

## Doing Business in the Philippines | Philippine Social and Business Culture

### A Philippine Overview

#### Fact file

- **Official name** – Republic of the Philippines
- **Population** –97,976,603\* (July 2006 est.)
- **Official Languages** – Filipino (based on Tagalog) and English
- **Currency** – Philippine peso (PHP)
- **Capital city** – Manila
- **GDP** – purchasing power parity \$320.6 billion (2005 est.)
- **GDP Per Capita** – purchasing power parity \$3,300\* (2005 est.)



#### Overview

The Philippines, an archipelago republic comprising of more than 7,000 islands, is a geographical and cultural meeting ground of east and west that has emerged from a unique blend of foreign influences, native culture and an illustrious colonial past. This eclectic cultural heritage, a mixture of Malay, Spanish and American cultures, has created many ethnolinguistic groups that are divided by their own distinctive traits and dialects, but together form a unique Filipino identity that must be understood in order to successfully do business in the Philippines.

#### Philippine Culture - Key Concepts and values

**Face** - Maintaining 'face' and upholding an individual's reputation is a vital component of Philippine culture. In the Philippines, expressing anger, negativity or experiencing public embarrassment results in a "loss of face" and as such has negative consequences. Filipinos will try to remain calm and in control of their emotions at all times and avoid direct confrontation. When doing business in the Philippines, you should avoid causing embarrassment or offence whenever possible and make an effort not to be too direct when communicating with your Filipino counterparts.

**Communication style** - Closely related to the concept of 'face', the Philippine style of communication is indirect and takes into consideration the perception of the recipient. In order to save face and remain courteous, Filipinos rarely give a direct answer of 'no' and will avoid disagreement, rejection and confrontational behaviour, especially when a superior is involved. The word 'yes' is often used to disguise more negative responses and avoid causing embarrassment or offence. 'Yes' may mean 'maybe' or 'I'll think about it' or even an outright 'no'. As a business person in the Philippines, you will have to be more alert to the subtle cues hidden in conversation, such as nonverbal communication, to help decipher meaning. This ambiguity in response means that it can take longer to get a firm negative answer.

**Pakikisama** - This Philippine cultural concept, loosely translated as "group loyalty", is an important cultural value in the Philippines and defines the social need for comradeship and general consensus. *Pakikisama* is closely linked with maintaining harmony and as a result,

disagreement and interpersonal tension are considered negative aspects of behaviour. In business terms, it is often necessary to gain a group decision before proceeding further which can make negotiations seem more indefinite and take more time.

### **Doing Business in the Philippines**

The Philippine Islands, named after King Phillip II of Spain, were officially discovered in 1521 and soon became part of the Spanish colony. Following the Spanish-American war, control of the archipelago was transferred to the United States in 1899. Shortly after, the nation became a self-governing commonwealth, but soon fell under Japanese occupation during WWII. On 4 July 1946, after more than 300 years under foreign rule, the Philippines became an independent democratic republic. The country has since experienced a period of volatile governance and a series of economic problems and instability. However, from the mid 1990s onwards, the Philippines has made a steady recovery, boasting an economy that now matches those of the more industrialised countries in east Asia. Today, the Philippines is a flourishing nation attracting much interest from abroad and continues to seek greater integration into Asia and the rest of the world with its economic reforms and developing trading relations.

#### **The Philippines Business Part 1 - Working in the Philippines (Pre-departure)**

- **Working practices in the Philippines**
  - Generally, foreign business people are expected to be on time for all appointments. You may find however, that your Filipino colleagues are more relaxed about time and are less punctual when arriving for meetings.
  - Business appointments should be made a few weeks prior to your arrival in the Philippines and are often scheduled for the mid morning or the afternoon. It is recommended that you call ahead the day before to confirm the appointment.
  - Office hours in the Philippines are usually from 8.00 am to 5.00 pm, Monday to Friday. Some businesses may be open for a short time on Saturday, but on the whole Saturday and Sunday are non-working days.
- **Structure and hierarchy in Philippine companies**
  - There exists a strong sense of hierarchy within most Philippine business organisations, where different levels of subordinates and business protocol need to be negotiated until the final decision maker is reached.
  - Generally, when conducting a business meeting in the Philippines, the seating arrangements will reflect the order of hierarchy within the company. By observing where each person sits you will be able to determine who the key associates are in the organisation.

- **Working relationships in the Philippines**

- Mutual respect and reputation are vital components in establishing successful business relationships in the Philippines. As a result, age and status require a high level of respect and this should be taken into consideration when choosing your own representatives in the Philippines.
- Working relationships in the Philippines can often reflect the structure of the Philippine family, a prevailing influence in Philippine culture. In this respect, the boss plays a rather paternalistic role, creating a hierarchical management style.

### **The Philippines Business Part 2 - Doing Business in the Philippines**

- **Business practices in the Philippines**

- Doing business in the Philippines is a highly personalised affair and often requires a personal introduction by a mutual friend or business associate in order to carry out initial negotiations. An intermediary can help you to establish solid business relationships and ensure that you reach the key decision-maker. To a Filipino, a successful business relationship is based on human interaction, personal contact and establishing trust.
- In Philippine business culture, a friendly and informal handshake is the standard form of greeting. It is common for both men and women to shake hands with everyone present, upon arrival and when saying goodbye. Filipinos may use a little more contact when shaking hands, a pat on the side of the arm for example, and should be considered as a gesture of friendship.
- When meeting your Filipino business associates for the first time, it is appropriate to address them with their title and family name. Filipinos are status conscious; therefore the use of formal titles is an important means of showing respect. People without a professional title should be addressed with courtesy titles such as “Mr”, “Mrs”, or “Miss”, followed by their surname. You should avoid using someone’s given name unless you have known them for a long period of time, or until they invite you to be more informal.
- The exchange of business cards is an important part of establishing working relationships in the Philippines, but unlike many other cultures, the manner in which the cards are exchanged tends to be less formal. When presenting and receiving business cards however, you should do so with both hands. Translated business cards are not essential, but you should include your title and position in order to emphasise any influence and authority you may have.

- **The Philippines Business Etiquette (Do’s and Don’ts)**

- ✓ DO avoid direct and continuous eye-contact during business conversations, since staring is generally considered to be rude and confrontational.

- ✓ DO engage in light conversation with your Filipino business colleagues either before and/or after the meeting, since establishing a cordial personal relationship is very important in Philippine business culture. This may involve being asked rather personal questions regarding your marital status, income, religion, and other sensitive subjects.
- ✓ DO dress in an appropriate manner when doing business with your Filipino counterparts. Both men and women should dress conservatively and with a certain degree of formality. A vital part of gaining respect and being successful depends on you dressing well and taking pride in your appearance.
- ✗ DON'T be surprised if business negotiations take longer than anticipated. The pace of doing business in the Philippines is slow and the decision-making process tends to be detailed and protracted.
- ✗ DON'T underestimate the influence of the family unit and the affect it often has on business. Nepotism exists in some Philippine business organisations and certain preferences are often made as a result of this.
- ✗ DON'T raise your voice or interrupt while your Filipino business colleagues are talking, since this is usually considered offensive and shows a lack of respect.

#### **The Philippines Culture Quiz - True or False**

1. A Filipino will often laugh to disguise embarrassment, nervousness or apprehension.
2. In Philippine business culture, decision-making and problem-solving are based on empirical evidence and specific facts.
3. A vital part of Philippine culture is the concept of *hiya*, or 'shame'. To be shamed is the greatest form of disgrace to a Filipino.
4. To point the middle finger at a person or thing in the Philippines is considered a particularly obscene gesture.
5. If you receive a gift during business negotiations, you should follow the Asian custom by opening it in front of the person who gave it to you.

#### **Cultural Quiz - Answers**

1. True.
2. False. Filipinos tend to rely heavily on immediate feelings, rather than rules or facts, to guide them in making decisions and judgements.
3. True.
4. True.
5. False. You should not open the gift in front of the giver but wait until they leave.

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\* Source: CIA The World Factbook 2007

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