the Dominican Republic: “In countries like ours where frequent power cuts occur, radio is the only available means of information and entertainment.”

AM stereo broadcasting started in 1991 in Japan. Although still in its difficult infancy, there are also hopes for PCM radio broadcasting via BS and CS. Reinforcing this, there have been a number of recent surveys indicating that
people are watching less television, but hopes are high for radio for the rest of this century and into the next. Tokyo Broadcasting System, Nippon Broadcasting System and Nippon Cultural Broadcasting also provide programming for stations outside Tokyo in AM. Because most of the FM radio is used for music, the programming is primarily local. Even so, FM Tokyo and FM Japan (both in Tokyo) are at the centre of developing national networks.

f. Pay per View

PerfectTV, the first Japanese digital Satellite service which opened in 1996, also offers the first pay-per-view service (via satellite), besides dozens of other channels. (There is no pay-per-view in the Dominican Republic).

g. Multimedia

Internet and CD-ROM are capturing not only the leisure time of the Japanese, but will also demand a share in the advertising market. TBS strategy is to turn this threat into an opportunity by diversifying into the multimedia field. They believe that there is also a synergy between the properties of TV (programming) and the new media, which can be exploited in cross-promotion, and especially in merchandising.

h. Satellite Channels

In Japan there are three public service DBS channels (including one HDTV channel), one private subscription DBS channel, six private subscription CS channels, and 14 other satellite-to-cable services. Six new private satellite TV services started in 1992, using CS transponders. Having the strategic goal to take a position as a multimedia information supplier, many Japanese newspapers (circa 20) have expanded into cable television, 30 in video discs, 15 in computer networking, 10 in teletext broadcasting, 10 in radio and TV programming, six in BS
and CS satellite operating, eight in information supply by fax, and 20 in a telephone information service (*Japan's Mass Media*, p.29).

**i. Direct Broadcast Satellite**

(DBS) is a non-advertising supported subscription service, and had an estimated 5.5 million receiving households at the end of March 1992, which equals a penetration of 16.3% (Shimizu, p.8) of all television households. Three point eight million have a receiving contract with NHK which was the first to start satellite broadcasting on 4 June, 1989, with two channels concentrating on news, culture, and entertainment. NHK's DBS service generated a surplus of ¥7.12 thousand million in 1992.

In 1991 the Japanese Satellite Broadcasting Co. (JSB), a consortium of 190 commercial broadcasters, trading firms and advertising agencies, launched the 24-hour service WOWOW of scrambled news and entertainment programmes (55% newly-released Hollywood films) using the same BS-3a satellite as NHK. According to the MPT, the number of DBS-receiving households will reach 10 million by 1997, when the next generation of DBS-4 satellites will be launched.

**j. Commercial Satellite**

In 1992 a new twofold broadcasting system falling into facility operators and programme suppliers was launched. These companies utilised the low powered (less than 50W) *communications satellites* (CS) in order to provide six television channels and 18 CS radio channels (Shimizu, p.11).

The Japan Communications Satellite Co. (JC SAT), a subsidiary of the trading firms, C. Itoh & Co., Mitsui & Co. and Hughes Communications Inc., has 64 transponders, with Mitsubishi's Space Communications Corporation (SCC) having 58, and Satellite Japan Corporation has two Ku-band satellites with 74 transponders, bringing the number of available transponders to 196, of which 93
will be capable of television signal transmission (Shimizu, pp23-24). It is expected that Japan will shift to BS and CS over a long term. United International Pictures, the overseas distribution partnership of Paramount, Universal and MGM-Pathe, holds 19.0% in Star Channel, while ESPN, North America’s largest cable network, holds 19.9% of Sports Eye Channel (Japan Sports Channel), both being limited to minority ownership by the restrictions of the Broadcasting Law.

**k. High Vision (HDTV) Broadcasting**

The Hi-Vision Promotion Association, a consortium of public and commercial broadcasters, TV set manufacturers and other firms provide regular eight-hour daily Hi-Vision broadcast using 1,125 scanning lines since 25 November, 1991, and employing one of the four transponders of the 120W BS-3b satellite launched in August, 1991, which is destined exclusively for Hi-Vision TV transmissions. Obstacles to the expansion are the high purchase cost of HDTV sets and the limited programme choice. The launch of BS-4 satellites in 1997, providing at least two HDTV channels, the likely cost reductions, and the Nagano Winter Olympics in 1998 are likely to catalyse the use of HDTV. TBS was the first Japanese commercial broadcaster to produce HDTV programmes, and also started the five-hour per week broadcast with commercials as a Licensed High Vision Test Broadcaster, utilising the satellite broadcast channel 9 for test broadcasts.

**C. Strategic Choices**

It is argued by Ansoff (p31) that “a strategy is a set of decision-making rules for guidance of organisational behaviour.” Ansoff (p31) distinguishes four distinctive types of such rules:

"- Yardsticks by which the present and future performance of the firm is measured. The quality of these yardsticks is usually called *objectives* and the quantity *goals*. 
Rules for developing the firm's relationship with its external environment: what products-technology the firm will develop, where and to whom the products are to be sold, how will the firm gain advantage over competitors. This set of rules is called the product-market or business strategy.

Rules for establishing the internal relations and processes within the organisation; this is frequently called the organisational concept.

The rules by which the firm conducts its day-to-day business called major operating policies.

1. Porter's Generic Competitive Strategies

"The fundamental basis of above-average performance in the long term is sustainable competitive advantage. Though a firm can have a myriad of strengths and weaknesses vis-à-vis its competitors, there are two basic types of competitive advantage a firm can possess: low cost or differentiation" (Porter, p11).

Porter combines these two basic types of competitive advantages with the firm's scope of activities, leading to three generic strategies:

- cost leadership.
- differentiation.
- focus.

Based to some extent on the experience curve concept, the strategy of cost leadership relies on a set of functional policies like 'tight cost and overhead control, avoidance of marginal customer accounts, and cost minimisation in areas like R&D, service, sales force, advertising, and so on' (Porter, II, p35). Cost leadership allows a company to make money even with depressed prices (or extraordinary profits in a booming market). The opposite of cost leadership is differentiation. This strategy allows the earning of above-average returns by reducing the exposure of

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261 Without a sustainable competitive advantage, above-average performance is usually a sign of harvesting.
the company to competitive rivalry: the brand loyalty of the customer reduces its price-sensitivity which, in turn, protects the company against depressed prices. The focus strategy refers to the scope (geographical, buyer group, product group) of the company's competitive behaviour and is based on the assumption that it can serve a specific target segment at lower cost or better differentiation. It is theoretically possible for a company to achieve both leadership in cost leadership and differentiation. Nevertheless, in order to achieve a sustainable competitive advantage Porter advocates concentrating on one strategic direction, as "a firm stuck in the middle is almost guaranteed low profitability" (Porter, II, p41). The sustainability of the cost based competitive advantage of a company also requires proximity to other integral factors. In order to protect the profits of cost leadership from the need to discount, the company has to assure that the quality and features of a product approximate to the industrial average.

Fig 65 THREE GENERIC STRATEGIES OF PORTER

COMPETITIVE ADVANTAGE

<table>
<thead>
<tr>
<th>COMPETITIVE SCOPE</th>
<th>Lower Cost</th>
<th>Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad Target</td>
<td>1. Cost Leadership</td>
<td>2. Differentiation</td>
</tr>
<tr>
<td>Narrow Target</td>
<td>3A. Cost Focus</td>
<td>3B. Differentiation Focus</td>
</tr>
</tbody>
</table>

Source: Porter (p12), *Competitive advantage: Creating and sustaining superior performance*

Porter divides the focus strategy into two variants: cost focus and differentiation focus.
2. Ansoff’s Set of Strategies

Ansoff (p85) proposes two sets of strategies: portfolio strategy and competitive strategy, which he differentiates in the following way:

“The portfolio strategy specifies the combinations of different strategic business areas in which the firm will seek to attain its objectives. The competitive strategy, on the other hand, specifies the distinctive approach which the firm intends to use in order to succeed in each of the strategic business areas.”

a. Portfolio Strategy

The portfolio strategy is based on the concept that the firm is “an assembly of distinctive strategic business areas (S B A’s), each of which offers different future growth/profitability opportunities and/or will require different competitive approaches” (Ansoff, p82). The portfolio strategy combines four components (Ansoff, pp83-85):

- geographical growth vector.
- competitive advantage.
- synergism.
- strategic flexibility.

The components of the geographical growth vector are summed up by Ansoff (p83) in the following way: “In market development new missions are sought for the firm’s products. Product development creates new products to replace current ones. Finally, diversification is distinctive in the fact that both products and missions are new to the firm.”
Fig 66  GROWTH VECTOR COMPONENTS BY ANSOFF

<table>
<thead>
<tr>
<th>Product</th>
<th>Present</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission</td>
<td>Present</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>Market penetration</td>
<td>Product development</td>
</tr>
<tr>
<td></td>
<td>Market development</td>
<td>Diversification</td>
</tr>
</tbody>
</table>

Source: Ansoff, H.I. (II, p83), The New Corporate Strategy

Strategic flexibility refers to the flexibility of the strategic business portfolio. It can be achieved externally through diversification (geographic scope, products, technologies) and/or through the flexibility of internal resources and capabilities of a firm, which can be easily transferred between business units. The maximisation of all components is not possible, because of the inherent trade-off between contradictory objectives (synergy versus strategic flexibility).

b. Competitive Strategy

Ansoff (p86) proposes the following set of competitive strategies:

1. market-share maximisation.
2. growth.
3. market differentiation (market niche) strategy of creating a distinctive image in the minds of potential customers.
4. product differentiation (product niche) strategy which differentiates the performance of the product/service from the competitor’s products/services.

Ansoff recently modified his traditional model of the Geographical growth vector shown in Fig 64. His new model combines three dimensions: market need, product/service technology, and market geography. For the discussion in this context the traditional model serves its purpose.
D. Strategic Concerns of the Dominican and Japanese TV Industries

1. Cost

a. The Vicious Circle of Low Cost - Low Quality

Dominican companies are focused towards low costs. This strategic choice was successful in the past. Today, because of the entrance of numerous local cable and UHF channels, and the penetration of foreign programming via cable TV and satellite, the Dominican networks have changed the structure of the market place. TV is an oligopoly. The Dominican TV channels, however, are stuck in a price war in which rates for commercials are constantly slipping. Furthermore, Dominican television follows no rules in regard to the relation of advertisement time / programming time, and so the Dominican TV hour can easily contain 40 minutes of advertising. This creates a vicious circle in which low revenues generate a new round of low cost production. The Dominican drive for low costs has no foundation in Porter's theoretical framework. For cost leadership to work, there have to be other companies willing to implement other strategies. In the Dominican Republic production costs are low, but so is the efficiency and effectiveness of a network's operation. This is the reason for the price discounting.

b. Cost Reduction as a By-Product of Productivity Enhancement

Japanese companies do not pursue a low cost strategy. Efficiency of processes, however, is regarded as a necessary condition for many kaisha especially in the manufacturing industry as efficiency helps to produce better products (not necessarily cheaper). The "Just In Time" management strategy, for instance, was not designed to reduce capital costs by holding lower inventories, but to better structure the work process, eliminate waste and, hence, eliminate the possibility of
errors and low quality. One strategy TBS pursues to increase efficiency is the technology-based: the Total Information System. How can one explain, then, in the television industry, for example, the overstaffing in production departments which creates redundant work processes? The answer lies in the Japanese preoccupation "to fix all ends" and to ensure the final product complies with their desire for total quality. All processes destined to increase efficiency (by investment in technology and "state of the art" facilities for instance) pursue the ultimate objective of liberating manpower that can ensure and control the achievement of set goals.

2. Differentiation

   a. Strategies of Differentiation

Not the programme per se, but the audiences that watch the programme, the audiences delivered for commercial purposes, are the final product of commercial television. Both Japanese and Dominican networks judge their programme, the intermediate product, on their ability to capture the largest possible audience for the corresponding time slot. As a consequence networks, on the one hand, have to look for the lowest common denominator in taste, namely show-oriented programmes and, on the other, differentiate and target their programmes in order to address various audience groups during the day. For example, the mornings at weekends are for children’s programmes, and the afternoon schedules are full of soaps directed to housewives. But even if the networks differentiate their own schedules during the day, all commercial networks basically stick to the same programme choices for a specific time slot, as producers in Japan as well as in Dominican Republic are rather hesitant to introduce new, unproven formats. In conclusion, the viewer of terrestrial television has no wide choice either in Japan or the Dominican Republic. Recently, in Santo Domingo, the increase of cable TV and small channels on the UHF frequency suggested a widening of the programme choices for the audience. They also basically stuck, however, to the
same programming recipes and standards of the established networks. In Japan, besides the public and commercial TV networks, there are cable TV and specialised BS, CS and Digital Broadcasting Satellites. Mexico’s TV Azteca, offering basically the same programming, differentiates its product by adding value through its sales policies. The pricing of commercial time based on CPR (cost per national rating point) differentiates TV Azteca from Televisa, and is perceived by the former’s clients as a valuable benefit.

In Japan, basic advertisement prices for spots are even published in the yearbook of the National Association of Broadcasters. Negotiation occurs especially with the sponsorship of programme, the rate depending on content ("prestige") of the programme, target group, and audience delivery. Prices are not discounted as in the Dominican Republic because of the availability of more trustworthy and quantifiable data (provided by acknowledged rating services) which permits the objective comparison of the pricing of different programmes.

As described in chapter IX, TV Azteca bases the pricing of its commercial time on an objective indicator, the CRP. The appeal of this system for the advertiser has turned this price-setting policy into a sales ploy with a real competitive advantage for TV Azteca.

b. Quality-Control Policy

Dominican TV companies are cost-conscious, not quality-conscious. The quality expectancy of the audience is low because of a lack of comparative experience. The technical quality of the video and sound is low because of out-dated, not well-maintained, and ill-operated studio and transmitting equipment. The production quality is also low because of the low level of training and standard of the staff. Indeed, most producers, technicians, and performers, are self-proclaimed professionals without serious training. Japanese networks possess excellent, state-of-the-art equipment. They do not, however, thoroughly train their studio technicians in production techniques. In Europe and North America, for instance,
there are universities with recognised film and television schools. Producers in the Dominican Republic imitate the successful productions of other channels to raise the "quality" of their own programmes. Product leaders in the area of innovation are not specific networks, but entertainers turned producers of the popular marathon shows (Freddy Veras Goico, Corporán, Roberto Salcedo) who have founded their own powerful production companies. In Japan, the big networks basically share the same level of quality as the moves of the competition are closely watched and, if successful, imitated.

3. Degree and Direction of Integration

Japanese and Dominican networks differ in regard to the kind and degree of horizontal integration as well as vertical integration.

a. Diversification

Dominican networks transmit their programming to the whole country by self-owned transmitting facilities, while Japanese key stations form networks with independent local stations all over Japan. However, Japanese networks are highly diversified operations. TBS functions not only as the key station of its network, but also operates a radio station, develops and markets multimedia products, exploits film rights for Japan (big screen and video packaging), promotes events, etc. The diversification of Telecentro which also owns a radio station (even if its operations are separated from the television side) is, hence, much more limited.

b. Vertical Integration

In the broadcasting business vertical integration ranges from innovation to production, from production to distribution, from distribution to exhibition. In the Dominican Republic, TV networks leave the stage of innovation and production
mainly to outside producers (besides news), while Japanese companies control all steps but rely in their execution on outside production personnel.

4. Stability

There are several ways Japanese networks implement policies that aim for stability. The most important is centred on the personnel policy. Japanese networks offer their highly-prepared core workforce life-time employment, and thus secure a pool of well-prepared and highly committed employees. Hundreds of small production companies, who form clusters around the network stations and whose staff works hand in hand on a day by day basis with the network employees inside the network building, provide the cushion for economic downturns -- they are abandoned when the recession arrives. In Santo Domingo in contrast, the rotation of employees is not only high, but technical staff even work for several networks at the same time!

E. The Competitive Scope of TBS and TV Azteca / Telecentro

Porter (p53) identifies four dimensions which configure the competitive scope of a firm:

- Segment Scope. The product varieties produced and buyers served.

- Vertical Scope. The extent to which activities are performed in-house instead of by independent firms.

- Geographic Scope. The range of regions, countries, or groups of countries in which a firm competes with a co-ordinated strategy.

- Industry Scope. The range of related industries in which the firm competes with a co-ordinated strategy.
Fig 67  SEGMENT SCOPE OF TBS, TV AZTECA, AND TELECENTRO

<table>
<thead>
<tr>
<th></th>
<th>TBS</th>
<th>TV Azteca</th>
<th>Telecentro</th>
</tr>
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<tbody>
<tr>
<td><strong>Products</strong></td>
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<tr>
<td>Telenovelas</td>
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<td></td>
</tr>
<tr>
<td>News</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Variety Shows</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Sports programmes</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Animation</td>
<td></td>
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<tr>
<td>Video packages</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Radio programming</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Multimedia products</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Events management</td>
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</tr>
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<td><strong>Clients served</strong></td>
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<tr>
<td>Direct clients</td>
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Fig 68  VERTICAL SCOPE OF TBS, TV AZTECA, AND TELECENTRO

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<td>Tele centro</td>
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<td>X</td>
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<tr>
<td>News</td>
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<td>X</td>
<td>X</td>
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<tr>
<td>Variety Shows</td>
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<tr>
<td>Sports programming</td>
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<tr>
<td>Animation</td>
<td>X</td>
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<tr>
<td>Events management</td>
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<tr>
<td><strong>Production Services</strong></td>
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<tr>
<td>Digital effects</td>
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<td>Camera crews</td>
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</tr>
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<td>Post-production</td>
<td></td>
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<td>X</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
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<tr>
<td>Office Staff</td>
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<td>X</td>
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</tr>
<tr>
<td>Management</td>
<td>X</td>
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</table>
### GEOGRAPHIC SCOPE OF TBS, TV AZTECA, AND TELECENTRO

<table>
<thead>
<tr>
<th></th>
<th>International</th>
<th>National</th>
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<tbody>
<tr>
<td></td>
<td>TBS</td>
<td>TV Azteca</td>
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<tr>
<td>Programme Purchases*</td>
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<tr>
<td>Programme Sales</td>
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<td>Broadcasting**</td>
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<td>X</td>
</tr>
<tr>
<td>News Bureaux</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

**Note:**

* TBS purchases very little foreign programming and pays a high price for it. Telecentro places its priority on buying telenovelas.

** TBS acts as the leader of the networks who form the satellite channel JET which broadcasts to the whole of Eastern Asia from Singapore, while TV Azteca is expanding its operations to other Latin American countries, where it purchases local channels and broadcasts its own programming.
Fig 70  INDUSTRY SCOPE OF TBS, TV AZTECA, AND TELECENTRO

<table>
<thead>
<tr>
<th></th>
<th>TBS</th>
<th>TV Azteca</th>
<th>Telecentro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networking</td>
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</tr>
<tr>
<td>TV stations</td>
<td>X</td>
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<td></td>
</tr>
<tr>
<td>Radio</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Programme sales</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Programme production</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Video packaging</td>
<td>X</td>
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<td></td>
</tr>
<tr>
<td>Multimedia</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Event management</td>
<td>X</td>
<td></td>
<td></td>
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<td>Home shopping</td>
<td></td>
<td>X</td>
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<td>Film production</td>
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<td>Electrical appliances</td>
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<td>X*</td>
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<tr>
<td>Money transfers</td>
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</tr>
<tr>
<td>Retailing</td>
<td></td>
<td></td>
<td>X*</td>
</tr>
</tbody>
</table>

*Note: *With the corporate group ELEKTRA.*
F. The Strategy of TBS - Tokyo Broadcasting System

1. Business Areas

The main business activities (Porter's segment scope) of TBS have been general broadcasting (television and radio) as recognised by the Broadcasting Act as well as the production and marketing of CD ROMs, packaged video software, the "contents business" for cinema films, and the managing of entertainment events.

"The world of mass media is going through a period of dramatic changes on a global scale as we race towards the age of multimedia and the ensuing increase in channels. Taking advantage of our knowledge and experience, we intend to play a leading role in the multimedia industry in the next century as the leading producer and provider of broadcast television" (Yukio Sunahara, President, TBS, June 1996).

At this stage, however, TBS is expanding its traditional business field into new areas. This strategy encompasses the field market penetration in Ansoff's Growth Vectors Components Matrix. TBS's President Sunahara mentions the TBS entry into satellite broadcasting via BS-4 in Japan, broadcasting services via communication satellite in Japan and overseas, digital data transmissions for broadcasting or computing, as well as on-line service.

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265 TBS mainly sells video tapes from television dramas, sports and documentary programmes. The successful television drama series, "Say you love me", for instance, sold a record-breaking 120,000 copies.
266 TBS co-produced the film 'The diary of Anne Frank', and co-purchased several foreign films including 'Soleil Trompeur', 'Immortal Beloved', and 'Melancholy.'
267 TBS co-produced Disney's 'Beauty and the Beast' with the Shiki Theatrical Company at the Akasaka Musical Theater and sponsored the Broadway musical 'Lady in the dark' and TBS's original musical 'Petit Prince.'
2. Business Overview

While the Japanese economy in general remained in a slump during much of 1995, the broadcasting industry experienced a boost in advertising activities. In the fiscal year 1995-1996, total expenditure for advertising continued to increase by 6.8% for television and 2.6% for radio. TBS gross sales for the same period increased by 7.4% to ¥ 221,789 million for the period 1994-1995. As a result, profits increased by 51.8% with income before extraordinary items and taxes at ¥11,589 million with a net income of ¥ 7,389 million, a 219.9% increase.

OVERVIEW OF BUSINESS PERFORMANCE AND ASSETS - TBS

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</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>¥213,707</td>
<td>¥203,799</td>
<td>¥190,278</td>
<td>¥206,566</td>
<td>¥221,789</td>
<td>¥2,085,470</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>¥15,043</td>
<td>¥5,449</td>
<td>¥6,885</td>
<td>¥7,636</td>
<td>¥11,589</td>
<td>¥108,976</td>
</tr>
<tr>
<td>Current profit</td>
<td>¥7,191</td>
<td>¥1,749</td>
<td>¥2,275</td>
<td>¥2,309</td>
<td>¥7,389</td>
<td>¥69,484</td>
</tr>
<tr>
<td>Net Income per Share</td>
<td>¥41.15</td>
<td>¥10.01</td>
<td>¥13.02</td>
<td>¥13.21</td>
<td>¥42.46</td>
<td>¥0.40</td>
</tr>
<tr>
<td>Total Capital</td>
<td>¥173,310</td>
<td>¥173,483</td>
<td>¥174,371</td>
<td>¥175,293</td>
<td>¥181,019</td>
<td>¥1,702,114</td>
</tr>
<tr>
<td>Liabilities &amp; capital</td>
<td>¥243,877</td>
<td>¥288,852</td>
<td>¥291,643</td>
<td>¥300,056</td>
<td>¥291,016</td>
<td>¥2,736,403</td>
</tr>
</tbody>
</table>


To increase profits, TBS maximises its sales efforts to meet the advertisers' requirements and also seeks for even more efficient utilisation of managerial resources (TBS - Annual Report April 1994 - March 1995, p3).

### 3. The Strategy of TBS - Radio

The TBS Radio’s network JRB, includes 33 affiliated stations nationwide providing programming for the entire country. The TBS - Annual Report 1994-1995 (p6) holds that:

\(^{270}\) In Japan, the Fiscal Year begins on 1 April and ends on the 31 March.
"Moving into the new Broadcasting Centre in October 1994, TBS Radio made significant changes in its programming. These changes included extended broadcasting hours for those in their 30s in the afternoons, special programmes appealing to the music tastes of the young audience in the evenings, and the reintroduction of an active-participation programme for the youth."

In the fiscal year 1995-1996 the TBS's radio division generated an income of ¥17,219 million. The new Broadcast Centre expanded the functional capacity of TBS's live broadcasting studios and the News Information Centre. According to TBS the programming priority of TBS radio is given to "the dissemination of comprehensive information to further enrich programme content." In order to deal with sinking advertising returns, TBS radio made significant changes in the programming, including the extension of broadcasting hours for those in their 30s, the scheduling of special programmes with music and active participation for young people.

4. The Technology Strategy

Technology plays an important part in the corporate strategy of TBS. The products of TBS are software (television and radio programmes). TBS aims to produce "quality programmes with the Centre's state-of-the-art facilities" (TBS-Annual Report 1994-1995, p3), that is to say with the implementation of total information systems, the automating of processes, and digitalisation of data, all packed in an "intelligent" building. A consequence of this strategic orientation was the new TBS Broadcast Centre completed in April 1994 and in operation since October 1994. According to the brochure "TBS - Radio and Television Broadcasting Facilities" (p3) the TBS Broadcast Centre is destined to "produce better quality programmes" by

\[\begin{align*}
\text{271} & \quad \text{TBS- Annual Report 1995-1996.} \\
\text{272} & \quad \text{Eight studios are located in the Big Hat.} \\
\text{273} & \quad \text{TBS- Annual Report 1994-1995, p6.}
\end{align*}\]
- sharing information through the Total Information System,
- introducing new technology with total digitalisation, and
- enriching the live broadcasting functions through 24 hour transmitting facilities.

The 1994 TBS general information brochure also stresses the importance of this investment:

"'BIG HAT', a broadcast centre and intelligent building, 20 floors above street level and two underground, equipped with a parabolic deck 36 meters in diameter which gave the building its nickname. Optical fibres connect a large scale information LAN (local area network), and a total information system collects, produces, processes, transmits, and preserves information as well as handling administration."

According to the TBS Annual Report (p9) the

"Centre has advanced live broadcasting facilities complete with digitalized image and sound systems throughout the building, enabling TBS to meet its many broadcasting requirements in an increasingly international and information-oriented era. The new equipment has made high grade signal transmission possible, thus improving its durability and reliability. In television, several developments were seen in the creation of total information systems to support the production of news programmes and circuit and dispatch functions, thus upgrading operational efficiency. In addition, automatic equipment control was implemented in circuit operation for the time.

TBS also strove to further consolidate its coverage capacity with new facilities for direct reception from meteorological satellites, computer graphics, relay mobiles and the introduction of digital Satellite News Gathering (SNG).

As a further development, TBS has endeavoured to advance its High-Vision Test Broadcasting every Friday since its launch on November 25, 1994."

TBS is the first commercial broadcaster in Japan to introduce full in-house digitalisation. Besides the known benefits of digitalisation, that is to say higher quality, stability and reliability, easier maintenance and labour savings, this system
has also been developed to respond to the fast changes in the broadcasting industry:

- The anticipated digitisation of national open broadcasting itself.
- The trend that goes from "broad" to "narrow-casting", that is to say single-content channels (news, music, entertainment shows, golf, there is even a goldfish channel), which are broadcast in a digitally compressed form via satellite.
- The increase of packaged digital media like CD ROM and other new media like the Internet.
- The increase in importance of software (programmes), and, hence, the necessity to store them efficiently and securely.

TBS also pushes automatization\textsuperscript{274}, first of all in order to improve quality but, also as a consequence of the Japanese urge to increase productivity\textsuperscript{275}. For instance, international and domestic audio and video signals received by TBS are controlled, modified and relayed throughout the station from the circuit control area by computer 24 hours a day. Furthermore, all studio lighting and positioning is computer-controlled, and all broadcasting of programmes, including commercial messages, are controlled 24 hours a day by computer. Finally, the storage and retrieval of the digital videocassettes from the video archives that contain approximately 145,000 volumes is handled by computer-controlled robots. TBS claims to be "aggressively engaged in personnel and software development, to most effectively utilise this leading edge hardware\textsuperscript{276}.”

\textsuperscript{274} See TBS brochure 1994.
\textsuperscript{275} Naturally, even if automatization does not reduce the payroll because of the lifetime employment guarantee enjoyed by TBS staff, the productivity of the channel increases as the employee can be rotated to another department with an expanding business field.
\textsuperscript{276} The new Broadcast Center
5. The Diversification Strategy

TBS, as well as Telecentro, have different industry scopes than TV Azteca, as they possess their own radio channels. In TBS radio, personality talk shows, that contain music, jokes, etc., hold, with 68.3%, the biggest share of radio programming, followed by news (17.6%), and Culture & General knowledge (12.3%). 85% of the programming is transmitted live. In-house production of the programmes amounts to 72.5%. TBS also diversifies its traditional TV and Radio operations to other media-related enterprises such as event managing, product merchandising, video distribution, and the multi-media, for example, 3D-software, laser-active-software, DVD, CD-ROM, etc.

G. The Strategy of Elektra, TV Azteca, and Telecentro

The situation of Telecentro is very special. It is in the process of being purchased by TV Azteca and, therefore, Telecentro’s strategy will now be determined by, and subordinated to, the corporate strategy of TV Azteca. As a consequence, most of the executives at Telecentro have adopted a ‘wait and see’ attitude regarding the change in ownership. This purchase was also given as a reason for not taking any strategic choices in the near future, but to proceed in the traditional way. All strategic decisions should be taken by the new owners.

The interesting point is that TV Azteca is owned by the Mexican consumer goods retail giant Elektra\(^\text{277}\) and that its strategy is very much determined by the corporate objectives of the latter.

\(^{277}\) Elektra directly holds 20% of TV Azteca’s shares.
1. Elektra’s Corporate Strategy and the Purchase of TV Azteca

The Mexican retailer Elektra\textsuperscript{278} manufactures and distributes consumer durables (TV sets, ovens, etc.). After an accelerated growth, it now has over 400 sales outlets in Mexico alone. Elektra stores are open all week long and offer very convenient credit facilities to their customers. Like the potential customer of Elektra, the average viewer of TV Azteca belongs to what is commonly described as the “popular masses”.

The growth of Elektra has to be described as the result of its spending on advertising. Because of the huge advertising expenditure necessary to sustain the growth of Elektra, its owners decided to purchase TV Azteca to obtain synergies between the two companies. In fact, before buying the company Elektra could only afford to place advertising on the radio. By owning a TV station Elektra can recycle its massive advertising expenditure, and simultaneously enhance the value of the assets on its Balance Sheet.

Elektra is diversifying its revenues in Mexico by expanding its product line to consumables such as clothes, and services like the development of photographic film and making money transfers\textsuperscript{279}, following the business concept of “shops within shops.” Within the corporate strategy of Elektra, however, TV Azteca has only been the first step as this company is not only looking for the Mexican market for the distribution of its consumer goods but, moreover, at the Latin American market as a whole. This internationalisation strategy has to be assessed in a wider context:

\textsuperscript{278} Another business of the owners of Elektra in Mexico is a paging or bleeper service. Wireless communication devices are without doubt closely related to TV networks as both operate over the airwaves. Frequencies are valuable properties, especially when taking into account that there are intentions to move all TV broadcasts from the VHF (very high frequency) band to the UHF (ultra high frequency) band in order to free the VHF completely for wireless communication devices such as pagers or cellular telephones. Owning a TV network translates into owning its frequency and represents a valuable property for the Elektra owners.

\textsuperscript{279} Another service offered by Electra stores is that Mexicans can collect their money wired by their relatives from the USA. It goes without saying that Electra hopes that the receiver might spend at least some of his money in the store.
Sixty million Mexicans, almost 65% of the total population, are younger than 30 years\textsuperscript{280}. This promising demographic has encouraged Mexican and foreign retail companies, from the French Auchan to the North American K-mart, to concentrate their growth efforts in Latin America in the Mexican market at beginning of the nineties, opening outlets throughout the country. The severe recession that shook Mexico in 1995 ended these positive perspectives and hurt the retail trade. At that point, the retailers then had to look to the minor Latin American markets for further growth.

2. Elektra’s International Growth Strategy

"Elektra wants to open 42 stores outside of Mexico before the end of the year, and 120 more in 1998. "We will take the whole of Central America and Dominican Republic", explains Ricardo Salinas Pliego, president of Elektra as well as Televisión Azteca, the second biggest Mexican TV network, and adds that Peru and Bolivia are also on the short term list (for expansion)" (Exelsior, 30th September, 1997).

The chances of success for Elektra in the other Latin-American countries seems very fair. First of all, consumers with low disposable incomes, the biggest demographic group throughout Latin America, are Elektra’s main target group. Furthermore, there are significant economies of scale: With new sales outlets throughout the continent, Elektra’s buying volumes and, hence, buying power increases, leading to lower costs. In respect of Elektra’s own production there are also cost savings to be had due to the higher production volumes. Then, Elektra can transfer its knowledge in the area of administration, marketing, information systems, purchasing, and distribution obtained by running its retail business in the competitive Mexican market place to the Latin American markets. Elektra is certainly much more advanced along the experience curve than the competition it faces in its new markets.

\textsuperscript{280} Exelsior, 30 September 1997 by Craig Torres.
Considering that the growth of Elektra in other Latin American countries will be basically driven by the same variables as in Mexico, its management chose to purchase the El Salvadorian channel TV 12 when the company entered this market. As in the case of Mexico, it seemed to be more profitable to buy a whole channel than to spend huge sums on advertising. By owning TV Azteca, however, a new variable has entered the equation, which made Elektra’s ownership of other Latin American TV channels even more attractive: making the programming of TV Azteca, a very valuable intellectual property. In Mexico, as in most other Latin American countries, Spanish is the common language. TV Azteca could, therefore, broadcast much of its programming in those countries without any additional costs as the language is the same and the material is owned by the network. The success of the Mexican *telenovelas* all over Latin America clearly demonstrates the feasibility of broadcasting Mexican material in other Spanish speaking countries. By owning stations in other Latin American countries, TV Azteca is theoretically extending its reach to a wider audience. As a consequence, TV Azteca too, would realise economies of scale in the production of its programmes (as the cost per viewer declines). Practically, however, the production costs of TV Azteca’s programmes are fully recovered by showing them in Mexico. Each additionally owned channel that broadcasts the same programme makes, therefore, a net profit\(^{281}\) for the overall group as it receives advertising revenues without the associated costs. In addition to its function as a supplier of broadcasting time for Elektra commercials, TV channels owned by Elektra in other Latin American countries can provide significant profits for the group, as they:

- have low programming costs because of the supply from TV Azteca
- are highly competitive, as they are efficiently organised through TV Azteca’s management, systems, and technology transfers.

\(^{281}\) This is very simplified. There are always programmes that have to be locally produced, most notably news programmes. The success and acceptance of a programme does not rely on language only, but also on the special preferences of each culture. A programme that is a success in Mexico, might be a total failure in another Latin American country or vice versa.
Regarding the creation of powerful synergies between Elektra and TV Azteca in their expansion within the fragmented markets of Latin America, Ricardo Salinas Pliego sums up:

"We can realise a cross promotion, create a brand image and really beat the competition."

By buying TV stations in other Latin American countries, TV Azteca is expanding its scope of business. But like any other multinational company, it has to face the problematic trade-off between the cost savings of standardisation and the benefits of the country-specific differentiation of its products. Software, that is to say the programmes, are the biggest cost factor of a TV station. TV Azteca will try to balance the benefits of its own international expansion with the requirements of the national markets where its subsidiaries are operating.

Furthermore, TV Azteca, in an effort to modernise and expand its reach throughout Mexico is heavily investing in broadcasting transmission equipment.

In April 1997, it signed a letter of intent to purchase 1 UHF and 44 VHF television transmitters, antennas and accessories for 30 TV Azteca sites, and four Satellite News Gathering (SNG) vehicles for remote news and special events coverage. The package also includes television transmitter equipment for TV Azteca's first international subsidiary in El Salvador.

3. The Role of Telecentro

The purchase of Telecentro in Santo Domingo fits perfectly into the corporate strategy of Elektra. The reputed price tag of RD$400 million (about US$28 million)

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\textsuperscript{282} Exelsior, 30 September, 1997 by Craig Torres.
\textsuperscript{283} According to Ignacio Morales, chief operating officer and executive president of finance and operations for TV Azteca (Harris Corporation, 8th April 1997) "The objective of this programme is to continue increasing TV Aztec's nationwide coverage, to assure 100% transmitting time with cutting-edge equipment, and to replace small and obsolete transmitters."
seems reasonable for all the advantages gained by acquiring the channel for the group.

In Santo Domingo, TV networks refrain from innovative programming because according to a wide held belief “it does not pay”. Change is only incremental and based on old and tried concepts. In the case of marginal innovations in programming, competing networks favour copycat strategies.

Telecentro does not aim to be different with its programming either. Nevertheless, the investment in a digital editing facility for the production of special introductions and closings of programmes and station segments, as well as the investment in the BetacamSP format had a very good impact on the overall image of the channel (modernity and image quality). Nevertheless, the programming in between the relatively high quality ‘bumpers’ and ‘presentations’, has not yet progressed to the same extent.

The major problem of Telecentro, as determined by professionals in the industry and also noted during the investigation, lies in the weak management system and organisation structure (some stated ‘disorder’) of the station. In regard to equipment and facilities Telecentro, nevertheless, belongs with the best endowed private networks in Dominican Republic. Consequently, the input of management know-how, technical advice and cheap quality programming from TV Azteca, together with a further expansion of the transmission facilities to full national coverage, is likely to boost its overall competitive position.
H. Conclusion

In this chapter we saw that TBS and Telecentro operate in quite different competitive environments. The market structure of the television industry in Japan, an economic giant with a huge homogeneous population and strong cultural values, is radically different from the small Dominican TV industry where numerous TV stations compete for the small advertising expenditure within the economy of a developing country. While in Japan TBS belongs to the stable oligopoly of Tokyo based keystations, supported by its respective company group and dealing with basically two powerful advertising agencies, reaping benefits in times of economic booms as well as recession, and even plotting strategies of diversification, the Dominican Telecentro faces the challenges of a volatile market place with an atomised competition, little negotiation power and depressed prices. We also saw that the industry-wide cost strategy and little conciousness of quality allows the Dominican networks to remain profitable enterprises, while in Japan quality concerns regarding programmes are put first. Finally, the impending purchase of the Dominican Telecentro by the Mexican Elektra Group which owns the Mexican TV station TV Azteca provides the strategy of Telecentro with an international perspective: Telecentro will probably be destined to serve the international expansion plans of the retail group Elektra in the Dominican Republic. By allowing cheap and massive advertising placements by Elektra while increasing its productivity with the input of TV Azteca's management know-how and reducing its operation costs with access to the programming of TV Azteca (*telenovelas*). TBS international strategy is much less aggressive and more "inter-active." On the one hand, TBS increases the international sales of its programming, on the other hand, it is venturing within a group of Japanese companies into satellite broadcasting in Asia.

After comparing TBS and Telecentro in regard to management, culture, structure, operations and strategy, we are going to assess in the following and final chapter the differences between the two networks in their globality in order to determine if
industry factors or indeed the differing national contexts weighed more in their respective management practice and business behaviour.
Chapter XI

Conclusions

A. Restatement of the Objective of Research

The objective of this research was to explore the relative importance of industry versus national context in determining the particular operation of an organisation.

B. Resumé of Findings

We found substantial evidence of national context making the difference. For example:

The cultural context first of all influences management systems, structure, communication, and the corporate culture of a company. For the Japanese, for instance, the company has taken the central position which the extended family (ie) held in the past. The traditional structure of mutual obligations as well as the value set has been adapted to fit into the modern company world.

Second, the sociological factors in the Dominican Republic are different to those in Japan. Japan is a highly homogeneous society with more than 100 million people who share a unique language and rely on extensive non-verbal communication. This homogeneity is reflected in certain management practices and style at the Japanese workplace. In the Dominican Republic we find a society stratified by income and race which shares a history of conquest and colonisation.

Third, the economic level of Japan is much higher than the economic level in the Dominican Republic. This environmental setting decisively influences the scale and complexity of operations, making Japanese television networks totally different from their Dominican counterparts.
C. Findings

Television networks in Japan, as well as in Latin America, do abide by specific functional factors imposed by the industry (production, post-production, broadcasting, engineering, sales of commercial time). Nevertheless, the national context of each company surveyed had an enormous impact on the actual shape of the organisations primarily in terms of size, structure, systems, and the working of the intra-organisational processes and corporate culture.

1. Differences between Japanese and Latin American Organisations

The following table condenses the main differences in management practices and business behaviour between TBS and Telecentro:

Fig 73  COMPARISON OF MANAGEMENT PRACTICES AND BUSINESS BEHAVIOUR IN TBS AND TELECENTRO

<table>
<thead>
<tr>
<th></th>
<th>TBS</th>
<th>Telecentro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>Life-time, career-oriented</td>
<td>Middle-term, wage-oriented</td>
</tr>
<tr>
<td>Employee assessment</td>
<td>Assesses subordinates' potential from multiple dimensions(^{285})</td>
<td>Assesses subordinates against standardised performance criteria(^{286})</td>
</tr>
</tbody>
</table>

\(^{284}\) National context comprised the following factors, culture, society, economy, political structure, as well as legislation.

\(^{285}\) Please see the paragraph on Skills.

\(^{286}\) TV Azteca's Total Information System undoubtedly allows for a performance assessment based on facts. Nevertheless, TV Azteca is not an objective Weberian machine bureaucracy, but a collection of individuals who always also pursue their own interests. Therefore, social skills are also of utmost importance, as only these provide the base for achieving results. As one TV Azteca manager's interviewed put it: "Social skills are an important form of power in this organisation. If you want something from another person or department you have to convince him to help you. With social skills you get things done."
<table>
<thead>
<tr>
<th>Standardisation</th>
<th>Development of superior quality and performance in every employee.</th>
<th>Standardisation of employees in specific skill categories.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning and assignment systems</td>
<td>Learning-by-doing, company training, rotation of all employees through a variety of organisational functions.</td>
<td>No learning system, assignment of employees to specialised tasks and hiring of the already trained.</td>
</tr>
<tr>
<td>Management philosophy</td>
<td>Human-relations view of management with underlying Confucian value system.</td>
<td>Classical school of management.</td>
</tr>
<tr>
<td>Work values</td>
<td>Collective responsibility, loyalty, perfection.</td>
<td>The evading of personal responsibility.</td>
</tr>
<tr>
<td>Management values</td>
<td>Harmony and consensus.</td>
<td>Conflict and authority.</td>
</tr>
<tr>
<td>Management style</td>
<td>Long-term orientation, strives for perfection and formality</td>
<td>Short term orientation, trouble shooting</td>
</tr>
</tbody>
</table>

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It is TBS's company policy to frequently rotate its employees through other departments. The newly assigned functions have often absolutely nothing in common with their previous work. For example, an executives can change from production to finance to sales to personnel. Changes of department are possible within TV Azteca, but only if the employee initiates it.
<table>
<thead>
<tr>
<th>Control processes</th>
<th>Formalised, as well as self-control by internal motivation and peer pressure.</th>
<th>Direct control (Telecentro) by supervisor, indirect control(^\text{288}) (TV Azteca).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>High-tech, large-scale production centre.</td>
<td>Low-tech, small-scale production centre.</td>
</tr>
<tr>
<td>Strategy</td>
<td>Long-term / pro-active</td>
<td>Middle-term / reactive</td>
</tr>
<tr>
<td>Motivation</td>
<td>Focus on the whole human needs of employees, company as centre of life or family substitute (ie)</td>
<td>Focus on economic needs of employees.</td>
</tr>
<tr>
<td>Participation</td>
<td>Suggestions from employees.</td>
<td>Subjects employees to tiers of authority.</td>
</tr>
<tr>
<td>Group work</td>
<td>Interdependency and mutual support.</td>
<td>Self-sufficiency and protection of personal fiefdoms</td>
</tr>
<tr>
<td>Decision making</td>
<td>Decisions taken bottom-up.</td>
<td>Makes decisions top-down.</td>
</tr>
<tr>
<td>Quality control</td>
<td>&quot;Quality circles&quot; forming part of continuous improvement process(^\text{289}).</td>
<td>No significant quality control.</td>
</tr>
</tbody>
</table>

\(^{288}\) Management-by-objectives combined with a total information system that supplies periodical reports on the employee's performance and, thus, signals for intervention from the supervisor when necessary (management-by-exception).

\(^{289}\) Quality circles are periodical meetings of workers during working hours in which they identify the potentials for improving quality and productivity. Such meetings are frequent in big companies in the Japanese manufacturing industry. TBS does not feature any form of institutionalised quality circle, but the issues they would handle are, nonetheless, given high importance. Each department, or TV programme, frequently address the issues of quality and performance during regular meetings.
The most important determinants in the environment for the specific management practices and business behaviour identified in TBS and Telecentro are identified as culture and the level of development of the economy.

2. The Influence of Culture
The cultural context of a Japanese firm is diametrically opposed to the cultural context of a company in Latin America. The differences in culture are much more pronounced than the differences between, for instance, two companies in two different European countries whose historical experience is more similar and whose culture finds the same roots. The differences in the cultural context extend to:

a. Different Historical Experience
In contrast to Latin America, Japan was never colonised. Instead, it lived through centuries of self-imposed isolation. This isolation from the rest of the world produced specific values and characteristics in the Japanese people, such as: homogeneity, collectivism, feelings of uniqueness, and nationalism (with racist overtones). In Latin America the violent conquests by the colonialists, the genocide of the Indians, chronic colonisation, slavery, imperialism, and the power politics of the old European nations resulted in a racially mixed, highly stratified society, with a heritage of exploitative social relationships.

The cultural values determined by this historical experience influences the business behaviour of the surveyed companies. TBS resembles the old Japanese family in its structure, being the centre of life for its employees. Homogeneity and collectivism, too, are reflected in the management practice and organisational structure of TBS, while authoritarianism and patronage are present in Dominican companies.
b. Different Religions

Japan has its own national religion. First of all, shinto underlines the uniqueness of the Japanese as it is strictly "Japanese only." In Latin America we find only the voodoo of the Haitians inspired by the West African possession cults which could, perhaps, be considered a national religion. In the Dominican Republic the derivative of voodoo, santeria, is practised by a few, but as in the rest of Latin America the universal religion Catholicism is the main influential force. Catholicism has had a profound influence on the value systems of Latin Americans, including their work ethic. The Catholic work ethic is very different from the Protestant work ethic, which formed the ideological foundation for the USA. Like most Orientals, the Japanese subscribe to, and are inspired by, the Confucian value system which underlines authority, responsibility, frugality, loyalty, merit, and collectivism. The results are significant. For example, while Japanese employees have a high degree of auto-control, Latin American employees need direct supervision. The Japanese maintain complete loyalty to their group (which means their company) while, for Latin Americans their first loyalty is to one's family and friends. The Latin American concept of loyalty only extends into the company world through patronage and the employment of their friends or next of kin.

Fig 74 EXEMPLARY DIFFERENCES IN VALUES AND CULTURE REFLECTED IN ORGANISATIONS

<table>
<thead>
<tr>
<th>Japan</th>
<th>Dominican Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values seniority</td>
<td>Values performance and social ability</td>
</tr>
<tr>
<td>Strong identification with company</td>
<td>No identification with company</td>
</tr>
<tr>
<td>Confucian work ethic</td>
<td>Catholic work ethic</td>
</tr>
</tbody>
</table>
3. The Importance of the Level of Development of the National Economy

The economic level of development of the economy influences the scale, complexity, and technical sophistication of corporate operations which, in turn, influence the systems, structures, corporate cultures, and communications.

The basic operation of a television network is the same all over the world. Programmes are produced or bought, and then broadcast with the stations’ transmission facilities. Revenues are generated by selling commercial time to advertisers. The technological concepts of TV productions are also the same: programmes are filmed with cameras in a studio or outside location, live or taped, and then edited. The final step is the broadcasting of the programmes.

While the basic functions are the same in Japan as well as in Latin America, the difference in the state of the art of the technologies employed, as well as the difference in the scale and complexity of the operations in which they operate have a profound effect on the organisational structures and systems of the companies considered in this research. These three characteristics are primarily influenced by the stage of development of the particular economy, especially its advertising market, as these influence the amount of disposable funds.

It can be easily appreciated that the Japanese economy can sustain a much more advanced television industry than a developing country like the Dominican Republic.

Fig 75   GNP PER CAPITA (in 1987 US dollars)

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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>4,706</td>
<td>11,579</td>
<td>16,070</td>
<td>22,733</td>
<td>23,791</td>
</tr>
<tr>
<td>Dom.Rep.</td>
<td>386</td>
<td>494</td>
<td>744</td>
<td>773</td>
<td>839</td>
</tr>
</tbody>
</table>

The low development of the national economy and the advertising market influences directly the lower development of the Dominican television industry. Where in Japan and Mexico sophisticated programming departments monitor every decimal variation of the rating points of every programme, the Dominican television stations do not only don't have programming departments, but moreover, still have to rely heavily on block timers, that is to say independent producers who are in charge of entire dayparts for programming. The different level of costs and revenues suppose a further indication of the differences in technology, scale, and complexity between TBS and Telecentro.

Besides the cost of commercial time, the programming costs for imported materials are also a very good indication of the differing maturity of television markets. The more developed the economy, the higher the purchase power of the population, the higher the advertising expenditure of the companies, the higher the revenues of the TV stations, the higher the investment in equipment and personnel necessary for producing competitive programmes, the higher the programming costs of the television stations, the more the management practices and business activities differ from a station in a less developed market.

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**Fig 76**  
**TBI MIPCOM PRICE GUIDE FOR IMPORTED PROGRAMMING**

<table>
<thead>
<tr>
<th>Country</th>
<th>Drama</th>
<th>TV Movies</th>
<th>Animation</th>
<th>Documentaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>15,000 - 100,000</td>
<td>65,000 - 130,000</td>
<td>10,000 - 20,000</td>
<td>10,000 - 600,000</td>
</tr>
<tr>
<td>Mexico</td>
<td>2,500 - 3,000</td>
<td>7,500 - 10,000</td>
<td>1,000 - 2,500</td>
<td>2,000 - 4,000</td>
</tr>
<tr>
<td>Dom.Rep.</td>
<td></td>
<td>200 - 600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>60,000 - 150,000</td>
<td>50,000 - 120,000</td>
<td>7,000 - 25,000</td>
<td>20,000 - 60,000</td>
</tr>
<tr>
<td>Germany</td>
<td>20,000 - 50,000</td>
<td>75,000 - 150,000</td>
<td>10,000 - 70,000</td>
<td>23,000 - 30,000</td>
</tr>
</tbody>
</table>


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290 A commercial half hour lasts 22 to 24 minutes.
Japanese companies advertise their products in a much bigger and wealthier population than their Dominican counterparts. Consequently, the Japanese advertising market is much bigger which, in turn, supposes much higher revenues for Japanese television stations. The bigger advertising market also requires investment into high-end equipment and the sophistication which only highly complex organisations can provide.

In turn, the small advertising budgets of the Dominican marketplace result in small-scale operations with lower-end equipment and little organisational complexity.

In fact, the product of commercial television companies is not the programmes, but the delivery of audiences to the advertiser. Programmes can be imported, audiences cannot. The size and purchasing power of an audience, say potential consumers of the advertiser’s products determine, to a great extent, the advertising revenues of national TV stations.

The organisation has to adapt to its environment in order to survive. Considering that the respective market environment of Japanese and Dominican television stations are so different, it is not surprising that the business behaviour and management practices of TBS and Telecentro also greatly vary. Indeed, each company has to adapt its operations and organisational structure to the requirements of its national market.

291 Consequently, national television stations do not have to fear the competition of comparable foreign products like manufacturing companies, unless a foreign television station is allowed to operate in the national market (like TV Azteca for instance).
D. Conclusion

The national contexts determine the particular operations of Dominican and Japanese TV companies.

Whether or not, however, the national context is important in determining the particular operation of a company depends on the industry, as P.A. Lawrence showed in his paper "Country versus Industry: the Dynamics of Strategic Differentiation."

Companies that produce standardised, measurable products are not influenced to a great extent by the national context as they work with standardised methods and processes.

Companies in the media industry are particularly culture-sensitive and embedded and, therefore, they are very much affected by culture, policies, and society.

Finally, the higher level of development of the Japanese economy with a bigger advertising market also requires a different level of complexity, sophistication, and scale, in the operation of TV networks than the Dominican Republic. Japanese TV stations have to have a different business behaviour and apply a different management practices in order to fit the requirements of a different, and highly demanding market.
Bibliography


Harris Corporation Home page, 8th April 1997. “Harris receives $21 million broadcast equipment letter of intent from TV Azteca.”


