

Sailing In Global Waters: A Case Study of the Strategic Alliance and IR/HR Adjustments in Three Shipping Companies

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The objective of the study is to investigate how the strategic alliance of three shipping companies, William Lines, Inc., Carlos A. Gothong Lines, and Aboitiz Shipping Lines, affects labor relations and human resource (HR) approaches in order to improve productivity and global competitiveness in the maritime industry.

This study focuses on the assessment of relationships and leadership styles of the William Lines, Inc., Gothong Lines & Aboitiz Shipping Lines (WG&A), Philippines. Likewise, it highlights the implications of the alliance with regards to the extent of power each parties have in shaping employment relations. It will try to examine the company's Industrial Relation System and the Human Relations (HR) Approach and integrate these using a different IR framework and HR Approaches.

The paper further intends to explore the relevance of the existence of the company's Labor Management Council (LMC) in the context of the alliance and present, examine and analyze the resolutions raised on the 11th LMC National Convention in Cebu.

Methodology of the Study

The interview method was used extensively. Key persons and officers were interviewed. Secondary data were gathered from the Department of Labor and Employment (DOLE), newspapers, journals, and other publications.

AN OVERVIEW OF WG & A

Looking at the company's logo, one finds three shapes in equal proportions. These represent the three companies, William Lines, Gothong Lines, and Aboitiz Shipping, three individual forces sharing a common objective, and together aggressively moving forward. "Though depicted individually, the three shapes appear unified through their overlapping placements as well as the visual 'forward leap' of the design." (Quest: Jan. 10, 1996).

Competition

Like other major inter-island shipping companies, these three shipping companies are members of the Conference of Inter-island Shipowners and Operators Association, Inc. (CISO), a non-stock, non-profit corporation established in 1983 to represent the common interest of its members. CISO comprises 12 shipping companies. Below is a list of comparative data based on CISO's Comparative Industry Analysis as of 31st December, 1993, regarding these three companies, and their related competitors.

Company	P(Millions)			No. of Vessels	Tonnage (GTR)
	Revenues	Income	Assets		
William Lines, Inc.	1,842.5	69	1,824.8	18	76,907
Sulpicio Lines, Inc.	1,634.3	32	1,744.5	24	94,865
Aboitiz Shipping Corp.	972.9	5	2,246.9	10	48,121
Negros Navigation Co., Inc.	885.3	39	714.6	13	28,618
Carlos A. Gothong Lines, Inc.	587.0	4	466.0	11	24,396
Lorenzo Shipping Corp.	320.9	4	251.1	6	26,472
Solid Shipping Corp.	236.6	2	88.4	6	11,294

Source: CISO

Based on the financial data provided by CISO, William Lines, Inc. was the most profitable inter-island shipping company in 1993. It generated the highest gross revenues of P 1.8 Billion and a net income of P 69.0 Million. The 1994 comparative statistics revealed no significant change in its competitive position in ranking (WL: Memorandum: Mar. 22, 1995).

History of the Integration

The three largest domestic shipping companies in the Philippines, namely William Lines, Carlos A. Gothong Lines, and Aboitiz Shipping Corporation forged an alliance on January 1, 1996 which resulted to what is now known as the WG&A, PHILIPPINES, INC. These companies emphasized that the integration is an ALLIANCE, not a merger.

According to Mr. Gonzalo C. Ongpin, Training Manager of WG & A, the alliance was forged in response to the growing demand in the inter-island passenger and cargo shipping industry, as well as the impending foreign competition brought about by liberalization which necessitates efficient and effective consolidation of assets, optimization of the use of company's resources, and elimination of duplication of efforts. Thus, "the liberalization and deregulation of the shipping industry drew a very competitive landscape among the shipping lines, so that redundancy of schedules and routes has become a concern among the industry players" (Quest: 1 Jan. 1996). These developments have resulted to excess capacity, shared market and the increased cost of operation. With the alliance, the owners expect to make a lot of savings because the process "would eliminate duplication of efforts, facilities, and staff, thereby reducing administrative expense" (Far Eastern Economic Review: 21 December 1995). Moreover, all three companies recognize the need for competitiveness, especially in an industry where foreign shipping lines have larger equity stakes in local shipping companies.

On November 22, 1995, William Lines, Inc. entered into a Memorandum of Understanding for the acquisition of the vessels and related assets of Aboitiz Shipping Corp. and Carlos A. Gothong Lines, Inc. Such vessels and related assets were acquired by William Lines in exchange for the issuance of approximately 711 million new shares of stock in favor of Aboitiz and Gothong or approximately 47.5% of the total shares, after the issuance of the new shares. Aboitiz was issued 426,530,612 shares or 28.5% and Gothong with 284,353,741 shares or 19% (Quest: 1 Jan. 1996).

THE COMPANY'S VISION-MISION, GOALS AND OPERATIONS AND FACILITIES

The Corporate Vision-Mission

"To be a world class catalyst that would put the Philippines on time."

"Think Act Live W,G&A."

WG&A envisions itself to be at the forefront of a revolution in the maritime industry. The company hopes to achieve this by "providing the highest level of safety, reliability and comfort to exceed and redefine customer expectations in the cost effective manner..." Armed with the extraor-

dinary strength it now possesses, the company is making substantial strides in meeting the challenges and demands of the global market.

WG&A Mission:

“For the benefit of all...

We are socially responsible corporate citizens, providing integrated transport services;

- *composed of highly motivated, empowered and pro-active service teams guided by strong family values, [who] shall provide the highest level of safety, reliability, and comfort to redefine customer expectations in a cost effective manner; and*

- *committed to be world class, [we shall] utilize state of the art facilities, systems and technologies to provide value for service to meet the challenges of the ever changing demands of the global market.”*

On January 25-26, 1996, the Executive Committee (Execom), composed of the Chairman, Vice-Chairman, President and the Executive Vice Presidents, held a “Vision, Mission, and Value Formulation” gathering at the Alegre Beach Resort in Cebu. Here, the role of the Execom was clarified. As a group, it formulated and drafted the company’s Vision and Mission statement as well as its set of Values. A “Direction Setting Workshop” for the WG&A managers and officers was held the following month, on February 23-25, 1996 at the Punta Baluarte Resort in Calatagan, Batangas. It was well attended by 35 WG&A managers and officers, later referred to as the “Super Team”. This workshop was facilitated by the company’s consultants: Mr. Joaquin Cunanan & Co., Price Waterhouse Worldwide Organization, Lilian Cariaso and Henry Reyes (Quest, Inc.), with WG&A’s HRD manager, Galoy Ongpin (Quest: March 8, 1996:2). The workshop’s main objective was to gather together managers and officers to facilitate and institutionalize teamwork.

Members of the workshop validated the WG&A’s Vision statement and likewise identified values which were incorporated to the set of values made by the Execom. The integrated values include the following: Customer service focus; God-centered values; Family, Integrity; People development for people empowerment; Proactivity, Professionalism; Quality; Teamwork and Shareholder value. Furthermore, the workshop crafted the Mission statement.

The Company

WG&A is engaged in providing inter-island cargo and passenger transport services. It is the first domestic shipping company in the Philippines to fully computerize its Cargo Management and Passenger Booking Systems.

With the introduction of Superferry class ships and the full containerization of its operations, it has raised the standards of service in the industry. Aside from having a fleet of 29 vessels, 20 passenger/cargo vessels and nine cargo vessels, the company has acquired two new vessels, the Superferry 12 and the Mabuhay Sunshine Cruise Ship expansion. WG&A has a route network of 22 ports of call, transporting over 1.96 million passengers and 145,210 TEU's (twenty equivalent units) cargo a year. With a capitalization of over P 2 Billion, it is the largest domestic shipping company in the Philippines, ranking 103rd among the top 1000 corporations.

At present, the company has the following fleets: ferries, freighters, superferries and Cebu ferries. Freight operations, specifically cargo operations, account for 59% of the total company revenues. These are done in containerized and breakbulk form and move towards roll-on/roll-off systems. Basically, in freight operations, cargoes include consumer goods, livestock, agricultural products, beer, tobacco, pharmaceuticals, construction materials, packaging materials, heavy equipment, cars and trucks, and food and other supermarket items. The basic freight operations include booking, receiving/stuffing, loading vessel, unloading, stripping, and releasing/withdrawal/delivery at pier.

Another "bloodbank" of revenues for WG&A is passenger operations. The basic passage operations are booking, passage ticket, and boarding vessel. Passenger ticketing and cargo reservation operations are conducted through the company's network of branches and through sales agencies located at the pier. To enhance customer convenience, a number of satellite passenger ticketing offices have been put up in Metro Manila, specifically Malate, and in most Shoe Mart (SM) malls. WG&A has also introduced a Dial-a-Ticket service in Davao, allowing passengers to book their tickets by telephone. This service will soon be introduced in Metro Manila.

The company's support facilities are the following: Veterans Shipyard providing containeryard facilities and services at the Marine Shipway, North Harbor; the Fast Cargo Transport Corporation engaged in freight forwarding, warehousing, and trucking services; CIMECOR which is engaged in the servicing, repair and refurbishing of vessels; EDI Systems, Inc. engaged in the automation and distribution of computer applications; Lighthouse Integrated Services, Inc. which provides food and catering services on board vessels; Aboitiz First Choice Services, Inc. which handles water and barge operations, shop outlets; Cebu First Integrated Services, Inc. and Cebu Marine Integrated Services, Inc. in charge of crewing for stewards; Del Roca a shiprepair subcontractor; Cox Trucking a trucking subcontractor; and Llanas, Foods, Inc. and Borbos Foods which provide catering services.

Safety Standards

Even during the integration process, William Lines (WL) has designated a safety officer on January 8, 1995 to ensure world class safety standards. As of 1990, it has received 10 awards on safety standards from the Safety Organization of the Philippines Inc., in coordination with the Philippine Coast Guard. The WG&A shipping company keeps a detailed record of vessel performance. In fact, vessels are routinely dry docked, with passenger vessels dry-docked every 12 months while cargo vessels dry-docked every 18 months, as imposed by the regulations set by the Maritime Industry Authority (MARINA), an agency of the Department of Transportation & Communication. MARINA issues or renews certificates (primarily certificates for inspection), permits and licenses required for the maintenance of the company's vessels and monitors the company's compliance to the prescribed passenger service standards. This agency further allows dry-docking exemptions only if there is no space available. In cases where dry-docking at the end of the set period is not possible, the agency can warrant a vessel's sea-worthiness only for a period of three months.

The Philippine Coast Guard, on the other hand, inspects the company's compliance with the national and international shipping laws, rules, and regulations. Likewise, company vessels are further inspected by the international classification societies to ensure these are sea-worthy by international standards. Thus,

Classification societies generally require that vessels be inspected according to a four-year cycle, which includes an annual survey, an intermediate survey at the end of the second year and a special survey at the end of the fourth year. A ship owner may alternatively arrange for the vessel's machinery to be surveyed on a continuous cycle according to a pre-determined time table so that the complete cycle is completed over a five-year period (Jardine Fleming: Mar. 25, 1995: 28).

The Company Leadership

The company's organizational structure is headed by the Chairman and Chief Executive Officer (CEO), Mr. Victor S. Chiongbian. The other officers are the following: Chief Quality Officer, Mr. Endika M. Aboitiz; President and Chief Operating Officer (COO), Mr. Roberto D. Gothong; the four division heads namely, Executive Vice President (EVP) for Freight, Mr. Sabin Aboitiz; EVP for Corporate Services Mr. Bonifacio "Bonnie" O. Doroy; EVP for Vessel Management Mr. Ben Gothong; EVP for Passage Mr. Willy Chiongbian; Senior Vice President (SVP) Aboex Ava E. Engel; SVP Superferry, Mr. Bengie Cariaso, Jr.; SVP Freight Operations Aniec Dungog; SVP Finance Mr. Henry Uy. The present members of the Board of Directors are composed of the following: Mr. Victor S. Chiongbian (Chairman), Mr. Endika M. Aboitiz (Vice-Chairman), Mr. Roberto D. Gothong, Mr. Joseph B.

Chiongbian II, Mr. Albert S. Chiongbian, Mr. Henry S. Chiongbian, Mr. William L. Chiongbian, Mr. Bonifacio O. Doroy, and Mr. Henry N. Uy

Mr. Gonzalo C. Ongpin, the Training Manager, points out that on account of the company's on-going organizational changes, the board is eyeing new directors.

Human Resources Management in WG&A

Continuous Reorganization. From December 31, 1993 to December 31, 1994, William Lines has trimmed down its regular employees from 1,185 to 747 (335 office staff and 412 crew members). This reduction was implemented through a restructuring of the company's corporate operations, i.e. terminal and container yard operations, catering, and passenger ticketing, by contracting-out these operations to associated companies and independent contractors. Employees were offered the following options:

- 1) transfer to the Passenger Services Division of the company's business;
- 2) transfer to an associated company after receiving a certain severance pay;
- 3) enter a company-assisted self employment program after receiving a certain level of severance pay; and
- 4) opt for an early retirement with a higher level of severance pay than what an employee would receive under options 2 and 3.

Four hundred twenty eight (428) employees chose the second, third and fourth options (*Source: Jardine Flemming, WL Preliminary Information Memorandum: 22March 1995*).

Between the period October-November 1995, there were already speculations of the impending alliance which brought tremendous chaos and anxiety among workers, since pronouncements about the integration were still to be released. On January 1, 1996, the three companies were formally integrated into the WG&A Philippines, Inc.

Security of Tenure. The employees of Aboitiz (1,600) and Gothong Lines (150) were offered and paid severance pay equivalent to 150% of their salaries. For example, if one had served the company for 10 years, he would be paid for 15 years. At the same time, he could be hired by the new WG&A, if he passed the qualifications set by the company. On the other hand, the employees of William Lines (WL) were assured of continuous employment.

Hiring Process. It has been WL's company practice to consider regionalism in the hiring of employees. Prior to the integration, employees hired had to come from Cebu. According to Mr. Vequillo, Passage Teller of WG&A (formerly Passage Clerk of WL), this was so because Mr. Chiongbian, the Chairman of the company, being a Cebuano, believed that employees had to fit into the organization's regionalistic culture. Recent developments however indicate a change in this hiring practice. In fact, Mr. Vequillo has

been hired by the company although non-Cebuano. He was among those job seekers who responded to the company's advertisement "OPEN TO ALL REGIONS".

The company has likewise resorted to hiring from within. Thus, job recommendations from previous officers of employees are attached to the employee's 201 file. Because of the company's present expansion, Mr. Ongpin points out the likelihood of shortening the hiring process.

Selection/Screening of Applicants. All employees of these three companies were considered applicants. They were separately interviewed from those applicants who responded through referrals and newspaper advertisements. The process was considered tough for everyone. The applicants were screened based on the merit of their qualifications and experience, as well as the results of reference checks with previous employers. Previous employers were also contacted for reference check. In the case of Mr. Vequillo, when he applied for work in WL, the Negros Navigation Company, his former employer, was contacted to check his past performance. Applicants were also interviewed for other qualities such as willingness to adapt to change or flexibility.

Those employees unfit for rehire were compensated. As a result, only 300 Williners as what employees of WL are called, were integrated into the present WG&A workforce, numbering 1,800 to date. According to Mr. Vequillo, 50 of the 200 applicants passed the first screening and were included for further training and testing.

Testing. Applicants were given three sets of examinations: behavioral, intellectual and technical.

Training and Development. At the moment, the company is continuously injecting the WG&A Vision/Mission in their training programs. The human resource system of WG&A can be considered as an amalgamation of three distinct organizations and cultures in fluid "co-existence". People are still "recovering from the announcement of the integration and are digesting its implications". As expressed by Mr. Bob Gothong, President & COO:

...we are three organizations who have been all pulled out of our 'comfort zones' of routine activities and placed in a state of 'forced' uncertainty. We are 'politely tolerating' one another as we 'feel' our way in the new environment. We are all trying to understand the implications of WG&A to each one of us and to the market. And most importantly, we are beginning to realize that drawing up a single organization chart and putting us in one building do not necessarily make us one organization (Quest: Feb 22, 1996:2).

Moreover, Mr. B. D. Gothong, has been giving directives and pronouncements which could temporarily appease the fears brought about by the organizational change. He stresses that proper company attitude and the right reaction to change must be harnessed. Thus, he emphasizes:

We do not want to react to change, we want to harness change! We either lead, follow or get out of the way. We do not want to combine three cultures, we want to form a new one! Understand the change so as not to fear it (Quest: Feb. 22, 1996:2).

He believes, that each one, simply by being part of the company, has to start listening, communicating and learn from each other so that "one culture must emerge". He believes that "only the people of WG&A working as one can make the change happen!" (Quest: Feb. 22, 1996:2).

Change, by its very nature, always involves risks. They have to see the urgency of the change. The market is not going to stand still, nor are the competitors (current and future). The longer we lament and bicker on 'what was' and 'what could have been' ... the longer we stand still, the greater our risk.

Regarding training, the company has provided different trainings to different teams. One example is the Vessel Management Team which is composed of the Super Ferry group, the WG&A Ferries group, the Freighters and the Cebu Ferries. To institutionalize the company's vision of providing quality service, the Vessel Management Team has set the following objectives "to make this kind of service the trademark of every WG&A vessel" (Quest: Feb. 12, 1996:2):

...ensure zero breakdown in all Super Ferry as well as in other vessels by ensuring the best preventive maintenance on its machinery and equipment; and acquire an ISO by next year and ISMA in two years time.

To achieve the second objective, the company is currently on the catalyst move, continuously upgrading its vessel machinery and other equipment to ISO standards in order to conform to international safety management standards in all vessel operations. For example, it has already acquired new navigational equipment like ARPA, JPS, auto alarm and SSB to intensify the safety features of their vessels.

WG&A's state-of-the-art emergency facility in the Super Ferries began with the adoption of the Global Maritime Distress Safety System (GDMSS). This system when activated during emergencies will send signals to a search and rescue satellite which in turn will send signals to the nearest rescue station. Started in mid-February, all Super Ferries will soon be equipped with the latest safety and navigational machines.

Other modern emergency and safety facilities acquired by WG&A are Emergency Position Indicating Radio Beacons (EPIRB), Global Positioning System (GPS) and the Automatic Radar Plotting Aid (ARPA). The EPIRBs are gadgets that can be activated manually or automatically which beams to the nearest earth station, and which in turn, relays to the ship owners or op-

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erators. Now, the traditional compass is replaced by the Global Positioning System (GPS) which uses satellite links for navigation and positioning (with the actual time reflected on the ship's position report). Finally, the ARPA, gives an early warning to the ship's navigator of the possibility of collision (Quest: Feb. 22, 1996:1,4).

The operators of the above equipment are backed-up by a team that is "continuously upgrading their knowledge, and training" (Quest: Feb. 12, 1996:2). The deck and the engine officers are sent to in-house and external training seminars to keep them abreast with the latest technology in the shipping industry.

Since September 1996, the company has been in the process of formulating and creating Performance Appraisal, and the Salary Standardization or Leveling schemes. The company has recognized that its people are its most valuable resource thus it is committed to have all the necessary systems in place in order "to have the right people with the right knowledge, attitudes, skills and habits at the right time doing the right things in the right way" (Quest: Jan. 29, 1996:2).

The Human Resources Development Department. The Legal and Human Resource Management offices together with the Finance, Materials Management, and Project Development offices are under the Corporate Services Division administered by EVP for Corporate Services. Basically, the HRD department is "committed to develop and strengthen the company's human resources through innovative manpower planning and recruitment" by institutionalizing an on-going training and development program for the company. Overall, the company's training program envisions to produce a "highly motivated manpower corps" with "high level of productivity" while at the same time, serving and satisfying their employees' needs (Quest: Jan. 29, 1996:2).

Other Developments. The alliance has added tremendous activities to certain departments. Because of the increased size of the company, the Finance Department is now focusing on "proper planning, sound management and utilization of the company's funds and other assets", the Materials Management Department on the efficiency of its operations, and the Passage Department on the continuous training of their passage tellers (Quest: Jan. 29, 1996). Likewise, the Housekeeping Department prides itself with their recent nine-day comprehensive Housekeeping Training Seminar of stewards held in Cebu.

Service Enhancement Program. WG&A Ferries VP W. Alfonso has been instructed by Mr. B. Gothong, the company President, to raise the standard of services of WG&A Ferries to the standard level of the SuperFerry. The program has emphasized developments on the basic passenger needs and vessel facilities and services such as on time vessel departure and arrival (efficiency); improved passenger accommodations (providing passengers with

clean and comfortable mattresses, functioning airconditioning units and well-lighted and ventilated accommodations and other necessities); cleanliness (maintenance); safety standards (accessible lifejackets, additional exit ways, emergency lights and signages, fire extinguishers and other fire fighting equipment); restaurants (for improved food quality, clean dining facilities, trained waiters, and cleaned galleys); and professional hotel staff (same level with the SuperFerries, WGA Ferries group has been consulting firms for the suited training modules for their hotel staff) (Quest: Feb. 22, 1996: 1, 4).

The WG&A's Labor Management Council

The introduction of the WG&A Labor Management Council (LMC) cannot be disassociated with the William Lines, Inc. (WL) LMC, because its creation, formation and existence was originally patterned after the old WL-LMC. It has shared the WL-LMC Charter although with some minor revisions. Accordingly, Mr. Victor Chiongbian, formerly CEO of William Lines and current WG&A Chairman, together with the Gothong and the Aboitiz group of managers acknowledged in their planning sessions the issue of the right organizational union structure. "Which organizational structure shall be allowed to survive? Should it be the organization (union) of Aboitiz, or Gothong or William Lines?" (Quest: May 6, 1996:2). What came to fore was one "strength of William Lines", its LMC which was considered responsible for the high morale of its employees, whose average length of service was 12 years.

On the 11th LMC National Convention held in Cebu on 22-26 April 1996, the management recognized that the changes brought about by the alliance had affected the LMC, thus the convention (Quest: May 6, 1996). The corporate vision statement was again emphasized with the convention theme of "UNITY through LMC". Specifically, the corporate vision of WG&A was reiterated. The convention approved the following resolutions: (1) wage increase of P900.00 for the land-based /rank and file employees, P965.00 for the sea-based workers, and P1,062.00 for the supervisory employees; (2) increase of the uniform outlay from P1,000.00 to P1,500.00; (3) a clean, safe and comfortable quarter for the vessel personnel on board and at Pier 4; and (4) an increase in the honorarium of the officers of the National Labor Management Council (NLMC) from P3,000.00 to P5,000.00 a month.

The convention was attended by all elected Council Chairmen of the LMCs and five (5) additional representatives from Manila who were elected from 21 council members. There were four (4) council members from Cebu who were likewise elected from their twelve (12) council members. In addition, there were other delegates who "can neither vote nor can be voted upon in the election of officers but could only participate in deliberations on issues brought to the floor for discussion".

The reasons for the alliance and the importance of LMC were again reiterated to the convention delegates and guests. It was pointed out that LMC must be allowed to grow and flourish because it has been a great part of the company.

It has been our way of life. Great things have happened at the initiative of LMC... While the alliance has brought the companies together, the LMC of WL has remained the sole forum for dialogue and discussion of vital issues and concerns between labor and management. Amidst all these changes, there is even greater reason now to maintain or even enhance the LMC (Quest: May 6, 1996:2).

In the Charter, as amended, there exists only one National Labor Management Council (NLMC) for the entire company and one Local Labor Management Council (LLMC) in each locality and vessel. Each LLMC is named by the unit it represents. NLMC's function is to coordinate, review and evaluate the activities of the LLMCs for purposes of bringing to and negotiating with management the collective unresolved issues, problems and demands of the employees. Presently, WG&A LMC has 1,800 members (300 of whom were old WL employees). The NLMC is headed by the 5th NLMC Chairman Nolito B. Aris and Mr. Hobi Chan, NLMC Vice-Chairman.

The LMC's general objective is to build and maintain a happy Christian community, "in the spirit of sharing one's time, talent, and treasure through the force of truth and the power of love". The specific objectives are the following:

- To provide free forum for the cordial discussions of various concerns as well as for the peaceful adjustments of any and all differences that may arise from time to time in the relationship between labor and management;
- To promote harmony among all Williners (now WG&A), the officers, staff and other employees of William Lines, Inc. (WG&A) and to establish a mutually beneficial relationship;
- To enhance efficiency and productivity through mutual respect and sincere cooperation with the full authority to recommend such rules, procedures or policies as the council may deem appropriate for the betterment of the Williner's (WG&A) working environment in consonance with the Williner's (WG&A) changing needs;
- To promote and protect the common interest of all Williners (WG&A) and maintain and foster close cooperation and mutual assistance among them; to institute programs geared towards improving the economic, spiritual, and cultural, well-being of the employees;
- To facilitate consultations, mediate and/or arbitrate disputes between the employees on one hand, and management on the other hand, strictly observing the principles of due process and fairness;
- To bring to the attention of management, policies or practices which hamper the development of a strong and solid industrial partnership within the company.

IR AND HR DIMENSIONS OF THE ALLIANCE

Downsizing, Services Subcontracting and Job Security

Lawler points out that as organizations operate more globally, they face an environment that is less predictable and less stable and as a result they need to be able to respond much more quickly to environmental changes (1994: 5). This is the case of WG&A as it sailed the global waters of competition. The "strategic alliance" (Tung: 1995: 23) taken by these three shipping lines has become an "organizational dimension of lean production" (Taira: 1994: 106). Restructured were the company's operations, such as the terminal and container yard operations, and catering and passenger ticketing contracted out to associated companies and also to independent contractors for "tighter coordination of all stages and facets of activities" (Taira: 1994:106). All these were done to improve the company's productivity and competitiveness in the maritime industry. As a result, this process has tremendously downsized a great number of its workforce emphasized by a trend towards casualization or the informalization of the formal sector (Ofreneo: 1994: 292). The company has resorted to service subcontracting in which the owners divided or decomposed their production or service operations into those that require central management control and those that can be manned by service agencies subject to certain management guidelines (Ofreneo: 1994: 294). Generally, the alliance has resulted to a meaner and leaner WG&A, Philippines.

Aborted Regularization and Blurred Employment Statuses

As for workers hired through the agencies, "some temporary workers...are kept perpetually temporary by terminating them before the mandatory regularization period of six months" (Ofreneo: 1994: 294). As recalled from Mr. B. V.'s (Passage Teller) description of the hiring process and selection/screening of applicants by the old WL, only 50 of the 200 applicants passed the screening process and were included in a three (3) month-training - testing process until only 20 applicants remained to continue the three months of major training. Before the end of the six months training period, 13 "tough" applicants remained and were accepted as "formal probationary trainees". Thus the classifications like "formal probationary trainees" pose problems to individuals like Mr. B. V., who along with others are still questioning their employment status in the company. At the moment, they are still considered casual employees.

Restructuring Triggered Temporary Chaos

As organizations constantly change their structure (Lawler: 1994: 5), increased incidence of conflict and tension among the groups of employees were felt (Tung: 1995: 23). For example, Mr. B. V. never expected that the

Passage and Services Department which before was part of WL, is now under WG&A through the company's newly-named service agency, SUPER-X, which was originally named ABOEX. A similar case was mentioned by NLMC Chairman Mr. N. A. on the status of each of the three companies' Vice Presidents. Each has nine VPs.

Long and Regionalistic Hiring Processes and Other Cultural Biases

The company's hiring process is affected by cultural biases. Mr. L. J., a resigned Passenger Teller of the company, relates the incidence of the "kamag-anak brigade" and the practice of hiring/selection based on regionalistic considerations. Mr. B. V. agrees on the regionalism issue. However, Mr. G. O., the Training Manager, emphasizes that the company is in the process of formulating a simple and shorter hiring process.

TOWARDS A COOPERATIVE, NON-ADVERSARIAL FORMATION OF LABOR-MANAGEMENT COUNCIL (LMC)

The LMC: Management – Initiated Style

Taira (1994: 112) points out that "in order to remedy the lack of information on employee expectations, many non-union firms unilaterally set up joint labor - management committees often in violation of the labor law which prohibits employer domination of labor organization". As mentioned earlier, during the planning sessions conducted by the top management of WG&A, the group of managers of these three shipping companies recognized the initiative of WL-LMC, and thus urged to call for a convention. Again, the issue of who determines or decides on the IR/HR strategies affects the company's thrust and performance as well as the direction of the newly formed WG&A-LMC.

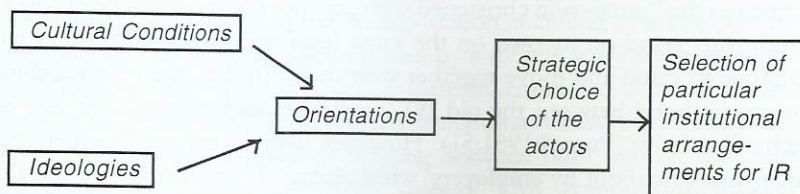
Labor Management Council as an Alternative to Union? Another issue that needs re-examination is the emergence of this kind of trend, labor - management integration as a form of "joint governance" (Taira: 1994:117) as more corporations now are discouraging the establishment of unions (Ofreneo: 1995:34). The institutionalization of WG&A-LMC as compared to the union of Aboitiz Shipping Corporation is an example.

WG&A – LMC: For Whose Benefits? The use of "strategic choice" of these three group of managers on the kind of organizational structure to retain was reflective of the scope of their power over each labor group on each company as a whole, and the loss of these labor groups (Kochan, McKersie, & Cappelli: 1984: 21).

The employers' role on the formation of the new WG&A, Philippines LMC, was an obvious showcase of their power. Triggered by global competition, these employers responded and aligned themselves to "ensure the survival of their organization, increase the firm's market share and maximize their profits" (Cooke: 1985: 225). Other strategic choices made by the employers for the company are "the strategic role of HR" on the continuous infusion of the Mission and Vision of the company to its employees; its policies strategic on LMC and about union avoidance; choices favoring new satellite sites or branches for their ticketing outlets; the strategic choice behind the future operation of Mabuhay Sunshine Cruises and at the same time, the company's spearheading the privatization and conversion of the North Harbor into an efficient passenger terminal complete with amenities like shopping centers and entertainment areas; strategic choice on the kind of machines, new navigational equipment for use by the Vessel Management Team (e.g. GDMSS, EPIRB, SARRT, GPS, ARPA); and strategic choice as to what agencies to contact, follow-up for service subcontracting. On the employment relationship and industrial relations system and workplace set-up, the strategic choices involved personnel policies on casualisation, hiring processes/selection, and seating management representatives to the LMC (Kochan, McKersie, Cappelli: 1984: 23).

In the light of the above developments, probing on the employees' fundamental goals in this kind of employment relationship would be of interest. Employees, it has been argued, "seek to maximize their income, increase their job security, increase their autonomy, avoid pain, reduce work hours, or maximize their job satisfaction" (Kochan, McKersie, Cappelli: 1985 : 225). Strategic choices for the employees involve choices of labor representatives for LMC, choice of the place to hold the annual NLMC convention; occupational safety and health or equal opportunity laws; and choices of issues to be raised to the convention (Kochan, McKersie, Cappelli: 1985 : 225).

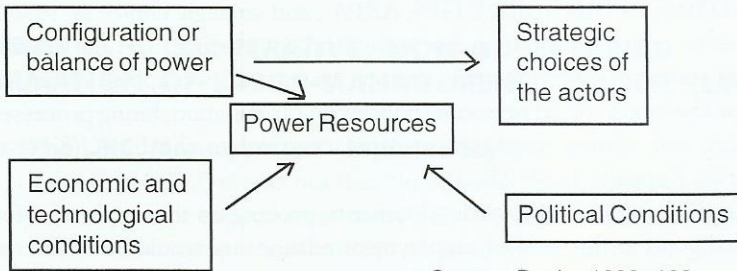
Figure 1. Strategic Choices of the Actors



(Poole: 1993: 109)

The Selection of Labor - Management Council as a particular Institutional IR Arrangement. Why was the William Lines, Inc. LMC chosen by the group of managers to survive and become the core of the new WG&A, Philippines LMC as compared to the union of Aboitiz Shipping Corp., and the labor council of Gothong Lines, Inc.? As Poole emphasizes, the most obvious starting point is an action perspective and an emphasis on the importance of choice (1993: 108). As shown in Figure 1, strategic choices are focused by orientations which is affected by the cultural conditions and ideologies (Poole: 1993:109). The specific actors in this analysis are the managers who selected WG&A LMC over Aboitiz union and Gothong's labor council. Their strategic choices depended on the interplay of power among themselves (Figure 2).

Figure 2. Action, power and structure



Source: Poole; 1993: 109.

Interestingly, WG&A Philippines Chairman announced that “these managers have recognized the harmony by which Labor and Management were able to carry out their relationship...to discover the cordiality by which labor and management team resolve their mutual concerns”.

Active rather than Reactive IR

The LMC is an example of an emerging trend towards other forms of labor-management interaction. The birth of WG&A Philippines LMC from the old WL was deemed favorable to management as well to workers. Described as the “same child christened with another name”, it has been able to confidently stand on its own on the same level with management and will continue to stand and move together with them. In fact, the reason behind the strong bond between the old WL employees and management rest on each others’ trust (Purcell:1981:51). However, with the existing interpersonal issues brought about by employers’ withholding of information of the alliance, distrust if not supported with sufficient team building, interpersonal skills training and behavioral awareness, may create loss of trust of labor to management, which may hinder company cohesiveness (Townley: 1994: 121).

Cost and Benefits of the Alliance, Who has much control?

The integration of the three companies has brought about cost as well as benefits to both management and labor. The group of managers represented by the LMC has absolute control over the set of work rules (Cooke: 1985: 226-227) over the workers. When the company had restructured its operations, management had to downsize its workforce, making it leaner and flatter to minimize costs.

Confusion ensued resulting from the alliance which had strained the relationship among workers' themselves, specifically with old retained WL employees who felt they were not compensated enough compared with their counterparts in Aboitiz and Gothong who were paid for their service by their previous shipping companies. This situation has in effect eroded employees' trusts on management.

Dunlop's Industrial Relations Systems and WG&A's IR/HR System

The three actors. Dunlop's tripartite framework of the Industrial Relations System is used in this study to assess the IR/HR systems and issues of WG&A, Philippines. IR deals with the work relations and the interplay of three actors namely, labor (Labor members and Representatives of the Labor - Management Council), management (Employers and the Management representatives of the LMC) and government (the Department of Transportation & Communication [DOTC] through the MARINA, Philippine Ports Authority and Philippine Coast Guard). These three actors are governed by the web of rules molded by the three inter-related environments: 1) technological characteristic of the workplace; 2) market or budgetary constraints; and 3) the locus and distribution of power in the larger society (Dunlop, 1958: 51-53).

The technological context of the workplace. The maritime industry as a whole is considered a variable and a mobile workplace. If the "workplace itself is in motion" as the case in this industry, "a complex of specialized rules relate to movement, speed, route, schedule, manning, safety, and emergencies" (Dunlop: 65) are necessary. Likewise, "special rules" pertaining to the relationship of labor and management on supervision, special methods of compensation, rights to free transportation, manning schedules, hours, meals, lodging, and other problems posed by a mobile work place are highlighted (Dunlop: 65). Rules are further formally embodied by the amended Charter of either the old WL or WG&A which first officially recognized the Labor - Management Council as binding between both management and labor. Inside this Charter are specific rules on LMC composition, officers and terms of office, and their scope of power, their duties, election rules, rules pertaining to removal from office, LMC meetings/quorums, rules on arbitration, and creation of committees. At the same time, there are rules that

pertain to detailed matters such as the reports/minutes of the LMC meetings, on amendments and its effectivity, the scope of power of the NLMC and in addition, a table of rules regarding disciplinary actions.

The technological context establishes the relation of workplace to residences of the workers and managers (Dunlop: 66). Because of the mobility of the maritime industry and the variability of the workplace, workers and managers are expected to be away from their normal residences (Dunlop: 67). Thus, this technological context has brought additional provisions such as those relating to safety, and clean and comfortable sleeping quarters granted to the employees as a result of the recommendation of the convention cited earlier in this paper.

Another consideration is the stability or variability of the workforce and work operations which affect the complex of rules, such as the rules on hiring and temporary or permanent lay-offs (Dunlop: 68-69). The company's workforce is categorized as either land-based/shore-based employees or sea-based employees. The strategic decision to form the alliance was an urgent response of the employers to the technological context as well as the market and budgetary constraints brought about by the liberalization and deregulation of the shipping industry, increasing cost of operations, and increased competition from foreign shipping companies.

Towards Employee's Increased Competencies and Adaptability to Change

Organizations are now slowly moving away from a "focus on jobs" towards a "focus on individuals and their competencies" (Lawler: 1994: 5), thus threatening job security. Another explanation for the reduced job security is that workers are resisting technological change (Standing G., Tokman, V.: 1991: 34), as well as the employers practice of resorting to service subcontracting.

The development of human resources has become a major concern. According to Cohen, corporations are now faced with the challenge of maintaining customers' confidence while at the same time keeping the company profitable, and to do this "they must change continuously in order to improve and attract, develop, and keep their human capital" (1991: 48).

Managing diversity has to be addressed too. This includes the following 1) programs designed to raise participants' consciousness/awareness about differences in values, attitude, patterns of behaviour, and communication that may exist across cultures or sub-groups; and 2) programs designed to develop new skills and competencies, including communication competencies, proficiency in other languages and negotiation skills, and more intensive interaction between people of different societies and systems (Tung: 1995: 23). The 'temporary' chaos brought about by the alliance caused management to resort to "management by stress" (Taira: 1994: 107). But as Taira suggests, as soon as these problems of transition are overcome and lean production is

securely in place, work under the new system might become 'humanly fulfilling' (1994: 107).

CONCLUSION

On the Need of the WG&A Alliance

Was there an absolute need for these three shipping companies to conglomerate into one big organization? As a survival move and in the short term, the answer is no. But every business organization must strive not only to stay afloat but to move forward and achieve higher goals. And not only in the short term but in the longest term possible. In this sense, there is an absolute need to form this alliance. Globalization, deregulation, competition, new market demands are all necessitating factors for this alliance. It is an anticipated move to pre-empt the crunch of fiercer competition and globalization of the maritime industry in the foreseeable future. Like the game of chess, corporate decisions and policies must be made several moves ahead to avoid a situation of checkmate.

On the Impact of the Alliance

The alliance as a whole has positive and beneficial impact on the efficiency of the new organization. The transition and the sense of a new beginning create the best opportunity to effect a thorough revamp of the structure, operations, and upgrading of skills which otherwise would be very difficult to do if done separately by each company.

The primary objective of the alliance is not so much to become bigger but more importantly to become leaner and more efficient, hence more competitive. As stated earlier in the study, while this objective seems to have been achieved successfully through downsizing, subcontracting, outsourcing, termination and separation of many employees, the downside of this move is the dislocation of many employees. But again, there is no outright injustice or violation of worker's rights. In fairness to the new management, a fair package of options have been made available to the affected employees. The dislocation and disorientation have been more on the psychological level, on the uncertainty and ambiguity of a new situation especially in the transition stage. Again the new HR/IR department has handled well this 'culture shock' in the new organization.

On the Positive Role of the Labor Management Council

Special mention must be made about the LMC. As earlier mentioned, the LMC of the new alliance is a carry-over from William Lines. The fact that the WG&A adopted this Labor Management set-up speaks well of the LMC's track record. It has worked well in the past and unless proven otherwise

there is no reason why it cannot work well in the present set-up. The LMC as a non-adversarial, non-unionized, cooperative and partnership approach to Labor Management relation is proving to be an effective tool for a harmonious, productive and mutually beneficial relationship. The philosophy or psychology behind the LMC model is based on consensus, non-adversarial resolutions of conflict, respect for authority, preferential treatment of the weak and small. The values involved here seem to be very Filipino. This culture of the LMC model is its greatest strength.

On the Downside of the Labor Management Council Model

The greatest weakness of the LMC model is the lack of aggressive advocacy and workers' rights activism. Advocacy and activism in labor-management relations are usually perceived as left-leaning and disruptive. But this perception is generally the bias of the management culture. Nonetheless, more and more IR specialists see a strong, well organized labor organization as a healthy counterpart, generating a positive force for greater productivity and genuine atmosphere of respect and harmony in the organization. The potential dangers of the LMC model are in the areas of too much paternalism, personality cults, non-professionalism, complacency and stagnation on both the labor and management side. Conflict and the threat of conflict with legal clout under a unionized labor keep all the actors alert and involved. These dynamic ingredients are hardly present in the LMC model where harmony, common goals and interpersonal relationships are highly emphasized.

On the IR and HRD Department

The crucial role of the IR and HR department is best demonstrated in the transition stage of any organization. In fact, this department has proven to be the most important and most indispensable in the process of the creation of the alliance. This is understandably so because the most important variables in such undertaking have to deal with human reactions and flexibility, the confusion and uncertainty of change and new situation, and the acquisition of new vision, attitudes and skills. These are all the concerns of IR/HR. In the case of the success of the WG&A alliance, the greatest credit must go to the efficiency and competence of the IR/HR department. How well this new organization will navigate the seas of maritime industry in the future still remains to be seen. But so far so good. For sure, the IR/HR Department has its hands full in steering the alliance in the global waters.

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