

ASIAN CULTURE AND MANAGEMENT¹

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Abstract

Business management systems in Asia have been influenced by the local culture of the region. With diverse cultural background, business etiquettes have to be adopted to fit in with the cultural norms. Chinese, Korean, Japanese and Malaysian businesses, to name a few in the region, have their own distinctive style of management practices. Confucianism, Theravada and Mahayana Buddhism, Hinduism and Islam play a significant role in the life of people in the region and are also reflected in their business practices. This chapter presents the Asian business management practices from a cultural context focussing on the East and Southeast Asian business practices. Management styles of Southeast Asian overseas managers of Chinese, Indian and Malay background in Malaysia are used to illustrate the cultural context of Asian business practices.

Key words: Asian management, culture, Confucianism, Theravada Buddhism, Taoism, Shintoism, Hinduism, Islam, Zaibatsu, Keiretsu, Bushido, Chaebol, Asian business etiquettes, Southeast Asian overseas managers – Chinese, Indian and Malay managers.

¹ Selvarajah, C (2010). Asian Culture and Management. In H. Bidgoli, *The Handbook of Technology Management*, Vol 2, John Wiley & Sons, New York. Pp. 770-791.

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1. INTRODUCTION

Writing a chapter on a topic such as “Asia culture and management” is not a simple task. The debate ‘what is Asia?’ has never been settled and the term Asia is used loosely by both academicians and practitioners depending on the coverage they have in mind. I too have followed similar tradition in defining ‘Asia’ in a limiting sense and in this chapter we will look at China-Japan-Korea (capitalist East Asia), plus Malaysia as an example of a Southeast Asian economy, which is at the confluence of China in the East and India in the West. It should also be understood by the reader that common values, such as the Confucian, Islamic and Buddhist traditions in different countries does not imply that the countries with these common traditions have similar or common work value systems. It is important to understand that doctrinal values from Confucianism or other religions have an influence but are not necessarily the only influence on societies. It is appropriate than to say that neo-Confucian culture with a new and different form incorporating specific national cultural values based on historical and environmental influences exists in the countries that have been influenced by Confucian teachings. Another observation that should be made is that inference based on experience and practitioner’s reflections have been included along side academic view-points as there are very few business studies or experience-based analyses of business practice/attitudes in a particular context.

The twenty first century is seen as the Asian century with spectacular rise of many Asian economies. This growth started in the second half of the twentieth century led by Japan in the 1950s and followed first by the four Asian tigers of Hong Kong, Singapore, Taiwan and South Korea in the 1960s. Major ASEAN members, such as Malaysia and Thailand followed in the 1970s. The 1990s saw the rise of China and Vietnam and by India from the late 1990s. The phenomenal growth of the Asian region has given rise to countless debates in the West, which has tried to understand and interpret the driving forces of the post-Second World War economic miracle in Asia. Much has been attributed to the influence of Confucianism as a major source of East Asian cultural traits, such as strong work ethic, high family values, pragmatism, thriftiness, and heavy government involvement. Another often-mentioned reason was the Cold War system in which the United States, based on strategic considerations, not only provided economic and military support, but also opened its enormous market to many of these thriving Asia-Pacific countries.

Nevertheless, these economic miracles would not have been possible without the numerous Asian companies themselves, whose efforts and competitiveness have provided a major stimulus for the continued high rate of economic growth (Collinson & Rugman, 2007). There are three major identifiable business systems in the East Asian region; Japanese, South Korean and Overseas Chinese of Hong Kong, Taiwan, Singapore and other major ASEAN countries, which have proved to be very competitive in their own respective ways. These countries all have Confucian traditions. Hofstede and Bond (1988) are of the view that the surge in Asia’s economy may be due to the influences of the tenets of Confucianism. This generalisation is a convenient answer to a complex issue. The East Asians are not all alike and in this chapter discussion from other traditions, such as Taoism, Buddhism, Shintoism, Islam and Hinduism are explained where they have been incorporated into the local culture. The reader should be aware of the limitations in international research publications. Lynn

(2006), for example, signals that research on Asian business and management is flawed as the US journals that publish research findings have a narrow view of academic rigour – they publish papers that rely on theory developed in the US context and may not be suitable to Asian business. Also Meyer (2006) points out that in the pursuit of publication, researchers may compromise on the contradictory objectives of local relevance and international publications.

In is with this understanding and a caution to readers that this chapter on Asian business systems will be looked. Providing a ‘broad-brush’ approach to viewing management practices in East Asia and Southeast Asia alone suggest compromises where detailing is sacrificed. Bearing this limitation in mind, this chapter specifically discusses the East Asian region covering China, Japan and Korea where Confucianism is practised. It is clear that this commonality based on Confucian traditions overlay on other cultural behaviour patterns that may be peculiar to a country or region. Kim et al (2007) have explained that in conflict management resolution, the Koreans were more likely to use a compromise style compared with the Chinese and Japanese and that the Japanese were less dominating and more likely to oblige their superiors than the Koreans and the Chinese. The chapter also discusses the importance of Overseas Chinese who also adhere to the principles of Confucianism in the context of economic growth in Southeast Asia. Malaysia, a Southeast Asian nation is used as a case study to illustrate the influence of China and India in the development of business and management philosophies in the country.

2. CULTURAL CONTEXTUALISATION OF ASIA

Any study of business and management systems involves an understanding of the cultural context of the nations. This chapter will cover in some detail the historical and cultural development of the selected nations in Asia. It is therefore important that we start with the definition of culture.

2.1 Culture

Throughout this chapter, culture is defined as the attitudes, values, beliefs and behaviours shared by a particular group of people, (see for example Adler, 2002; Smircich, 1983). This definition integrates the previously diverse conceptions of culture into a construct that allows culture to be examined at various levels, including the organizational, ethnic and societal group levels. This definition is also useful because it includes values, i.e., those principles, standards or qualities considered to be important or desirable in any culture. Therefore, this concept of culture is particularly relevant to the study of management behaviours that may be influenced by social issues, including generational differences since values and behaviours are essential components of the definition of culture.

In this chapter, we have used Swierczek’s (1991) classic explanation of the three broad streams of management styles in Asia, which can be distinguished on cultural backgrounds. These are the East Asian, the South Asian, and the Southeast Asian styles.

East Asia: This includes the Japanese style, Chinese style and Korean style. In this region there is a split between participative and directive approaches. Research undertaken by Misumi (cited in Swierczek, 1991: 6) found that in many situations, the

democratic style was more effective when the task was easy and the autocratic style was suited when tasks were difficult.

South Asia: This grouping includes the SAARC countries, i.e. India, Pakistan, Bangladesh, Nepal, Bhutan, Maldives and Sri Lanka. Management is likely to be reluctant to consult their subordinates and to delegate authority to them. Leaders are paternalistic and are likely to involve themselves in the private lives of their subordinates. The South Asian style of leadership tends to be remote, directive and paternal.

Southeast Asia: This includes the ASEAN countries. For Southeast Asia research had been conducted using the Hofstede categorization. It was concluded that firms generally adopted an authoritarian style of management, reflecting the fact that managers favour conformity and orderliness.

This general categorization of Asian management by Swierczek helps explain the cultural domains within which management is practiced. Not all countries in East Asia can be said to have a distinct management style as countries in Southeast Asia have varying degrees of Chinese and Indian cultural influences. For example, Malaysia has sub-ethnic groups; the Chinese, the Indians and the Malays who exhibit different managerial behaviour (Selvarajah and Meyer, 2006a, 2008b, 2008c). In their research, Selvarajah and Meyer (2008c) found that the behavioural values of the Chinese managers in Malaysia and the behavioural values of the Chinese managers in China were similar as opposed to the behavioural values of Malaysian Indians and Malaysian Malays. Current research being conducted in Thailand and Cambodia and Laos are again showing quite different values and these cultures are influenced by the tenets of Theravada Buddhism and Hinduism (Selvarajah et al, 2008d). Chin (2002: iii) explains that in a plural society like Malaysia, “the leader has to recognize the different cultural underpinnings of each community.” For example, in a recent study by Ahmad Saufi (2002), Malay and Indian managers in Malaysia preferred the participative style of leadership while the Chinese managers in Malaysia preferred the delegating style. This finding is similar to, and Meyer (2008b, 2008c) where they found that the Malays and Indians behavioural values were similar supporting Sinha, (1995) value system of Indian managers. Therefore to cluster Asia as having a singular business and management system is misleading.

In the next section, we will look at the three Confucian nations - China, Japan and Korea that have similar but again different business systems incorporating local traditions and customs along with Confucianism.

3. EAST ASIAN CULTURE & MANAGEMENT

All three business systems and economies share several commonalities. The most prominent is the success of their economic growth - export oriented industrialisation based on labour intensive manufacturing at first and more sophisticated products at a later stage (Hamilton 1991). Another is they all have benefited from Confucian influence, though each has developed a unique system based on their respective historical and social development. The business etiquette within these Asian countries is also an important issue. Knowledge of the country's different etiquette is vitally important in doing business with Asian nations. An understanding of the comparative

advantages of these Confucian Asian business systems will not only help Western businesses to compete, but also contribute to the development and reform of Western management systems. In today's borderless business world, multinational corporations must be able to develop a sophisticated and truly international business system to cope with the challenge of multinational operations.

3.1 Confucian Traditions

The origins of Confucianism can be traced to China, where Confucius (551-479 BC) codified what a leader should be in his *Analects* (e.g., see Waley, 1989), which described the behaviours of “the superior man,” who was supposed to be a gentlemanly ruler/leader.

Specifically, Confucius elaborated five hierarchical relationships that described appropriate codes of conduct. The first was “Righteousness between ruler and subject,” meaning that fealty and service was to be given to the ruler/leader by the subject/follower and was to be returned by the more powerful ruler with protection and sustenance for the less powerful subject. This portrays a paternalistic rulership in which the sovereign behaves with benevolence and the subjects are respectful and obedient. The other four relationships (i.e., between father and son, husband and wife, older brother and younger brother, and among friends) were prescribed to follow the same hierarchical, power-differentiating model of sustenance and support as that between ruler and subject. In the process of describing these relationships, what Confucius composed was a code of moral social behaviour.

Confucius' ideas spread throughout China during his life. They spread even further some 200 years following his death, when any of his disciples who opposed the alternate behavioural statutes of the Qin Dynasty (221-207 BC) were exiled to regions bordering China, including Southeast Asia. The end of the Qin Dynasty marked a turning point as the Confucian codes of social behaviour were readily adopted by the Chinese emperors of the Han Dynasty (206 BC-AD 9). The codes were adopted because they prescribed a strict hierarchy of power throughout society, which served the Han Dynasty well. Thus, all the emperor's subjects were required to behave according to the Confucian codes. Given the absolute authoritative power of the Chinese dynasties, the Confucian codes became state-supported (Berling, 1982), but these cultural values and social behaviours should not be confused with Confucianism as a religion (involving rituals that were added later and are not widely known). In fact, the Confucian social codes worked so well in Chinese society that they were embraced by every subsequent emperor since the Han Dynasty, thus influencing generations of Chinese people over the last 2,000 years, and the manifestations of which can still be seen. Confucianism in many ways both moderated and gave emphasis to hierarchical power, allowing not only China but neighbouring country such as Japan which was highly organised in a sophisticated authoritative cultural framework to embrace Confucianism.

3.1 Taoist Traditions

Taoism is an ancient religion founded by Lao Tze over two thousand five hundred years ago in China (roughly around the time of Buddha and Confucius) *Tao* mean the way or path and emphasises three precepts known as the Three Jewels of Tao: compassion, moderation and humility. The relationship to nature which lessens the need for rules and order and reverence to ancestral spirits are emphasised in Taoism. With the fall of the

Ch'ing Dynasty (the last dynasty in China) state support for Taoism ended and later during the Cultural Revolution in China from 1966 to 1976, Taoist heritage and temples were systematically destroyed. Taoism in many ways has been subsumed into a Buddhist cum Confucian cum Taoist practice in East Asia. Taoism in its pure form is now mainly found among the Overseas Chinese of Hong Kong, Taiwan and Southeast Asia.

An important aspect of Taoist discipline is the belief that every element, small and big has positive or negative energy or *chi* that is radiated to everyone and everything in its proximity. This suggests that the universe is ordered and people and elements should be positioned to receive the maximum benefit through the practice of *feng shui* or restoring balance to one's life. Life is seen as being governed by two opposites or opposing forces, the *yin* and the *yan* and the balance of these two relates to ordering of the five elements; water, wood, fire, metal and earth in daily lives of individuals. These influences and the practice of *feng shui* are common throughout East Asia and businesses adhere to these traditions.

4. CHINESE MANAGEMENT PRACTICES

In recent years a number of studies (e.g., Wang, 2003; Ling, Chia and Fang, 2000; Ralston et al., 1999; Boisot and Child, 1996; Ralston et al., 1996; Redding, 1990; Yang, 1988) have looked at establishing a theoretical foundation of Chinese management theory. Given the interest in Confucian traditions and collectivist values and the size of the Chinese economy, China is of particular interest to international researchers. In this pursuit, Ralston et al. (1999) completed an exploratory study of generational shifts in work values in China. The study looked at the values of the new generation of managers compared to the older managers who had their formative years in the communist era. The findings profiled the emergent new generation of Chinese managers as being more individualistic, less collectivist and less committed to Confucian philosophy than their earlier counterparts. The study highlights a tendency towards individualism similar to western managers. Given this convergence, will China in time forego its Confucian traditions and collectivist values?

Given that the search for an appropriate Chinese management theory is at a formative stage (Ralston et al., 1999; Stewart, 1994), the focus of research is mainly from the implicit contextual theory perspective, exploring cultural values as providing the dimensions for the conceptual structure of management leadership (Church et al., 2003; Epitropaki & Martin, 2004; Offermann et al., 1994). Any study of business and management culture has to address the concepts of leader behaviour. The emphasis therefore includes an understanding of management leadership behaviour.

On a conservative measure, the cultural heritage of the Chinese extends at least 2500 years. This section explores some of the effects of this history on the importance of the management behavioural dimensions in current day China. China, predominantly seen as a mono-cultural country, has over centuries absorbed influences from the west such as Buddhism from India, Christianity from Europe and Islam from the Middle East. In addition it has spawned its own philosophies such as Confucianism and Taoism. The derived intrinsic behaviour has been overlaid by western influences during periods of engagement and by feudal codes of behaviour introduced by generations of imperialistic warlords. In the last 60 years China has tried to shed its past, or at least the negative

aspects of its past as viewed by the new communist regime which took control of China in 1949. China's experiment with socialism advocated the purge of western influence and the re-evaluation of Chinese behaviour, including spirituality, and customary behaviour such as superstitions and taboos which were seen to prevent economic and human progress. Under the Great Cultural Revolution, there was an attempt to supplant Confucian ideals with Maoist/Leninist communist doctrine, with violent purges against the educated and the denigration of western knowledge. The period of the Great Cultural Revolution, 1966 to 1976, was epitomised by chaos and general poverty (Li, 2003). The social reforms initiated by Deng Xiaoping in 1977 saw the movement back to the acceptance of Confucian values and trade with the west (Pittinsky and Zhu, 2005; Lin, 1995; James, 1989). Opening of China to trade with the west was acknowledged by Deng (1984) as also opening the doors to western influence. Many see China's test of its changing political philosophy towards modernity in the context of the Tiananmen incident in 1992, when the new generation (mainly students) were demanding speedier reforms (Ralston et al., 1995) at the time when China, unlike Russia, had embarked on a "controlled" transition from communism to the modernisation of the economy.

To develop the Chinese profile, studies, such as Ma (2006); Curtis and Lu (2004); Lu et al. (2003); Wang and Schneider (2003); Littrel (2002); Wang and Chen (2002); Wang (2003); Ralston et al. (1999); Boisot and Child (1996); Ralston et al. (1996); Bond (1991), Redding (1990); and Yang (1988), which established individualism, collectivism and Confucianism as important dimensions of societal value structures in China, are used. The individualism-collectivism continuum has been used widely to explain value differences across cultures (see for example Osborn, Hunt and Jauch, 2002; Ralston et al., 1999; Yang and Bond, 1990; Triandis et al., 1988). Individualism is defined as "a self-orientation that emphasises self-sufficiency and control with value being given to individual accomplishments" (Morris, Davis and Allen, 1994 cited in Ralston et al., 1999, p. 417). Collectivism is defined as "the subordination of personal goals to the goals of the (work) group with an emphasis on sharing and group harmony" (Morris, Davis and Allen, 1994 cited in Ralston et al., 1999, p. 417). Finally, Confucianism is an authoritarian system which generally emphasises the inherent virtues of respect for tradition and ordered social structures based on status (Curtis and Lu, 2004). The Chinese dimension of 'human-heartedness' is seen to correlate negatively with masculinity and is characterised by values of kindness, courtesy and social consciousness (Wilkinson, 1996).

Schneider and Barsoux (1997) are of the view that to fully understand the behaviour of business leaders of a national culture, one needs to consider important within-culture differences. One of these differences can be manifested in managerial values across generations (Selvarajah and Meyer, 2008a); Pittinsky and Zhu, 2005; Curtis and Lu, 2004; Egri and Ralston, 2004; Ralston et al., 1999). Selvarajah and Meyer (2008a), Inglehart and Carballo (1997) and Terpstra (1978) have purported that the most important factor that differentiates value perspectives between generations is societal objectives. In China societal objectives have had planned shifts as indicated above. The respondents in this study cover a number of generations, having been born and having lived in China and experienced some but not necessarily all of the different transformational stages there in the last 60 years. The managers who grew up during the communist era and those who grew up in the social reform era exhibit different perceptions of management leadership excellence (Selvarajah and Meyer, 2000a); Pittinsky and Zhu, 2005; Curtis and Lu, 2004; Littrell, 2002).

In the last twenty years, with the liberalisation of the Chinese economy, organisations are preparing for open competition in a deregulated environment. In this pursuit, China is looking at developing business and management systems found in liberal western education (Curtis and Lu, 2004). Ralston et al. (1993) explain in their study that though the Chinese adopt western values, they do not forsake their Confucian ideals. This is also supported in the study by Huo and Randall (1991) in which the importance of power differentials in the Confucian social codes is evident in China's scores on Hofstede's (1980) Power–Distance Index (the PDI). This sentiment is also echoed by Lu et al. (2003) who state that in Chinese organisations, authoritarian managerial culture reflecting Confucian philosophies still exists. However, given the societal changes experienced in China, the values developed during those periods will influence how management leadership is perceived. Selvarajah and Meyer (2008a) particular, found that personal qualities, closely aligned with Confucianism tenets are more important management leadership dimension in the case of older managers who were denied exposure to western values during the communist era.

It is against this historical backdrop that business and management in modern day China should be studied. The magnitude of the recent political and economic changes in China makes China a particularly interesting study. It is also expected that number of years of experience in the work force will significantly impact on attitudes to business and management. In particular, it is expected that young managers, who are new to the work force within the last five years and are therefore exposed to China's modernisation efforts, especially with China's 'value shift' as a condition of its entry into the World Trade Organisation, will consider a strong dominant leadership less important than will managers who have been in the workforce for longer and grown up during an era of bureaucratic centralisation.

4.1 State-owned Enterprises of China

State-owned enterprises (SOBs) are phenomenon or legacy of the Socialist regime and their operations are largely subsidised by the government. Almost all the top domestic corporations in China are owned by the state, from automobiles, power generation, aviation and telecommunications to oil and gas. Due to the large number, approximately 300,000 SOBs employing over half of China's workers, it is not economically or politically feasible to shut them down (Chen, 2007). These companies have little incentive to change as long as the government is willing to prop them up. In recent years have revamped and many are showing large operating profits. It is however not clear to what extent the subsidies and the artificially fixed Yuan are contributing to these profits. Chen (2007) of Forbes.com reported that the total revenues for the top 159 SOBs rose 20.1 percent (US\$1.044 trillion) in 2006.

Since China switched to a market-oriented economy in the late 1970s, the performance in the private sector has far surpassed the SOBs in economic output though they are not huge by size or numbers (Desvaux et al, 2008). In 1978, the SOBs generated about 80 percent of China's gross domestic product and by 2003, the figure had dropped to 17 percent but employing half of China's 750 million workers.

How than can one manage performance at SOBs? Desvaux (2008) states that many of their top managers still define success in terms of output and employment rather than profits or value creation. The managers, in part, are gauged by happiness of their

subordinates which limits their ability to motivate underperformers and carry out efficiency programs.

The foreign investor, engaging with the SOBs, faces challenges, especially in instilling individual accountability in workers and persuading them to make the most of their talent and experience. In contrast to an institutionalized mentality in the SOBs, the Chinese family business organization found in the private sector operates as single inter-linked and connected organization that thrives on net-working and efficiency.

4.2 The Chinese Family Business Organisations

The Chinese, whether they are in mainland China, Taiwan, Hong Kong or other places in the world have a shared cultural origin from the Confucian-Buddhist-Taoist cultural heritage. The Confucian teachings engendered an orientation toward the family unit as the centre of all life in the Chinese culture. As a result, the spirit of communalism, which requires the submission of the rights and interests of individuals to the family and those of the family to the state, is omnipresent in the Chinese culture. The closet knit group of all is the family followed by the clan.

4.2.1 Family-owned businesses

The collectivist culture has resulted in the most significant feature for the Overseas Chinese business which is the emphasis on family ties. This feature largely accounts for the close and often exclusive affiliations of local Chinese business in Asia. The vast networks of the Chinese family-owned businesses have played a key role in Taiwan, Hong Kong, Singapore and other major ASEAN countries.

Hong Kong and Singapore, for example, are known as the world's foremost international business centres surpassing even Sydney, London, New York and Tokyo in most of the commercial essentials. Invariably family-owned and family-run companies carry the great majority of economic activities in both these city states (Chen, 2001). Even public companies, such as, Li Ka Shing's (Hong Kong's billionaire) Cheung Kong Holdings in Hong Kong, Y. C. Wang's (the Taiwanese plastics king) Taiwan Formosa Plastics Group in Taiwan, and Robin Loh's (Singaporean business tycoon) Robina International in Singapore are family-owned businesses. It is popular for sons and daughters, or cousins to work in family businesses in today's Chinese businesses.

4.2.2 The size of Chinese business firm

There is an old proverb in Hong Kong: "Register a business in the morning. Open in the afternoon. Have a profit by nightfall" (James 1993:66). The great majority of Hong Kong's businesses are carried out with less than 25 employees that are controlled by families and are family-run. In Taiwan, despite the significant influence of large corporations, the strength of the economy lies principally in small firms. For example, in manufacturing, fully 85 percent of Taiwan's factories employ fewer than 50 workers (James 1993). Singapore has progressed from a low cost entrepot state in the 1960s to a developed nation concentrating on the service industry. The key reason is that the Chinese start their businesses from real estate, shipping, and import-export trading. Such industries generally require limited employees and can be managed by family members.

4.2.3 Chinese business structure is simple

As the size of the Chinese business organisation usually is small and it is controlled by family members, it only requires a limited span of control. Even the large Chinese family enterprises tend to maintain a management structure with only two layers. For example in Y.C. Wang's Formosa Plastics Group, which still controls chemicals and plastics in Taiwan, there are over 30,000 employees, but the operations are conducted by him only through an inner circle of less than 10 professional managers (Brown 1997).

The personal relationships in the Chinese business are vital for success. Experienced investors in Asia have long known that the best way to engage in business in Asia is to work with the Chinese networks. Its members dominate trade and investment in every East Asia country except Korea and Japan. The Overseas Chinese possess not only the biggest reservoir of capital, but also critical political connections and the best practical information for surviving in difficult markets such as Indonesia and Thailand. Sometimes, important information can only be known by a few key persons in a Chinese business firm.

4.2.4 The Chinese Business Etiquette

The Confucius tenets spelled out the Chinese etiquette by proclaiming "Let king be king, minister be minister, father be father, and son be son!" (Chen and Pan 1993: 4). The relationships between people in all classes were based on forms of behaviour that covered virtually every aspects of conduct. Learning and following proper etiquette is a major facet of life (Chen and Pan 1993). The consistent homogeneity of the Chinese culture over 4,000 years has resulted in a distinct set of firmly entrenched norms of socially acceptable behaviour. It is important for a businessperson to have some understanding of Chinese business etiquette when conducting business with the Chinese.

4.3 Traditional values for Chinese etiquette

There are four key cultural tenets attributed to Confucianism and manifested by the Chinese in a wide variety of business-related, social or familial contexts.

4.3.1 Respect for hierarchy and age

The first tenet is respect for hierarchy and age. The Chinese in all ages have been socialised to respect authority (James 1993). Children learn to obey the wishes of their parents without question. A hierarchical system is omnipresent in the Chinese cultures. Such as, rank is always noted by the Chinese and is an important business consideration. The Chinese emphasise the recognition of elders and authority figures in a family or group. This is also the reason why a businessman should pay more attention to higher-ranking Chinese in an organisation.

4.3.2 Family orientation

The second major tenet is family orientation. For the Chinese, the family is the focal point of an individuals' life (Chen, 2001). Based on the first tenet, in the hierarchy of life, the family unit is the most important. They prefer to deal directly only with someone they know, has a long-standing relationship with the family or are family-connected, and has reason to be trusted. It takes years before they establish strong

business relationships. This emphasis on family-orientation also accounts for the importance of long-term personal relationships.

4.3.3 Preservation of face

The third tenet is known as the preservation of face. It is based on the idea that harmony lies in the maintenance of an individual's face or one's dignity, self-respect and prestige (Cane 1993). The Chinese have a number of ways of saying no indirectly and politely in order to avoid the embarrassment of losing face. Sometimes, the polite answers with "inconvenient", "being discussed" or "under consideration" always mean "no". When a businessperson confronts a Chinese during business, a way out should be allowed. Direct confrontation will result in non co-operation.

4.3.4 Special relationship, the Chinese *guanxi*

In a business sense, being well-connected through relationship-based business culture binds individuals as opposed to the transaction-based business culture that binds individuals of the West (Chen, 2001). The last tenet is called *guanxi*. It means a special connection or relationship between two persons (not groups) that is identified by reciprocity and mutual obligation. *Guanxi* is important when doing business with the Chinese as interpersonal relations are paramount.

4.4 Important etiquette in Chinese Business

As mentioned earlier, Confucian ethics remain the bedrock of Chinese thinking and behaviour, especially in countries where Chinese are dominant. In Confucianist terms, the ideal man is described as a "gentleman", meaning one who is upright and moral in all things and observes the proper rituals of etiquette in his behaviour. Thus Chinese values and specifically Confucianism play an integral part in their business etiquette.

Business card - business cards are always exchanged on the first meeting. It is very important in introduction and in initial meetings. Cards need to be printed in Chinese on one side for most of Chinese business dealings in Taiwan, Hong Kong and Singapore (of course, English printing can only be acceptable in Hong Kong and Singapore because English is one of their official languages). On receiving a business card, one must not fold, tear, spindle or nonchalantly toss it into a bowl or pocket, but should use both hands to hold the card.

Chinese name and title - another point needs to be noted is names and titles at the meetings or negotiations. Family name comes first, for example, Chen Ming-Jer, whose family name is Chen. Generally speaking, the Chinese are to be called by their family name, such as Mr. Chen. Titles are important in doing business dealing with the Chinese. The Chinese pay much attention to the titles and positions the partners hold in their organisations before any business dealing (Lee 1995).

Gifts presenting and receiving are common and sometimes important in dealing business with the Chinese in Hong Kong and Taiwan but may not be important in Singapore. For gifts, the general rule is packaging and wrapping should be neat and simple. Colours, such as, yellow (the colour of emperors), purple (the colour of barbarians) and black (associated with death) should be avoided. Do not wrap gifts in white, which also signifies funerals and bad luck (James 1993). Red and gold are good

luck colours in the Chinese cultures.

A special attention should be noted that one never gives clocks as gifts (the word in Chinese sounds like a word relating to funerals which are the symbols of bad luck). When presenting or receiving gifts, two hands must be used to hold the gifts and receiver's appreciation should be made, never in an offhand manner.

Entertainment - Establishing a long-term relationship and doing business with the Chinese requires a number of meetings and a lot of socializing. Regular meetings in bars, clubs and restaurants are an important part of the Chinese business culture because a number of business discussions are often held during the entertainment activities. Dining with the Chinese friends or colleagues afford an excellent opportunity to expand the cultural understanding and to strengthen their business and personal relationships.

Seating etiquette - In the case of formal dinners or negotiations, the host and chief guest sit on opposite sides of the table, facing each other. The chief guest is always seated at the "head" position of the room which is a place of honour, facing the door; the host with his or her back to the door (De Mente 1995). So, if you are not familiar with the Chinese etiquette in seating should not rush to sit down, and should wait for the host to indicate where you should seat.

Eating and drinking etiquette - Drinking alcoholic beverages has long been associated with establishing new personal, political and business relationships, and in celebrating business or political events. Most of the time during a formal banquet, the host may get up first and serve the chief guest the first drink, who then reciprocates. Thereafter, others take turns offering drinks to both the host and guests. Meanwhile, a meal should not be rushed; the careful attention should be given to ceremony and etiquette. It will be greatly appreciated for gesturing of interest and respect in observing the Chinese customs and trying local foods (James 1993).

5. JAPANESE MANAGEMENT PRACTICES

Majority of the population of Japan follow two religions; Shinto and Buddhism. Buddhism first arrived in Japan from Korea and China around the 6th through to the 8th centuries AD while Shinto based on *kami* or deities (often translated as gods) was in Japan as early as 500 BC. The newer religion was easily absorbed into the Japanese belief system as Buddhism recognised the deities of Shintoism as manifestations of various Buddhas or *Bodhisattvas* (enlightened people or saints) while the Shinto religion recognised Buddha as another *kami*. Shintoism is also heavily influenced by Confucianism which was introduced into Japan via Korea in third century AD. The modern Japanese society is most heavily influenced by Shinto philosophy, Buddhism, Confucianism and also *Bushi* (aristocratic warrior class) traditions. Bushido or 'the ways of the warrior' is a system of codes with emphasis on courage, justice, benevolence, politeness, truthfulness, honour, loyalty and self control that governed the *bushi*'s or Japan's warrior class.

Although Japanese culture developed by absorbing Chinese culture, in many respects it became very different from it. In the Japanese culture the ethical categories that provided the core of Chinese culture were reformed (Laszlo, 1993). For example, for the Chinese the supreme category in the ethical system of Confucianism was 'benevolence',

which means both 'good' and 'justice'. If an Emperor was not benevolent to his people, the people could be disobedient towards him. In the Japanese ethical system, however, benevolence did not have such significance; another Confucian category, 'loyalty', was considered to be more essential. This reduces the possibility that 'benevolence' would degenerate into hypocrisy, but increased the danger of blind loyalty in society. The other significant category in the Confucian ethical system was 'propriety', which was replaced by 'sense of shame' in Japan. Thus, while Chinese culture emphasized the external control of people, Japanese culture paid attention to inner restrictions. The Japanese were not as resistant to foreign ideas as were the Chinese. Japanese ideas were pluralistic. They laid equal stress on family and group, but did not have a strong sense of clan. They paid close attention to the value of spirit and self-respect, but did not deny the human body and the pleasures of the senses. They laid equal stress on righteousness and on worldly pursuits, on social restraint and on human nature.

The Japanese economy may be tracked back to the period of Meiji restoration in 1868. At that time, Meiji government aimed to develop the economy with some means, such as using national limited resources and encouraging private sector to develop in specific areas. It established foundation for the Japanese modern economy including a nation wide monetary system, modern banking institutions, western types of taxes, and a national budget (Reischauer 1988). By the 1930s, Japan had become one of the major industrial nations of the world, and had economic characteristics, which were different from other industrial nations. One of the prominent characteristics is the speed of its industrialisation. The second is the close-knit bond between most employers and employees. And the third is the close cooperation between government and business. These characteristics still remain to today to some degree though changes to the social structure; especially to life tenure in jobs is increasingly being questioned. These characteristics result in a special Japanese business system, which is different from other nations.

After World War 2, the Japanese economy recovered at rather slow speed until the United States carried out stringent retrenchment policies in 1949. The United States began to purchase goods heavily in Japan used for the Korean War in 1950. After recovery going slowly in the 1960s, Japan started its development at full speed with its high education levels, the good working habits, a large reservoir of experienced technicians, industrialists, businessmen, and a superb government bureaucracy intent on rebuilding the economy.

From the 1970s to the late 1980s, Japan produced about 12 percent of global economic output. Moving into the 1990s, the Japanese economy faced difficult time. The real GDP growth fell from over 6 percent in calendar year of 1988 to only 0.1 percent in 1993. Today the Japanese economy has continued to recover very slowly. Nevertheless, Japan still plays an important role in the world's economy.

“The brilliant success of the Japanese economy since 1950 must be attributed primarily to the nature of Japanese society, Japan's pre-war economic experience, and certain distinctive characteristics of Japanese business organisation”

(Reischauer 1988: 312).

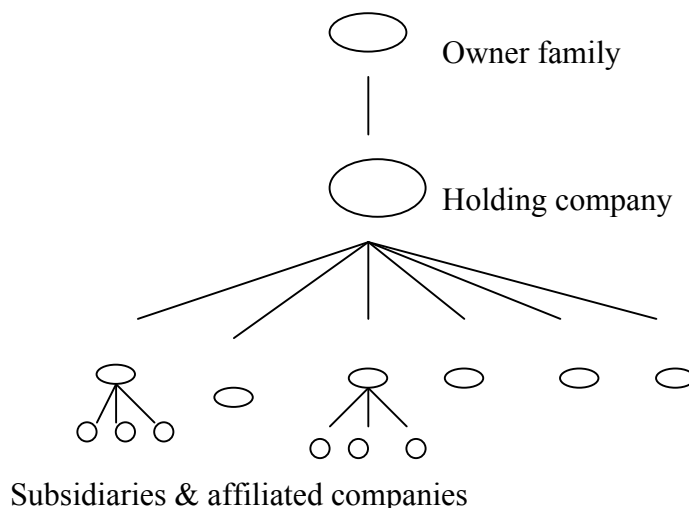
Doing Business with the Japanese is often strongly influenced by *keiretsu*, because *keiretsu* provide a context or framework for the Japanese organisational communication.

The large business groups, *keiretsu*, are the dominant forces in the Japanese economy, embodying typical features of the Japanese business systems and organisations. They grew out of earlier family-dominated *zaibatsu* and are now dominated by professionals. Very large and sophisticated, these groups maintain their uniqueness in global competition. Closely interlocked, self-financed, and extensively networked, they have proved to be fiercely competitive and adopt long-term market-share strategies (Chen 2004).

4.1. Zaibatsu

In pre-war times, it was the *zaibatsu* system which most caught the attention of the people internationally. It played an important role in the rapid modernisation of Japan from the late 19th century to the Second World War. For example, Mitsui, Mitsubishi, Sumitomo and Yawsuda were the largest groups in the pre-war period, and they accounted for about 25 percent of all Japanese business (Chen 2004). It is a corporate group which is made up of a bank, an insurance company, an industrial plant, an import-export firm, a shipping company and their numerous related operations. These companies are controlled and dominated by a family-owned holding company, which in turn owned a large portion of the stocks of the subsidiaries and affiliated companies. Figure 1 illustrates the characteristics of *zaibatsu* pyramidal structure. Within a *zaibatsu*, duties and obligation are very rigorous with little opportunity for entry of others. The management has high degree of centralisation.

Figure 1 Zaibatsu Pyramidal Structure



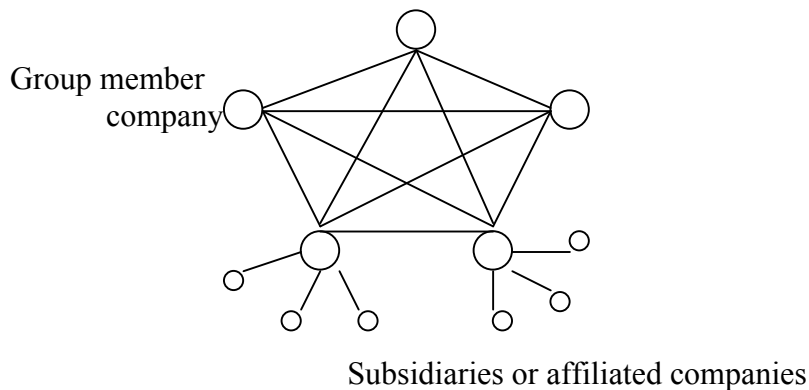
Source: Hattori 1989:85 Cited in Chen, 2004: 141.

4.2. Keiretsu

Keiretsu is the variation and development of *zaibatsu* in post-war times. For example, three of the largest *keiretsu*, Mitsubishi, Mitsui and Sumitomo, still continue to use their

pre-war names. It is a corporate alliance across industrial sectors and markets, often tied through customer-supplier business relationships. This kind of group companies is controlled and dominated by an interlocking ownership pattern with the member companies. Figure 2 illustrates the characteristics of *keiretsu* star structure (Chen 2004). Within this system, there are fierce competitions between *keiretsu*. For example, Mitsubishi, Mitsui, Sumitomo, Fuyo, Sanwa, and Dai-ichi Kangyo are powerful groups in post-war period (Goldman 1994).

Figure 2 Keiretsu Star Structure



Source: Hattori 1989: 85 Cited in Chen, 2004: 142.

Keiretsu has three basic types. One is a circle of large companies which revolve around a bank. Thus it is called a bank or capital. The second is a coterie of smaller suppliers and subcontractors organised by a large manufacturer. It is known as an enterprise group. The third type consists of captive outlets of major predictors, which are distribution group (Woronoff 1991).

Keiretsu is different from *zaibatsu* in the following ways (Chen 2004):

- (1) The pattern of ownership changed from a pyramidal system, in which the owning families controlled the stocks of the holding company which in turn owned the stocks of affiliated companies, to an interlocking ownership pattern with the member companies cross-owning the stocks of others within the group.
- (2) The governing body is the Presidential Club, which consists of the presidents of member companies with mutual ownership of stocks. The club makes decisions that affect the entire group, but does not, as a rule, interfere with the operations of a troubled member company.
- (3) Each group is organised around a general trading company and a major bank that help finance the member companies, which consist of their own subsidiary and affiliated companies.

4.2.1. The Characteristics of Keiretsu System

Large business groups - keiretsu dominate the Japanese economy

By the mid-1980s, total sales of the six largest *keiretsu* accounted for 14.35 percent of Japanese GDP, with their total assets accounting to 12.96 percent and the number of

employees to 4.14 percent. Large *keiretsu* account for one-third of total economy in Japan (Chen 2004).

Links are prevalent and important

Within a *keiretsu* group, though the single company is a legally independent company it is linked with many others in different ways, which invigorate or restrict its action, and utilises materials and services from these members. It does not have the autonomy and independence, and it must first give consideration to mutual interests among group members (Woronoff 1991).

Benefits from group members

Because of the mutual stock holding among the group member companies, the stability of group companies is increased. If a *keiretsu* company faces difficulty, the group companies will provide the necessary help. For example, Mazda faced bankruptcy in the wake of the first oil crisis, because of its highly energy-inefficient rotary engine cars. The Sumitomo Bank, Mazda's group bank, puts one of its executives in charge of Mazda, provided generous financing, and encouraged the group companies to support Mazda in various ways, such as encouraging employees to buy Mazda cars. *Keiretsu* group companies therefore have lower risk than independent companies, because the whole *keiretsu* group shares individual risks (Tezuka 1997).

Equal partner relationship between government and keiretsu

The three major players in Japan - bureaucracy, business, and the ruling political party have developed extensive channels of communication in their triangular relationship. The Japanese government and business *keiretsu* have close cooperation. The relationship is no mere puppet of government, but more of an equal partner exerting a reciprocal influence. This relationship has been overstated by the Americans, who think the Japanese business and government are secretly united into a single entity. Actually the government control is limited and business activities of *keiretsu* are entirely free (Reischauer 1988).

Lifetime employment

Lifetime employment means that employees have few opportunities to change employers. Within *keiretsu* system, lifetime employment is a key feature. Many Japanese expect to work in the same company for life, especially in large companies. The major reason is a seniority-based promotion and salaries, which means that people wait years for promotion. Another reason is that if a Japanese leave in mid-career or if employment is terminated by a large company, he or she finds it difficult to be hired by another company (Tezuka 1997). It is, however, true to say that the concept of life time employment prevailed during years of economic growth and in recent years, especially since the 1990's with the Japanese economy slowing down, this concept has been questioned. It is increasingly being evident, especially in the small to medium sized companies move away from life-time employment as a standard practice. Large companies, such as Toyota are still committed to life-time employment as a general condition of employment.

4.3. Dealing with Japanese Business

Japanese are tough competitors among *keiretsu* groups, but seek mutual benefits within each *keiretsu*. As a non-member of the group, creating good personal relationship is a requirement to enter into the group (Rearwin 1991). When making personal relationship, one should be aware that the Japanese tend to take an emotional rather than an intellectual stance. They support friendships established during their business careers and place high value on them. Therefore long-term relationship is very important. Entertainment is also a way for improving relations.

Business culture

Throughout Japan's long history, it has developed its own cultural virtues or core axioms²:

Wa – balance or harmony. According to the principle of *wa*, harmony or balance come from loyalty, obedience, and cooperation with other people, including family, peers, and work associates.

Amae - interdependence. *Amae* describes indulgent, dependent love that exists between parents and children. The total trust between people who belong to the same ethnic group.

Tate shakai - vertical society. In Japan, everything is ranked and all-important relationships are vertical rather than horizontal.

Honne and tatemae – *Honne* is literally what you are really thinking which is the ‘truth’ while *tatemae* is how you behave which is often superficial. These two virtues are an integral part of the Japanese social behaviour. All social behaviours are meant to produce *wa* or harmony and therefore opinions that produces uncertainties or unpleasantness are rarely expressed openly. The following is an example of *honne* and *tatemae*. When someone asks you “Are you well?” You say “I am well.” (*tatemae*) and again if you are asked “Are you ill?” “Yes I am” (*honne*). In the first instance for the sake of harmony (being pleasant) a façade is presented and when directly questioned honesty prevails. It is also important to put on the mask of enjoyment, even if you are not, for the sake of group harmony.

Uchi and Soto – *Uchi* simply means in-group behaviour and *soto* means out-group behaviour. The *Uchi/soto* concept distinguishes behaviour of an individual when present within ones own group from interacting with another group. Honour and humbleness are used to denote which group the member belongs to. When a person engages with an out-group, the out-group should be honoured while humbling the in-group.

Giri* and *On - Japanese business management is known for its efficiency. Yet what underlie this efficiency are *giri* and *on*, deep-rooted concepts of Japanese ethics. *Giri* implies the give and take principal in social interaction. It is a concept which drives a person to fulfil one of life’s duties as Japanese. A Japanese feels morally obligated to return a favour to those who have helped in some way. *On* on the other hand, refers to the social and psychological indebtedness incurred upon receiving a favour from those in superior positions. In Japanese society, which is still basically vertically structured,

² The definitions have been adapted from Catlin and White (1994) four core axioms but based on comments from reviewers, *Honne/Tatmae* and *Uchi/* have been added. I am grateful to Tokuya Mizuno who has provided clear interpretations to these additions.

those in higher ranks are expected to do paternal type of favour for subordinates both publicly and privately. In return, subordinates are expected to demonstrate respect and loyalty.

These core cultural axioms have direct and indirect implications for the way Japanese conduct business.

4.4 Japanese Business Etiquette

The culture supports a formal hierarchical society which establishes certain norms of behaviour. The following etiquette are of importance when doing business in Japan.

Bowing. In Japan, business person greets each other with a bow, the lower the bow, the more respectful the greeting. But sometimes in business circle light hand shakes are common.

Collectivism. Being a collectivist culture, decision-making tends to be more consultative, and discussions are long and frequent. Meetings are long with frequent recess times than that in other countries. Recesses are meant for conferring on issues not understood during the meeting. Decision making is therefore a long and involved process. It is also not normal for a single person to take the lead or stand out from the group. For example, long silence clearly signals that the individual who speaks has considered the group importance and humbly seeks permission to speak.

Gift giving. Gift-giving is very important in Japan. The gift should be thoughtful and not lavish. There are several points to be noted, for example colour, selection and wrapping of gifts. For example, white is avoided because of its association with death.

Name card. Business cards are very important and always exchanged at first meeting in Japan. Business cards should be printed in both Japanese and English script and the title reflects one's responsibilities. In Japanese culture, everything is ranked and therefore knowing what level the person occupies in their organisation, is important.

Dressing. Japanese business people tend to dress in formal, dark, expensive suits. Foreigners should therefore dress appropriately when conducting business with the Japanese.

5. KOREAN MANAGEMENT PRACTICES

Korea has had a turbulent history and a victim of global political ideology. With the defeat of Japan in the Second World War and its surrender on 15 August 1945, Korea became a nation in dispute after 40 years of Japanese rule. The US had sought the assistance of the Soviet Union in ending the Pacific War and with the exit of the Japanese from the Korean peninsula; the nation had both the US and the Soviet Union claiming control. This Korean dispute was settled after 10 days of the Japanese defeat along the 38 parallel separating North Korea under the occupying forces of the Soviet Union and South Korea with American military presence. This hastily drafted division of Korea by two young American colonels, along the 38th parallel still remains to this day. North Korea remains communist while South Korea is entrenched in democracy. In this chapter, discussions will cover mainly South Korea as North Korea has sought a close-door policy with very little interaction with the rest of the world.

South Korea is one of the newly developing economic powers in Asia, after Japan, Hong Kong, and Singapore. During the past four decades, South Korea's per capita GNP has risen sharply from less than US\$100 in 1963 and approaching US\$20000 in 2008 (Bureau of East Asia and Pacific affairs, 2008). A series of five-year economic

plans brought about a significant shift in the industrial origin. The economic driving force of South Korea is the government's decision to eliminate poverty. Therefore the government plays a leading role in economic development through a unique relationship with *chaebols*, the larger private enterprises which were mainly created and developed during the first period of the industrialisation. *Chaebols* provided the necessary organisational bases and entrepreneurial skills, the government provided them capital and made them fulfil the five-year plans. In recent years, Korea's economy moved from the centrally planned, government-directed investment model to a market-oriented economy.

In the Asian Economic crisis of 1997-98, the IMF assisted South Korea and the country bounced back. In recent years, South Korea's economic growth potential has fallen from double digit growth to low single digits. This fall, economists believe is due to a rapidly aging population and structural problems that are becoming increasingly apparent (Bureau of East Asia and Pacific affairs, 2008). Structural concerns include (1) the rigidity of South Korea's labour regulations, (2) the need for more constructive relations between management and workers, (3) the country's underdeveloped financial markets, and (4) a general lack of regulatory transparency. Issues affecting the operation of the Korean conglomerates, the *chaebols* in a market-oriented economy needs solution in the face of globalisation challenges. Furthermore, creating a more liberalized economy with a mechanism for bankrupt firms to exit the market are also important unfinished reform tasks. With the growth of China and India, the Koreans are increasingly worried about diversion of corporate investment to these countries and other lower wage countries, such as Vietnam.

The influence of Confucianism

In many aspects, the Korean culture also originated from China, though it has been further developed and localised. Confucianism, Buddhism, Christianity, and Shamanism are the main religions in Korea. The Korean culture is overlaid by Confucian principles of loyalty - people to their government, family members to their family, and employees to their boss (Choi and Weight 1994). Confucianism, both as a religion and a philosophy of social order, plays a fundamental role in the development of the Korean Values.

Confucian ethics in business include hard work, respect for personal success, self-respect (protecting "face"), being harmony and trust (at least on the surface) (Engholm 1991), emphasis on education, enhancing family prestige and pride, and maintaining a stable and orderly society (Chang and Chang 1994).

5.1 Chaebols

Similar to the *keiretsu* in Japan, *chaebols* play a dominant role in Korean business management systems. *Chaebol* means "the conglomerates". *Chaebol* may also be defined as a large diversified business group, which is owned and managed by the founder of the business and related family members.

The history of *chaebol* is relatively short. In the early 1960s, the government undertook several policies to develop and grow the *chaebol* by providing capital for acquisition of properties at favourable prices; preferential allocation of import licences; foreign exchange at an overvalued exchanged rate; allocation of foreign aid funds and materials; and preferential access to bank loans (Chang, 2003). On the other hand, the

conglomerates' development was controlled to a great degree by government priorities: the authorities' tight controls over credit enabled them to direct corporate activities and encourage conglomerates to expand into specific areas. On the whole, the blend of supportive government policies, the entrepreneurial skills of the founders and the dedication of the workers have proved a winning combination on which *chaebols* were created and nurtured. Thus in 2000, 16 percent of South Korea's GNP was from the top thirty chaebols compared to 12 percent in 1985 (Chang, 2003).

Chaebols have led Korea's revival from a war-devastated, agriculture-dominated economy into one of the most dynamic economies of the four tigers. Like *keiretsu*, they are extremely large and sophisticated. They have maintained close relationships with the Korean government and have heavily depended on government finance. Also, like the Japanese, *chaebols* have expanded very rapidly in the world market and produce major international brands. Despite their pronounced success, these groups are still dominated by founding family members and are seen to be even more closely-knit and competitive in spirit than their Japanese counterparts (Chen 2004). Some of the characteristics of *Chaebols* are discussed in the following.

5.1.1 Size

Chaebols typically have twenty or thirty subsidiaries involved in wide range of business activities, including automobiles, constructions, electronics, finance, petrochemicals and shipbuilding (Chang, 2003). Within a group, subsidiaries will support each other, acting as subcontractors, suppliers and in the case of the trading arms and export channels. There has been a strong tendency for the *chaebol* to invest in all industrial sectors, which are perceived to be profitable, or in which they feel that they, as a major business concern, ought to have presence. This has led to duplicated and excessive investment, intense competition in the areas such as petrochemicals, and ultimately to overproduction and lowering in profitability for all producers. This tendency eventually prompted the government to force the conglomerates to focus their attention and resources on a small number of core activities.

5.1.2 Ownership

Chaebols were typically founded as family firms by men who dedicated their lives to the expansion of their business. "Management by family" is still a strong tradition. The conglomerates are, as a rule, owned and controlled by one family, with management of the group or individual companies being handed down to sons or sons-in-law (Cherry 1993). For example, the founder of Hyundai Group is Chung Ju Yung and has seven sons who are called "seven princes". Among them, five sons manage ten of the Hyundai corporations as top executives or are in top executive-track positions. Although all four brothers are chairpersons of independent enterprise groups after working with their eldest brother for many years, they mutually depend on one another for business transactions (Chang and Chang 1994).

5.1.3 Employees

Management trainees are recruited mostly from the graduates of prestigious high schools and universities. Daewoo Group is a good example. There are nine inner circle of the top executives who are vice chairpersons and presidents of the Daewoo Corporations. Eight of them, including the founder of the group, are the alumni of Kyunggi High School (Chang and Chang 1994) and many of the executives are from the same region as the founder. When *chaebol* groups recruit college graduates, they do

not emphasise the regional relationship as strongly as they emphasise capacity and talent. However, as they climb the corporate ladder, it is quite noticeable that there is a preference for people from the same region (Chang and Chang 1994). School alumni relationship and regional relationship are uniquely crucial in the Korean management system, though they are also important in the management systems of China and Japan.

5.1.4 Leadership Style

Leadership style of the *chaebol* in general is authoritarian and paternalistic. The chief executive has typically been the founder or a close relative. This father-like figure exercises virtually unchallenged power over all of the group's activities and assumes personal responsibility for the performance of the company and well-being of its workforce. The role of the chairman is paramount and his decisions tend to be absolute, only sometimes decisions are made by consensus with some qualifications. Although the management structure of the South Korean conglomerates are slowly changing as new generation are moving in as the older executives retire. However, many *chaebols* have still not begun the transition to professional management (as opposed to family management) which has taken place in Japanese conglomerates. Korea's government is keen to encourage this transition.

5.1.5 Employees' Loyalty

Korean business management is a model of the Confucian family unit. Managers are father figures while employees are children. The "parents" lose status if the employees do poorly (Leppert 1991). Employees' loyalty to person or manager is of greater significance than loyalty to company itself. In order to achieve organisational goals, superiors of the *chaebol* promote individual aspirations. Since an employee is hired and guaranteed lifetime employment until he retires, and his promotion is directly linked to family prestige and pride, loyalty to his manager is his most important virtue (Chang and Chang 1994).

5.2 Business Strategy

The *chaebol's* have been successful and have a good working relationship with the government, small firms which support their operations and have worked closely to access foreign direct investment.

5.2.1 Following the Government

Traditionally, the government sets up industrial policies mainly through five-year-economic plans, and business enterprises conduct their business by fulfilling these government plans. Business leaders sometimes take initiatives in proposing new ventures to be included in the forthcoming economic plan. So, a close relationship with the government is very important as the *chaebol's* business strategy (Cherry 1993). The strategy is so effective that the government and *chaebol* have formed a quasi-intimal Organisation and together achieved the goal of rapid export expansion with economic growth (Lee 1995).

5.2.2 Working with SMEs

In recent years, *chaebols* face a number of challenges. In the late 1980s and the early 1990s, the mood of both the government and the public began to turn against *chaebols*. They have been accused of engaging in reckless business diversification, triggering off real estate speculation, and competing against each other in the domestic market, rather

than against foreign companies in international markets. So step by step, the government is now reducing their influence in the interests of the conglomerates and restricts bank loans to them. The government encourages *chaebols* to develop a small number of world-class enterprises, rather than attempting to establish a presence in all industrial sectors. *Chaebol* is now switching its focus and support towards increasing its financial and administrative support for small and medium size enterprises (SMES) (Cherry 1993). Nevertheless, SMEs' survival ability is not as strong as *chaebol*, the government hopes *chaebols* and SMEs will learn to work together and rely on each other.

5.2.3 Foreign Direct Investment

Historically, the South Korea's *chaebols* took advantage of low labour costs to export a wide range of goods to industrialised countries. In recent years, however, the costs of both land and labour in South Korea have risen sharply. *Chaebols* have acquired foreign owned entities that have the quality, design, engineering know-how, or market presence *that chaebols* lack. Furthermore, some foreign governments have expressed concerns about Korean dumping products into their economies. Spurred on by such forces and attempting to maintain their competitive position, *chaebols* have accelerated foreign direct investment in recent years to the countries where direct labour costs are lower and employee productivity is higher than in South Korea (Chang, 2003).

5.3 Korean Business Etiquette

The Korean etiquette consists of *kibun*, an elaborate series of formal gestures designed to create pleasant feelings - a good mood and harmonious relationships (Choi and Wright 1994). When dealing with Korean, one needs to be sensitive to their *kibun* and obey the following rules:

- **A formal introduction.** It is courteous to arrange meetings well in advance and inform the participants of agenda, including positioning papers.
- **Business card.** Exchange business card with the right or both hands and with a slight bow, at the beginning of the meeting after a handshake.
- **Relationships first, business later.** Koreans look for long-term relationships in business and getting to know partners are important social processes.
- **Personal touch.** It is polite to inquire about the family and to take personal interest of staff in Korean organisations. Praises and expressing interest in the Korean way of life is appreciated.
- **Loss of face.** Loss of face should be avoided and allow an 'escape' route when loss of face threatens status.
- **Patience and tolerance.** Koreans are stubborn and extremely patient. Show tolerance and avoid impulsiveness to acquire a business quickly.

When working with Koreans, it is important to remember a Korean proverb: "One moment of patience may ward off disaster. One moment of impatience may ruin a whole life." (Choi and Wright 1994).

6. SUMMARY OF EAST ASIAN MANAGEMENT SYSTEMS

The three Asian business systems, though developed in different geographical regions of Asia, have all been subject to Confucian influences. Therefore, Confucian values have served as a key linkage among them. Since they are the products of their own unique historical and developmental environments, each system has its own prominent features.

Most of the similarities are concentrated in the key to economic growth - export oriented industrialisation, and the area of cultural traditions in the form of Confucianism, which includes the harmony of interpersonal relationships, the hierarchical structure of the society and Organisation, the importance of family, the prevalence of authoritarianism, paternalism and personalise, the system of mutual obligation, and the universality of the *guanxi* network. In short, human resources management is heavily influenced by Confucianism. Business etiquette is also an important aspect in doing business with these Asian countries, though they have considerable different rules.

Their differences can be discussed along the lines of organisational structure, management process and business strategies. To begin with, the nature of ownership varies a great deal among the three systems. For the Chinese family business, family not only owns the company, but also tightly controls almost every key aspect of management, giving very limited room for professional managers. For the Japanese *keiretsu*, family ownership and business management has long been dissociated. The ownership of large Japanese companies has become fairly public. The Korean *chaebols* are in the process of giving professional managers more decision-making power, though most families still hold the key posts in the companies and the ownership of Korean business groups remains largely private.

They also differ from each other a great deal in terms of organisational size, ranging from very small Chinese family businesses to very large Japanese *keiretsu*, with Korean *chaebols* lying in between. The organisational structure for all of them is relatively informal, with the Chinese family businesses having the highest informal organisational structure.

For management control, all three Asian organisations have a strong vertical information sharing and control system. In contrast, Japanese management probably constitutes the only exception to relatively poor horizontal communication. While all of them emphasise the importance of institutional loyalty, the degree to which the companies and their employees feel a common bond varies a great deal. The Chinese family businesses have probably the lowest degree of institutional loyalty, because of the differentiated treatment based on the relationship to the owner-family. Korean and Chinese employees, however, have strong loyalty to specific leaders within their organisation, while Japanese loyalty goes more to the organisations themselves.

Market relations and business strategies of the three Asian businesses also vary a great deal. While all three emphasise the importance of networks in market competition, they use different strategies to control market share. The Japanese have managed to secure their relationships through sophisticated corporate cross-holdings and trade alliances. The Koreans have relied on the allocation of the government in specific government-indicated sectors. The Overseas Chinese have developed various convenient alliances with governments and indigenous businessmen for survival and development. In

addition, the Chinese family businesses in Taiwan and Hong Kong have formed various informal alliances to catch millions of opportunities and to expand their influence at the same time. Asian nations continue to develop at an average rate higher than that in other parts of the world, increasing business opportunities will attract more companies from the West to join the market. The Western Pacific Rim is becoming not only a focus of heated business competition, but also an international school of business where companies can learn a great deal from each other via business competition and dealings.

What then should one learn from Asian business management systems? Although there is no one standard answer to this question, one point can be ascertained that Asian management focuses on people (Totoki 1990). The most important contribution to organisational efficiency and the business success of Asian companies is probably their long-term investment in people, the development of relationships, and their humanistic approach toward management. Only when an organisation is committed to its own employees can they be willingly committed to the organisation. When the organisation and its employees are strongly identified with and committed to each other, business success is no longer an abstract concept.

7. SOUTHEAST ASIAN MANAGEMENT PRACTICES

As explained by Selvarajah and Meyer (2006a, 2008b, 2008c, 2008d, 2008e) and Swierczek (1991), the nations in Southeast Asia have benefited from being at the confluence of two great nations – India in the west and China in the east. To understand the business and management of the countries in Southeast Asia requires an understanding of the cultural groups present in these countries. Therefore understanding the sub-cultures of the countries would provide a better understanding than purely seeking the operation of a single national culture. A simple approach would be to cluster the countries along religious affiliation. For example, Myanmar, Thailand, Cambodia and Laos are Theravada Buddhist, Malaysia, Indonesia and Brunei are Islamic, Vietnam and Singapore are Confucianist, Philippines is Catholic and Hinduism plays a significant role in the culture makeup of the region due to the regions connections with ancient India. Significant Hindu minority are present in the region, especially Singapore and Malaysia.

7.1 Theravada Buddhism

Theravada Buddhism promotes “teaching of analysis” which uses critical methods of investigation rather than blind faith (Men, 2006: 51). This school teaches the aspirant to achieve the goal of a “worthy one” by seeking answers through engaging in valid thought and experience. Understanding this principle is important when seeking a reason for the tolerant social behaviour within these societies. Buddha’s teaching is in essence about overcoming *dukkha* or suffering. Each individual is expected to have their own life’s experiences, guided by their *karma* or actions, and ultimately the individual has to seek cessation from suffering guided by the Noble Eightfold Path. The Noble Eightfold Path in essence directs individuals to seek the right wisdom *paññā*³ in regard to view and intention; the right ethical conduct *sīla*⁴ in regard to speech, action and livelihood; and right mental discipline *samādhi*⁵ in regard to effort, mindfulness and

³ Prajñā in Sanskrit and *paññā* in Pali. Pali is a derivative of Sanskrit and is the Buddhist script used in Cambodia and was brought to Cambodia from Sri Lanka in the 13th Century

⁴ *sīla* in both Sanskrit and in Pali.

⁵ *samādhi* in Sanskrit and in Pali

concentration. This religious philosophy strongly supports and respects individuals who are seeking the right path through having clear perspectives and intentions in the work performed; communicating these clearly and acting these out properly; and being focused on the job.

It is again this philosophy that has given scope to patronage and hierarchical observance of social relations and status (Chandler, 1996: 2; Men, 2006:52). In other words each person has a station in life and one has to accept this and respect those higher up in the social hierarchy as they are seen to have earned their status meritoriously. Chandler (1996: 2) is critical of the value attached to subordination to status as it entrenches the feudalistic behaviour in people giving status to elite groups and subservience to them. This acceptance of one's station in life behaviour by Cambodians suited the French administrators who referred to them as docile. Within this hierarchical system which respects authority, the religion strongly supports making right decisions for the individual and the organisation where trust, competence and consistency would be important measures of managerial behaviour.

Chandler however believes that the notion of changelessness is a myth as history highlights major transformation. This suggests that culturally Buddhists are pragmatic and accept changes.

7.2 Hinduism

Hinduism, similar to Buddhism is seen as a way of life rather than strict adherence to religious code of conduct based on binding prescribed scriptures. The following are some precepts or features of Hinduism (Kumar and Sethi, 2005: 56):

1. Ability to incorporate a wide variety of different beliefs. The religion is said to be all encompassing and as such difficult to define precisely. Also rather than refuting new ideas, it incorporates them. It therefore accepts that the path to the Universal Self can be many.
2. The religion reflects a desire for universality rather than exclusivity, even if there is a wide gap between the culture of the priestly (*Brahmins*) and the masses.
3. The Vedas or scriptures, though many Hindus may not be familiar with its contents provides the foundation for Indian thinking. The Vedas are non personal that is without an author. It is therefore said to have no beginning or an end.

Hindus believe in the transcendental reality (*Brahma*) which is beyond reason and is hard to describe in words (Kumar and Sethi 2005:57). The concept of *maya* or illusion is likening to a veil placed between transcendental reality and the vital life energy or self (*atman*) and humans navigate through this daily. There is no concept of sin as each individual perfects oneself through the doctrine of *Karma* and the concept of *Dharma*. The purpose of every being is to unite the life energy with the transcendental reality.

The doctrine of *Karma* stipulates that effects of past and present conduct determines ones station in life and that *Dharma*, which is the virtuous disposition considered morally appropriate will lead to good *karma*. Individuals with good *karma* will move on to a better station in life in their rebirth and it is the ultimate desire of all Hindus to

break the cycle of rebirth to obtain *moksha* or liberation to be united with transcendental reality. *Ahimsa* or non violence, another characteristic of Indian thought, teaches individuals to refrain from inflicting harm upon others and is seen as an important tenet leading to good *karma* and eventual liberation. Mahatma Gandhi, used *ahimsa* as a tool in the Indian freedom struggle, exerting pressure on the colonial British government to leave India.

The Indian values an individual fulfilling life within the phenomenal or illusory world (Kumar and Sethi, 2005: 58). Four stages are prescribed as follows:

Celibate (*Brahmacharya*). This is the age, (normally from birth to about 24 years of age) when an individual is youthful and develops intellect. Knowledge is the foundation for both the spiritual and material life ahead.

Householder (*Grihastaashrama*). At this stage the individual seeks partnership, raises a family and is bound to the duties of the household within a framework where wealth and spirituality are respected. This stage is from about the age 24 to 48.

Withdrawal (*Vanaprasta Ashrama*). This is the preparation stage where the individual prepares to move from making mundane household decisions and concentrates more on spirituality. The age covered here is about 48 to 72.

Renunciation (*Sannyasa Ashrama*). The individual seeks enlightenment by removing from earthly decisions and concentrates on the transcendental reality.

Cultural implication

Religion is closely intertwined with culture to shape the beliefs and values of individual behaviour. This is often evident in the goals individual seek to pursue. Management and business aspirations equally will adhere to religious dictum. An Indian is seen as a collectivist in public and individualistic as a person. The Hindu way of life encompasses the acceptance of other religious beliefs but as an individual the journey to achieve *moksha* is a personal one.

7.3 Islam

Islam can be viewed as a way of life rather than a belief system (Hodge, 2005). This concept bridges the metaphysical with the materialistic dimensions of life. The word *Islam*, denotes the submission or submitting to the will of the only God, Allah. Muslims are individuals who accept Allah as the supreme and only God and practice the tenets of the holy book, the *Quran*. God's tenets or precepts, the *shari'a* in the Quran governs all aspects of a Muslim's life. The Quran is accepted by Muslims as the Word of God revealed to the Prophet Muhammad, seen as the 'messenger of God' and the founder of Islam in 570AD (Eickelman, 1998). The Quran recognises the Jews and the Christians as the 'People of the Books' but the Quran remains God's final revelation and therefore the holiest and the primary source of *shari'a* (Renard, 1998)

The practice of Islam is enforced by the *ummah* or Islamic community and the Islamic calendar starts from the creation of the ummah, signifying its importance. The two significant streams of Islam are the *Sunni* and the *Shiite*. The Sunnis' make up about 90 percent of the Muslim population and are mainly found in Asia, while the Shiite Muslims are found mainly in Iran and to a lesser extent Iraq (Eickelman, 1998). The difference between the two streams as explained by Renard (1998) is how one communicates with the supreme God. In Sunni Islam, the emphasis is on direct relationship with God without external authority structures (comparison here can be

made to the Protestant faith) while the Shiite Islam, similar to the Catholic faith has hierarchical authority vested in the clergy. Sufism, the mystical expression of Islam emphasises the esoteric nature or inner dimensions of the individual unifying with the divine and is found among both the Sunni and the Shiite.

The Islamic community, whether Sunni, Shiite or Sufi believe the shari'a should govern all facets of a Muslim's conduct but what is not clear or varies widely depends on the contextual setting such as culture, political realities and interpretation.

A Muslim's conduct as governed by the shari'a is commonly held together the 'five pillars' of the Islamic faith:

Shahadah – there is no god but God and Mohammad is his Messenger

Salat – the performance of ritual prayers five times a day facing Mecca, the holy city.

Zakat – almsgiving to the poor

Sawm – fasting from sunrise to sunset during the month of Ramadan

Hajj – All able Muslims without financial impediments are expected to take a pilgrimage to the *Kaba* in Mecca at least once in their life time.

Hodges (2005) has provided a useful comparison of Islamic values with Western secular liberal values. He also cautions practitioners who may assume that individuals who self-identify as Muslims automatically adhere to the listed values. Clearly not all Muslims, nor all liberal Westerners will affirm every value in Table 1. The table however provides a broad understanding of the differences one may encounter in a society which has Muslim population.

Table 1: Values Emphasized in Alternative Meta-Narratives

Islam	Western Secular Liberalism
Community	Individualism
Connectedness	Separateness
Consensus	Self-determination
Interdependence	Independence
Community actualization	Self-actualization
Group achievement and success	Personal achievement and success
Community reliance	Self-reliance
Respect for community rights	Respect for individual rights
Self-control	Self-expression
Sensitivity to group oppression	Sensitivity to individual oppression

Identity rooted in culture and God	Identity rooted in sexuality and work
Complementary gender roles	Egalitarian gender roles
Pro-life	Pro-choice
Sexuality expressed in marriage	Sexuality expressed based on individual choice
Implicit communication that safeguards others' opinions	Explicit communication that clearly expresses individual opinion
Spirituality and morality derived from the shari'a	Spirituality and morality individually constructed
Spiritual/eternal orientation	Material orientation

Source: Hodges (2005)

Muslim businessmen in different parts of the world are expected to implement these edicts. However, local practices from different cultures sometimes are also adopted and amalgamated in their religious practices. This is common in countries like India, Malaysia and Indonesia, where some Hindu and Confucianist cultural norms have been adopted in a Muslim's daily life.

Cultural differences among the ethnically diverse Muslim population spread across the world are also quite prevalent. For instance, Malaysia is considered to be a moderate Muslim nation with a liberal approach towards Islam. United Arab Emirates, though traditional in Islamic thought and practices, is open to the Western world for international commercial relations and envisions being hub of Islamic commerce in future. Saudi Arabia is the epicentre of the Islamic world. The religion is the foundation of its society and practiced with its strict interpretation according to the '*Wahhabi*' philosophy. Saudi Arabia, though attempting to relax some of the strict orthodox regulations in recent years, is considered to be very conservative.

On the other hand, Muslims in India (with nearly 200 million Muslims is the second largest Muslim populated country in the world, next to Indonesia) have a mixed blend of Indian culture and Islam in their religious practices. This can be rooted to *Sufism*, when religious saints and scholars came to India from the Middle East and adopted the local culture into their religious practices. For example, music (*Qawwalis*) in religious gatherings is a common norm as opposed to the ones in more conservative Middle Eastern countries where music is strictly prohibited in religious gatherings. This is prevalent across India and can be seen in almost all the shrines of *Sufis* (religious saints). Further, Hindus and Muslims take part in each others festivals with equal fervour demonstrating harmony in the society (communal clashes in some parts are politically motivated rather than religious).

Another blend of cultural mix among Muslims in India is visible in their marriage ceremonies. Apart from the official *Nikah* (marriage contract as per Islamic law) most of the ceremony (including dresses) reflects local Hindu rituals. Besides, men and women mix freely and are encouraged to be professionally career oriented. Similarly, Muslims in Malaysia have mixed the local Malay culture with traditional Islamic ones. This is prevalent in their festivals and social gatherings.

In the following section, we provide an understanding of the sub-cultures of three groups that are predominant in Malaysia: The Chinese in Malaysia, the Indians in Malaysia and the Malays in Malaysia.

7.4 The Southeast Asian Overseas Chinese Manager

The Overseas Chinese have become phenomena with reputation for being astute entrepreneurs and highly successful businessmen. It is estimated that Overseas Chinese number 55 millions and have a GDP of more than \$500 billion (Chen 2004). By the early 1990s the current asset of the Overseas Chinese was of \$2 trillion which surpassed that of mainland China and amounted to two-thirds of Japan (*World Daily* 19 January 1994 cited in Chen 2004: 58). Today, with increasing integration of Overseas Chinese economic interest from countries such as Taiwan, Hong Kong and Singapore, Thailand, Indonesia and Malaysia, the economic links between them is growing at such a pace that this has resulted in the emergence of a "Greater China" economic sphere in the world, especially in Asia. There are extensive business networks of the Chinese in Asia. The Overseas Chinese control significant segments of business in Indonesia, Malaysia, Thailand and elsewhere in Asia where they are only an ethnic minority. Their relationship to China has become crucial to the development of these Southeast Asian countries.

Collectivist, linguistic and ethnic connections of the Chinese provide the most far reaching and cohesive linkages in the region. Moreover, the ethnic Chinese have proved themselves highly successful in commerce, not only in Taiwan, Singapore, Hong Kong and other Southeast Asian countries, but also in other places of the World in recent years.

The Overseas Chinese are descendents of the sojourners who came to Malaysia from China in the late nineteenth century. China at that time was under the control of warlords and feudalistic lifestyles of the peasant were harsh. The sojourners were part of the diaspora that went to many parts of world; which in 1998 numbered 55 million accounting, it is said, for 2 to 3 trillion US dollars in wealth – in these terms they constitute the third-largest economy in the world, only behind the US and Japan (Chen, 2000: 6). These sojourners lost rights to return to China and the right of access to cultural knowledge and heritage, as China was closed to them and to the rest of the world under communism. In a sense the Overseas Chinese became surrogate custodians of ancient China's heritage internationally. These doors remained closed until the late 1970s which marked the beginning of China re-engaging with the world.

The Overseas Chinese are mainly from the Guangdong, Fujian, and Hainan Provinces and dialects include Cantonese, Fuzhou, Hainanese, Hakka, Henghua, Hokchia, Hokkien and Teochiu (Pan, 1999). Most of them are Confucianist, Taoist or Buddhist and have inherited a culture that "has gone virtually unchallenged for nearly 2,500 years" (Taormina and Selvarajah, 2005: 6). Confucius (551-479 BC) and Mencius, born a century after the death of Confucius, believed that man's nature is naturally good, and a person cultivates the required personality through education and earnest practice (Wah, 2002). The *Analects of Confucius* (Book 2, Chapter 3) also states that punishment is not favoured for the purpose of cultivating the required personality (Lau, 1979). Mencius was of the view that the best practice of a leader is to help others to do good (Lau, 1970). Mencius strongly endorsed the saying that a good leader is one who could motivate people to their highest levels by offering them opportunities and not obligations. A wise leader develops his people as human beings and not just as human

resources (Wah, 2002). These attributes of an excellent leader clearly suggest that Managerial Behaviour, with its emphasis on delegation and trust, will be a very important dimension for leadership excellence amongst people of Chinese descent.

Based on Confucian values, Tsui, Wang, Xin, Zhang, and Fu (2004) identified six Chinese leadership dimensions, which they called: (1) Being Creative and Risk-Taking; (2) Relating and Communicating; (3) Articulating Vision; (4) Showing Benevolence; (5) Monitoring Operations; and (6) Being Authoritative. The importance of Managerial Behaviour is apparent in most of these dimensions. For a more detail discussion of Confucian philosophy in regard to leadership see Waley (1989) and Taormina and Selvarajah (2005).

In contrast to the teaching of Confucius and Mencius, Taoism's teaching explains how to lead a simple life and the natural way of behaviour to allow things to unfold based on their natural order (Wah, 2002). In leading, Lao Tze, the founder of Taoism's teaching, believed that a leader should play the role of facilitator, facilitating the group process and not his own process (Heider, 1994). A wise leader therefore follows the course of least resistance in leading the organisation. Lao Tze wrote that the harder the leader pushes, the greater the system pushes back. This view also supports Managerial Behaviour as an important aspect of leadership excellence in that it emphasises persuasive powers.

The cultural inheritance of the Chinese is centuries old and the Overseas Chinese have maintained the values of their ancestors as they settled in foreign nations such as Malaysia, Singapore, Indonesia and Thailand. For example, the Overseas Chinese only represent a minority in Malaysia (26 percent of the population), but they control 61 percent of the economy (Staff, 1993). Their influence on the business and management styles in the business sectors in Malaysia is therefore very significant.

The Chinese family business (CFB) is central to the operation of Overseas Chinese business and has, in recent years, rivalled the Japanese and Korean business system. These organisations, commonly dominated by one owner, tend to have simple structures and limited capacities. They thrive in relatively non-complex industries such as property, trading, and simple manufacturing, where they have successfully carved their niche. The Chinese, known for their hard-working ethic, maintain close family ties and through networking dynamics have prospered in the booming economies of Taiwan, Hong Kong, Singapore and other major ASEAN countries. Their competitive edge lies in their ability to forge a sophisticated network and maintain a high degree of flexibility, which allows them to transcend the limits of small size (Chen 2004).

7.5 The Southeast Asian Overseas Indian Manager

The trade winds brought the Indian and Chinese traders to Malaysia and with them came the cultural, religious, social and political influences. Indian influence covered all of Southeast Asia and, prior to the 16th century, Hindu kingdoms such as Vijayanagar, Majapahid, Mataram, and Champa extended Indian influence throughout the region (Kanchan, 1990; Tinker, 1977). Hinduism, Buddhism and Islam were also brought to the Malay Archipelago by Indian traders. The *Mahabharata*, the longest Hindu war epic, and the *Ramayana*, the longest Hindu love epic, have been play-acted for hundreds of years and have become part of the Southeast Asian culture. In the interplay between the virtues and graces of democratic citizenship, as demonstrated over and over in the plays, individual freedom is wedded to social responsibilities. The concept of *Dharma*

(justice and ethical conduct) as the foundation of Hindu and Buddhist philosophies is also encapsulated in the *Thirukural*⁶, the basis of South Indian and Sri Lankan Tamil value systems. The influence of South Indian philosophies and Sanskrit in Southeast Asia is highly visible and evident. As Latin is the root language to many European languages, so is Sanskrit to many Southeast Asian languages. Many of the domestic or home values observed in Malaysia, especially among the local Malaysian Indians and Malays, have similarities with the above Indian cultural values.

The large scale mobilisation of Indians to Malaysia took place during the European colonisation of Asia. Emigration of South Indians to Malaysia commenced in 1870 with British taking control over the political affairs of Malaya. Indentured labour was sourced from South India and Sri Lanka mainly to work the plantations and build the country's transport systems (Selvaratnam and Apputhurai, 2006; Tinker, 1993; Vertovec, 1991). The indentured South Indian labour was mainly of Tamil or Hindu origin. This wave of Indian migration was followed by Indian merchants mainly from Gujarat and Sind in north India and from Chettinad in South India. Collectively they brought with them values and customs of India, further strengthening the Indian cultural value base in Malaysia.

One of the earlier attempts to search for an appropriate effective management style in the Indian context was made by Sinha (1980). Based on his extensive research he found that in the Indian context the Nurturant Task Leadership Style (NTL) was found to be most effective. The style is characterised by leaders' concern for task and nurturing orientation. To some extent these characteristics suggest that the organisational demand dimension, with its emphasis on teamwork, support for others and long-term goals, will be of most importance in shaping perceptions of leadership excellence in the Indian context.

According to Sinha (1980 and 1995), the NTL model has been found to be more congruent with Indian cultural values and behaviour dispositions. The style is essentially paternalistic, drawing heavily on the patterns of interaction typifying family dynamics in India. In this respect a study completed by Kalra and Gupta (1995) supported the nurturance aspect of the NTL model for Indians and showed that effective managers were rated high on nurturing dimensions. The study by Selvarajah and Meyer (2006a, 2008b, 2008c) showed that effective managers were nurturing and moderately prescriptive but not task oriented, supporting the importance of organisation demand as the key dimension of leadership excellence for Indians.

7.6 The Southeast Asian Malay Manager

In the Malaysian Constitution Malays are those “who profess the Muslim religion, habitually speak the Malay language and conform to Malay customs.” The Malays have a privileged position in the Malaysian society and their position is guaranteed by the Constitution. They are recognised as *Bhumiputras*, sons of the soil.

⁶ The *Thirukural*, said to have been written around 200BC by the Tamil Saint Valluvar. Similar to the Dharmapada, the Buddhist text and the Bhagavad-gita, the Hindu text, the *Thirukural* expounds self-discipline and social responsibility as virtuous acts for total human development. This is similar to the Taoist philosophy of being sagely within and kingly without.

In describing the value base of the Malay, Abdullah (1996: 19) highlights the following factors, many of which seem to refer to the personal qualities dimension of a manager, with its emphasis on morality, religion, inter-personal relationships and communication:

1. Man must live in harmony with Nature. This concept is intrinsic to the Malay culture and prescribes that Malays should have humility, be non-confrontational, be able to adapt and maintain an attitude of submission in the society when necessary.
2. Believe in hierarchical relationship – ready acceptance of unequal, even authoritarian relationships between young and old, superior and subordinate. Respect for elders and authority are stressed.
3. Build relationship based on morality and trust.
4. Emphasis on high context form of communication where both verbal and circumstances surrounding the communication must also be taken into account.
5. The concept of social sensitivity and feeling *malu* (shame) is related to goals of the individual in the context of the group and family.
6. Look at development of the individual or group in a holistic manner in which both material and spiritual dimensions are equally important.
7. Loyalty to the group, sense of emotional interdependence, and harmonious relationship with others provides the meaning for one's existence in a social context.
8. In evaluating performance and conduct, the personal and professional qualities are important. Observed traits *Zahir* and unseen inner qualities *batin* provides a fuller picture of a Malay.
9. Malays believe in the concept of a Supreme Being – Allah the Almighty. This commitment punctuates their daily lives with prayers and shared rituals to remember God.
10. The pursuit of scientific inquiry and knowledge from the Holy Qur'an are important to the Malays. Equally, Malays are expected to pursue worldly pleasures as well as live a life according to the teaching of the holy Prophet Muhammad (Peace be upon him).

Abdullah (1996: 21) explains that the above assumptions underlie the Malay values and therefore surface in their business and management behaviour. In daily behaviour, a Malay is guided by (*buddhi*) intellect inherited from previous generations. *Buddhi* requires the person to be rational and to be sensitive to one's intuitive inner feelings (*rasa*). The balance between rational thinking and *rasa* is *buddhi* which is also an expression or manifestation of kindness.

The Malay is therefore a sensitive individual living in harmony and in cordial relationships with members of the community.

8. CONCLUSION

HOW ASIAN BUSINESS MANAGERS SHOULD LEAD THEIR WORK FORCE – THE MALAYSIAN EXAMPLE

Armed with the understanding of these influences how should Asian managers' best lead their workers?

First, they must understand the workforce. The factors that make up behaviour, their personalities, the demands of the organisation and the environment are important and should be considered in the context of workplace performance. The workforce could be from different ethnic backgrounds, traditions, histories and social systems and could be shaped by many religions. Their feeling of kinship and family centeredness must be integrated into an organisation. The best managers demand loyalty and trust and make sure that the needs of their people are met. The managers need to know the 'soft' and sensitive ways (Abdullah, 1996; Goleman 2000). In particular the factors comprising the organisational demand dimension need to be recognised and valued.

Managers also need to be aware of the motivations behind their people and be guided by the social, religious and cultural undertones. For example, people in more collectivist countries tend to stress social needs over the more individualistic egos and self-actualisation needs stressed in countries of the west (Adler, 2002). Similar to the sense of guilt of Americans, managers must appeal to the Asian sense of shame and the fear of loosing 'face', and Asians' need for close relationships, rather like how a father would lead his family (Hamzah et. al., 1989).

A comparison of Malay, Indian and Chinese managers' perceptions in the Selvarajah and Meyer (2008c) shows other large differences. Malays and Indians feel more strongly than Chinese managers that leaders should value the personal qualities dimension which emphasises morality, religion, trust and communication. This is closely linked with the values, traditions and strong religious influence originating from the Islamic and Hindu beliefs. The Malay-based organisation, as described by Abdullah (1996), is likely to be hierarchical and status-based; a leadership model based on the village headman (*ketua kampong*) governance concept. In the Indian context, consultative style of leadership could also be seen operating, similar to a *Panchayat* (Sinha, 1995). A 'Panchayat' is a body of five wise men of the village. It is hierarchically structured with a respected village leader *Sarpanch* as its head. Panchayat members take decisions about various village matters in consultation with each other. However, in their study Selvarajah and Meyer (2008c) found Indian managers attach more importance to the organisational demand dimension than Malay managers. This dimension emphasises the importance of being a team player, supporting the decision of others and the corporate image. This is in accord with the Nurture Task Leadership style espoused by Sinha (1980) in an Indian context.

The Malay and particularly the Chinese managers placed greater emphasis on the managerial behaviour dimension emphasising delegation, management through persuasion and management education. This supports the view of Taormina and Selvarajah (2005) that Confucianist values are still alive and well in Malaysia in the 21st century.

It must be noted that historical, social and cultural factors contribute to the way management is practiced in Asia. For example, Malaysia's geographical positioning between India in the west and China in the east is important in understanding the cultural values that impact on the business and management. These two cultures have dominated economic and social activities for centuries and for prolonged periods

influenced the politics of Malaysia. Similarly, colonial influences, such as the social, economic and political structures, along with the overlay of religious influences, provide the backdrop for understanding the cultural make-up of Malaysia. It is in this context that management norms should be understood in a multi-cultural country such as Malaysia. Understanding the ethnic communities in Malaysia provides the basis for understanding the underlying factors that influence management practices in Malaysia.

Acknowledgement

I wish to acknowledge the critical and constructive feedback of the three reviewers. Their comments and suggestions have been useful and greatly appreciated. I also wish to acknowledge the support given by Tokuya Mizuno, Dr Hong Youl, and Dr Ooi Yeng Keat. Their insights on the Japanese, Korean and Chinese management systems have been useful and I thank them for taking the time to do this.

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