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Asian management in a changing world

Introduction

The major difficulties involved in any study of Asian management include definitional and associative issues such as economic size, capabilities, strategic framework and sub-regional diversities, as well as the varied perspectives of its observers. The apparent heterogeneity of ‘Asia’ and the cause–effect linkages between its cultural, societal and historical characteristics, and particular management styles and approaches, provide significant challenges for the identification of a differentiated Asian management paradigm. As Lithgow (2000, p. xiv) cautions, ‘perhaps the single biggest mistake that commentators make (is to) lump this diverse mass of human souls and geography into a convenient but essentially inaccurate word. Such treatment belies the most outstanding characteristics of Asia: its diversity’. A vast region encompassing sub-continental India and Pakistan, the various countries of Central Asia, as well as China, Japan, Korea and the disparate nation states of Southeast Asia, with ‘vast plains, icy mountain ranges, volcanoes, deserts, and thick tropical jungles’ (Dobbs-Higginson 1993, p. 5); together with an enormous diversity of ethnic groups, political systems, languages and dialects, religious traditions and different stages of industrial development, defies simple classifications. In spite of such geographic, cultural, linguistic and religious diversities, there are a number of trends contributing to their unique Asian identity and destiny.

Among the top ten countries with the highest populations in the world, six countries are in Asia (China, India, Indonesia, Bangladesh, Japan and Vietnam). Two Asian countries (Japan and South Korea) have met the defined standards of individual wealth and economic size in order to be qualified as members of the Organisation for Economic Cooperation and Development (OECD), and China and India enjoy the highest Gross Domestic Product (GDP) growth in Asia as well as in the world. Table 1.1 shows the population sizes, total and per capita GDP in eight Asian countries, and also indicates that the key sectors in all these countries are moving away from agriculture and industry towards services. Understanding the shift towards service and consequently knowledge economies will inevitably lead to the creation of new managerial imperatives not only in structures, systems, cultures and strategies,
but also a renewed pressure for the localisation of innovation, quality and intra-Asian synergies.

The changing world of Asia is witnessing increasing intra-Asian interactions of immense potential. The rise of the business activities of Chinese and Indian diasporas and ethnic families living in various Asian countries have significantly contributed to this development. Over the past two decades, Asian students have been educated in significant numbers by regional countries like Australia and New Zealand. Not only have student numbers from Asian countries increased exponentially, but also universities from Australia and New Zealand had been setting up collaborative educational partnerships in many Asian countries.

Despite the region’s inherent diversities and associated contradictions, it is generally accepted that the countries comprising the Asian region have sufficiently similar geographic, historic and cultural characteristics to consider them as parts of a cohesive geopolitical entity differentiated from their Western counterparts. Consequently, it is possible to build a case that these similarities have led to the development of differences and particularities in Asian management systems and processes to those of the West. In the major traditional societies of Asia, it is the extended family system that not only preserves social cohesion and solidarity, but in many cases provides the backbone of business and industry. The host of Chinese and Indian family-owned and operated companies in all Asian countries, the infamous Korean chaebols and Japanese cartels and indigenous family businesses in Indonesia and Malaysia, are all examples of this characteristic. It can be argued that the historic internal migration of Chinese and Indian family entrepreneurs throughout the region, coupled with the effects of and reactions to European colonisation, have contributed significantly to the economic resurgence of Asia in the post–Second World War era.

<table>
<thead>
<tr>
<th>Countries</th>
<th>Population (Million)</th>
<th>GDP ($Billion)</th>
<th>GDP/Capita ($)</th>
<th>GDP in Key Sectors (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Agriculture</td>
</tr>
<tr>
<td>China</td>
<td>1,281.00</td>
<td>1,237.10</td>
<td>7.262 trillion</td>
<td>13.80</td>
</tr>
<tr>
<td>Japan</td>
<td>127.10</td>
<td>3,978.80</td>
<td>3.745 trillion</td>
<td>1.30</td>
</tr>
<tr>
<td>India</td>
<td>1,043.30</td>
<td>515.00</td>
<td>3.319 trillion</td>
<td>23.60</td>
</tr>
<tr>
<td>Korea</td>
<td>47.60</td>
<td>476.70</td>
<td>925.1 billion</td>
<td>3.20</td>
</tr>
<tr>
<td>Indonesia</td>
<td>211.70</td>
<td>172.90</td>
<td>827.4 billion</td>
<td>14.60</td>
</tr>
<tr>
<td>Thailand</td>
<td>61.60</td>
<td>126.40</td>
<td>524.8 billion</td>
<td>9.00</td>
</tr>
<tr>
<td>Malaysia</td>
<td>24.30</td>
<td>95.20</td>
<td>229.3 billion</td>
<td>7.20</td>
</tr>
<tr>
<td>Singapore</td>
<td>4.20</td>
<td>87.00</td>
<td>120.9 billion</td>
<td>0</td>
</tr>
</tbody>
</table>

A brief overview of Asian management

Asia had a great tradition of global trading links in the pre-industrial period. This became more systematic during the colonial period, and in the aftermath of the Second World War Japan showed the way by breaking ranks with the rest of Asia by joining the West in global economic competitiveness. Centuries before the Industrial Revolution, trade and commerce in rare silk, pottery, paper, silver, tea, spices and many other items were booming across Asia, including Malacca (Malaysia); Ujung Pandang (Indonesia); Goa; Calicut and Cochin (India); and in Macau, Shanghai and Canton (China). As examples, in the seventeenth century, Indonesian traders from Ujung Pandang (now called Macassar) harvested sea cucumbers (trepany) from the northern coastline of Australia and benefited by selling them in China (Marr and Miller 1986, Shaffer 1996). Chinese General Zheng He had a fleet of 300 ships and 30,000 men with whom he went as far as Africa on several trading voyages in the 1420s (Lombard and Aubin 2000, Menzies 2003, UCLA 2005). Table 1.2 shows the strength of the maritime commercial activities of Zheng He as compared to the more well-known European explorers.

The general assumption that the practices of modern management were imported from the West could not be entirely true, given the highly sophisticated strategic planning, logistical management, recruitment, training as well as team leadership in the breathtaking managerial practices needed for such sea voyages.

These managerial strengths of the merchant class, and the emergence of global trade may have been eroded in subsequent centuries with the ascendancy of power by Confucian scholars in China, Brahmanical Hinduism in India and the spread of Islam in South Asia (Moddie 1968, Pye 1986, Redding 1990). In his reform platform in the People’s Republic of China, Deng Xiaoping acknowledged a profound debt to Confucian tradition while rejecting some of his ideas. He emphasised that China’s economic advances would be critically dependent on managerial expertise (Taylor 2005). In the case of India, the presence of managerial know-how is also illustrated through the work over 22 years by 22,000 skilled workers in building the Taj Mahal about 300 years ago. The recruitment and training of exceptionally talented workers, global procurement systems and logistical sophistication were all essentially indigenous innovations. Insightful knowledge and the wisdom of Asian managerial traditions still have forceful

Table 1.2 Maritime managerial strength in Asia

<table>
<thead>
<tr>
<th>Navigator</th>
<th>Number of Ships</th>
<th>Number of Crews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zheng He (1405–33)</td>
<td>48 to 317</td>
<td>28,000</td>
</tr>
<tr>
<td>Columbus (1492)</td>
<td>3</td>
<td>90</td>
</tr>
<tr>
<td>Da Gama (1498)</td>
<td>4</td>
<td>Ca. 160</td>
</tr>
<tr>
<td>Magellan (1521)</td>
<td>5</td>
<td>265</td>
</tr>
</tbody>
</table>

relevance in the contemporary context (Low 2001). For example, Sun Tze’s philosophies on strategy development in China and Kautilya’s principles of governance in India underpinned the ideas of institutional management for thousands of years in their respective countries. Chinese philosopher, Mencius (372–289 BC) may have been the father of modern production management (Cauquelin, Lim, and Mayer-Konig 2000, Low 2001).

Until the sudden ‘meltdown’ of Asia’s unprecedented economic success in 1997, four economies – Singapore, Hong Kong, Taiwan and South Korea – were hailed by business commentators around the world as models for the rest of Asia. Their success was mainly based on the development of export-oriented industry sectors, government participation in corporate strategic development, entrepreneurial risk-taking and diligence of the human capital. Besides these four ‘tiger’ economies, Malaysia, Thailand and Indonesia were also gripped by the euphoria of economic optimism. The specific trigger that initiated the crisis was the collapse of financial institutions in Thailand. The catastrophic effect of Thailand’s financial crisis generated a domino effect on the region leading to massive economic shock. Countries that were affected severely included Thailand, Indonesia, South Korea, Malaysia and Singapore. China, Japan and India escaped this meltdown relatively lightly perhaps due their internal market size and reasonable ‘economic distance’ from the affected countries.

The crisis, however, had a dramatic positive effect in many Asian countries where indigenous corporate governance began to receive renewed attention. Of course the aftermath of the Asian Financial Crisis has increased scrutiny on the ‘Asian values’ concept. The concept has lost some of its currency following the Asian financial crisis, but the concept of Asian values as a unique set of values grounded in the Asian tradition was a popular concept until then. Essentially, Asian values encompassed Confucian elements in terms of foregoing personal democratic freedom to ensure social stability and progress. The pursuit of hard work, thrift, academic excellence and long-term orientation are also seminal characteristics. Critics have pointed out that it was not possible to have a single unified concept of ‘Asian values” because of the diversity of national priorities. Cracks in the concept began with the ‘bursting of the bubble economy’ in Japan in 1989, and more recently, with the collapse of the Thai, Malaysian and South Korean currencies and economies in 1997. The issues of corporate transparency and ethical and social responsibility gained increased public attention, and managers at all levels had to pay enhanced interest to these imperatives. Large scale corporate collapses through corruption, nepotism, cronyism and fraud in Japan, China, Korea and India over the past decade, make this issue perhaps the most significant area of attention for managers in Asia. Table 1.3 indicates the variations in the perception of business corruption in the eight countries of this book. While Singapore leads the table as the least corrupt business context (9.3, and a global ranking of 5), Indonesia is far behind with a score of 2.0 and a global ranking of 133. Legal and managerial weaknesses in this area need to be addressed seriously for Asian managers to become globally accepted.
Asian values and economic development

More recent developments (e.g. Singapore’s employment problems and Hong Kong’s economic decline) further question the significance of the relationships between ‘Asian values’ and economic development. That is, valuing family relationships became nepotism, preferring personal relationships to legalism was cronyism, the overbalance of consensus over autocracy led to corruption and the value of conservatism and respect for authority over individualistic behaviours translated into rigidity and the inability to innovate. Educational achievements become rote learning and a refusal to question those in authority.

Henderson (1998) noted that simultaneous with rapid economic growth was a rise in Asian self-confidence, which was partly a natural consequence of the deeply felt bitterness, humiliation and injustice which resulted from the past subjugation of Asia by the West. Asians sought to explain Asian success by examining Asian society and philosophy, and further, began to claim that the relative decline of the West was because of the decadence of Western societies and the inadequacies of Western individualistic philosophical approaches. Asian values and the Asian interpretation of human rights issues were touted as the driving causes of the Asian ‘economic miracle’. This sense of euphoria meant that there while there was pointed criticism of Western institutions, there was very limited attention paid to any Asian social or economic shortcomings. This unbalanced coverage created a climate in which institutional and retail investors continued to channel money into the emerging markets, despite disappointing results in some cases.

Backman (1999) also linked the concept of Asian values with the Asian economic collapse, but in a more fundamentalist way. Noting the centrality of

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### Table 1.3 Corruption perception index for eight Asian countries (2004)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Score (1)</th>
<th>World Rank (2)</th>
<th>Surveys used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>9.3</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Japan</td>
<td>6.9</td>
<td>24</td>
<td>15</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5.0</td>
<td>39</td>
<td>15</td>
</tr>
<tr>
<td>China</td>
<td>3.4</td>
<td>71</td>
<td>16</td>
</tr>
<tr>
<td>Thailand</td>
<td>3.6</td>
<td>64</td>
<td>14</td>
</tr>
<tr>
<td>India</td>
<td>2.8</td>
<td>90</td>
<td>15</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.0</td>
<td>133</td>
<td>14</td>
</tr>
<tr>
<td>Korea</td>
<td>4.5</td>
<td>47</td>
<td>14</td>
</tr>
</tbody>
</table>


Note: (1) A score of 10 indicates the least corrupt country. (2) Ranking based on eight countries.
Confucianist ideas to the Asian values concept, he pointed out that Confucian orthodoxy had a crucial inadequacy – the relationship between individuals and outsiders. As a result, many modern Asian corporations treat deals with outsiders via stratagems and subterfuge. An Asian corporation is like a kingdom, autocratically run with a ruling family. The use of rules and guidelines for the use of power in the organisation, and any form of built-in checks and balances, accountability, transparency or adequate corporate governance, is regarded as acceding authority to outsiders. In a similar vein, formal, legally binding contracts to govern relationships between corporations are not favoured (Backman 1999). Whatever the actual link between Asian values, transparency and economic outcomes, it seems clear that regional interests have attempted to manipulate the perceived relationships for political benefit. The intensification of globalisation has highlighted the convergence–divergence debate in Asia and the recent literature has indicated a trend towards the evolving cross-verging synergies (Haley, Tan, and Haley 1998; Lau, Wong, Law, and Tse 2000).

For Mahbubani (2004), within the context of the ongoing modernisation and globalisation of Asian nations, a key question is whether Asian managers will be able to preserve the traditional strengths of Asian values (the importance of the family institution, deference to societal interests, thrift, conservatism in social mores and respect for authority) with the strengths of Western values (an emphasis on individual achievement, political and economic freedom and respect for the rule of law and key national institutions). It is important for non-Asians to comprehend that Asians do not see their values in narrow political terms, but rather in a much broader sense, which includes a desire to reconnect with their historical and cultural past after the disruption by Western colonisation and economic domination. It is about establishing self-esteem as an essential ingredient in the transformation of societies. The great challenge for Asian societies is to simultaneously integrate with the modern world and to rejoin with their past. This runs counter to the commonly held Western view that without Western systems, which are held to be universal, no society can successfully enter the global era.

A key question for the Asian societies is the extent to which modern management concepts from the West will prevail over the indigenous traditions and wisdom. The adoption of a broader and more encompassing social perspective of management goes beyond the imperatives of profitability, efficiency or competitiveness. A holistic perspective of the Asian managerial challenge may be evident through the United Nation’s Human Development Index (HDI) shown in Table 1.4. The statistics in the Human Development report are drawn from expert agencies compiling specialist and specific indicators of social and human development. The data is created by including items such as life expectancy at birth, adult literacy rate, enrolment in primary, secondary and tertiary education, GDP per capita and a number of other items. The pillars of the human development strategy are measured in terms of democracy, pro-poor growth, and the equitable expansion of social opportunities, cultural policies and the wide ranging issues of social sustainability.
A number of commentators on Asia have emphasised the multi-directional learning for Western managers working in Asia, as Asia is certainly the most diverse of the world’s continents and the opportunities for learning for managers from outside are enormous (Dobbs-Higginson 1993; Mahbubani 2004). Learning at individual, organisational and community levels can be gained and this can guide the generation of a wholesome process of inquiry for managers around the world. As has been inferred, ‘the world will be a much richer place when Western minds stop assuming that Western civilization represents the only universal civilization. The only way that the western mind can break out of its mental box is to first conceive of this possibility that the western mind may also be limited in its own way’ (Mahbubani 2004, p. 10). An example of this ‘dual learning loop’ is the Anglo-Dutch consumer company Unilever. Most of the four hundred brands of Unilever were originally locally innovative successes and were ingeniously converted to global products. Unilever’s learning ability made it a success story in India long before most Western companies began to consider India as a location for their strategic business platforms.

As discussed, it is possible to build a credible argument for the concept of an ‘Asian’ region with a series of diverse countries sharing many common historical, political, economic, social and cultural characteristics, even if its colonially-imposed descriptors (e.g., ‘Far East’, ‘East Asia’, ‘Southeast Asia’) are less defensible. However it is more problematic to suggest that, as a consequence of their shared and disparate heritages, management patterns and processes in Asian countries are either transforming towards a global universalistic framework (convergence), maintaining their unique characteristics (divergence), or gradually creating an amalgam of both (cross-vergence). Rowley and Benson (2002,
pp. 90–91) suggest that their empirical research in Japan, Korea, China, and Thailand indicates the latter:

While several common patterns were emerging across advanced industrial states, at the same time cross-national variations existed ... local customs, institutions, and labour forces do, however, provide serious constraints on the degree of convergence, and may well lead to increased levels of divergence.

**Convergent and divergent paradigms**

The staggering diversity in Asia in terms of wealth, economic momentum, ethical assumptions, corporate governance models, and thus managerial systems, defy a simplistic and facile normative model. Diversity is often under-emphasised in the search for a convenient, yet elusive, Asian frame. The ‘competitiveness’ scores of eight countries included in this book are illustrated in Table 1.5. It shows the achievement of Singapore as the second most competitive country in global ranking and Japan’s slide from one of the top three competitive countries to a relatively low rank of 23 in 2004. During the past ten years China has climbed up the competitive ladder from a very low ranking to score a rank just behind Japan in 2004. Interestingly, this scoring measure includes a wide range of variables from the degree of government proactivity to the level of managerial sophistication. This model of competitive drive has been characterised as a ‘flying geese’ model of competitiveness where each country moved from the manufacturing and exporting of simple products to more capital and ‘know-how’.

As one country moved on to the next level of value added, another developing country would take its place as at the lower-value ends. Japan led the flock, followed by Hong Kong, Singapore, South Korea and Taiwan. Then come Malaysia, Thailand, the Philippines, Indonesia and Vietnam in the tail. Albeit somewhat simplistic, this concept of national geese flying in formation underlay many a government policy and corporate strategy. (Williamson 2005, p. 38)

The flying geese paradigm allows managers in Asia to revisit their mutual strengths and weaknesses and to seek to leverage their competitive positioning through integrated strategic perspectives.

In spite of the evident divergence among the Asian countries in terms of their competitive strengths, there is a noticeable convergence occurring in terms of an increasing enthusiasm for business, unique work ethics, willingness to learn and the acceptance of global managerial values (Chatterjee and Pearson 2002). The most important point of convergence lies in the sea change in the competitive environment in Asia. The rapid economic development in China and India coupled with the global openness of every economy are creating dual convergence and divergence. However, the converging forces may appear complex and confusing because of the different levels of managerial challenges in different
contexts brought about not only by different levels of economic and human development, but also by the degree of global forces experienced by them. Four major themes in understanding this phenomenon are the professionalisation of the managerial cadre; managerial ‘catch-up’ with the West not by copying, but by intelligent adaptation; managing the global challenge; and achieving a sustainable and ethical governance culture.

The emergent literature

A number of major books about managerial systems in Asia have been written in the recent years and, in particular, over the past several decades, books on the Japanese management system have been widely popular. The interest in alternative managerial assumptions and practices generated by the widespread discussion of the Japanese management system have now been broadened by the appearance of significant numbers of influential books on the management systems in Chinese, Indian, Korean and other cultural contexts. Except in the case of Japan, where the in-depth micro-level analysis of managerial practices has been explored, most contributions on other Asian countries have generally focussed on broad societal and macro-level perspectives. The genre of micro-level books has generally been addressed to the needs of Western businessmen in their dealings with specific countries and written in the style of ‘How to Do Business’ in a specific country.

Recent contributions exploring the strategic perspectives of Asian managerial systems have confirmed the emerging sub-discipline of ‘Asian management’. Lasserre’s and Schutte’s (1999) contribution to a strategic analysis of the

Books written with theoretical perspectives include Chen’s (2004) analysis of Confucian East-Asia highlighting the managerial cultures of China, Japan and Korea. Though limited in scope, the book enhances the sub-discipline by concentrating on the East Asian countries. A number of similar books have focussed on the contributions of overseas Chinese and Indians, alliance management, Asian legal issues, political and family power in Asian business, and similar topics (Ohmae 1995, Kamm 1996, Haley et al. 1998, Backman and Butler 2003).

These recent publications signal that as Asian countries like China and India improve their managerial capacity, the economic well-being of the people of those countries will improve more rapidly than others. Like the technological catch up after the Second World War that enabled Western Europe to narrow the economic gap with the United States, managerial catch up cannot only power the economic reform and global liberalisation in most Asian countries, but also make it sustainable. As has been pointed out:

> Countries throughout Asia are working hard to overcome past strategic animosities in order to create increasingly integrated flows of merchandise, finance and technology. On the basis of current trends, and a very rough estimate, this integrated Asian economy could reach about half of world GNP (up from a current one-third), with about 60% of the world's population. (Sachs 2004)

These challenges make the sub-discipline of Asian management relevant, and indeed crucial to a diverse range of stakeholders.

**About the book**

This book explores the managerial trends in Asia by integrating the macro-variables of globalism and national cultures with the evaluation of a range of meso- and micro-level management processes and practices in eight countries of diverse economic, social, cultural and political settings. It provides a special resource to Asian readers by developing an integrated view of the multiple managerial heritages and contemporary responses to the global challenges. It is primarily concerned neither with socio-economic analysis of the countries included nor a recipe for management techniques for readers. The book aims to develop a thoughtful practical framework for interested students, scholars, managers and policy makers in synthesising the divergent as well as convergent
forces guiding managerial transitions in Asia. The model adopted for this book outlined in the following chapter highlights the various forces shaping the managerial culture and practices in Asia. The key elements of the macro-societal heritage and institutional driving forces are evaluated in the micro-level managerial contexts. The model aims to explain the close intertwining of cultural forces, economic systems and emerging values as well as the learning orientations in these countries. National cultural, social and economic environments are shown as the platform where global and local managerial ideas and practices are being shaped for the creation of an unique and appropriate variation in managerial mindset.

It is not the purpose of this book to explore all countries that could generally be called Asia. The eight countries included in this book have been chosen to be representative, comprising three major Asian economies (namely Japan, China and India) and three critically important small countries (Singapore, South Korea and Malaysia). In addition, one large and one small country where the effects of the 1997 Asian crisis were very severe have also been included (Thailand and Indonesia). The choice of these eight countries has not only been influenced by their separate economic and managerial heritages, but also by their cultural diversity and the uniqueness of their corporate governance systems. Over the past ten years, a number of significant industries in the United States and Europe have chosen to shift some of their key operational and strategic bases to Asia. It has not been restricted to the conventional areas of manufacturing, sourcing, joint design, OEM facilitation and similar areas where cost advantages have been the traditional attraction. The basic structural forces driving global integration and convergence have largely been in the areas of technology intensity, economics of scale, scope, branding and related factors whereas the structural forces that drive the Asian context are geographical proximity, national cultural colours, different consumption patterns and the intensity of distribution.

As the world changes increasingly from an agriculture and industry-dominated context to services and knowledge-driven societies, managers in Asia have been presented with unique challenges. Asian managers of the next generation will need the skills, values and intellectual depth necessary to harness the global mindset of optimising the forces of convergence as well as those of local heritage. The richness of our current understanding of Asian management can be enhanced by considering the dynamics of managerial engagement in Asia not only in terms of the dichotomy of convergence and divergence, but also through a creative cross-verging prism that emerges at the ‘corporate-societal’ interface.

**Questions**

1. Discuss the notion of ‘Asian Values’, and consider how they manifest themselves in ‘Asian’ managerial styles.
2. Explain the similar and different historical legacies and cultural traditions in two or three Asian nations.
3. What have been the most significant effects of the 1997 Asian ‘economic crisis’ on contemporary Asian management?

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