Culture and Management in Asia

Edited by
Malcolm Warner

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Local culture has long been recognized as a critically important factor in shaping management styles in different Asian countries. This book provides a comprehensive overview of culture and management in major East and South-East Asian economies. It covers the following countries: China, Hong Kong, India, Indonesia, Japan, Malaysia, Pakistan, Philippines, South Korea, Taiwan, Thailand, Singapore, and Vietnam. Each chapter provides a survey of the country's history, culture and economy, going on to examine management in the country, together with management education and how management is currently changing. The book is an invaluable introduction for students of international management, for those studying management within East and South-East Asia and for business people trading with the region.

Malcolm Warner is Professor and Fellow at Wolfson College, Cambridge and is a member of the Faculty of the Judge Institute of Management, University of Cambridge. He has written or edited over twenty-five management books, and is the Editor-in-Chief of the *International Encyclopedia of Business and Management*, as well as Co-Editor of the *Asia-Pacific Business Review*.

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Preface

How managers cope with managing across cultures has fascinated me for some years now. Doing business in one country differs very much from conducting it in another. Setting up a firm in an unfamiliar economic environment is a real challenge. In today's globalized business world, managers have to learn to cope with many new challenges. Yet both undergraduate and MBA students are taught what are claimed as generalizable business concepts and practices but find that these are often hard to apply 'on the ground'. This book attempts to show in appropriate detail how management is anchored at 'ground level' in specific cultural contexts across Asia.

Although it explores the role of culture in shaping management in general, it closely focuses on management in Asia in particular. It is hoped that this will help both academics and practitioners better understand how business works in this increasingly important region of the world and its links with the international economy, as the World Trade Organization (WTO) extends its membership in the new millennium.

The book may be used as text for either undergraduate or postgraduate courses, or as an academic resource for more specialized programmes, such as MBA electives or doctoral options.

It goes without saying that I should like to thank the willing band of collaborators who have helped me put this work together. They come from a wide array of academic backgrounds, nationalities and universities. Some are based in the West; others in the East. A number are Westerners who work in Asia. A few are 'Asians' in terms of their own cultural origins. Each author read the drafts of the others' chapters and not only commented on them in terms of comparisons but also used their colleagues' work to enrich their own contributions. We have also tried to extensively cross-reference the work as a whole, by referring to other country chapters as often as possible. Thus, we have a culturally mixed team who have worked hard to produce chapters of both detail and distinction.

I also should particularly like to thank Peter Sowden, who initially commissioned this project, for all his support and the many members of the editorial staff of RoutledgeCurzon who have shown both care and skill in

the editing of this book and who have assisted its progress through the various stages of the production process.

Malcolm Warner
University of Cambridge
September 2002

Abbreviations

ACFTU	All-China Federation of Trade Unions
AIDS	Acquired Immune Deficiency Syndrome
ANOVA	Analysis of Variance
APEC	Asia Pacific Economic Consortium
APROC	Asia Pacific Regional Operation Centre
ASEAN	Association of South-East Asian Nations
CEO	Chief Executive Officer
CEPD	Council for Economic Planning and Development
COE	Collectively Owned Enterprise
DPE	Domestic Private Enterprise
EA	Employment Act
EJV	Equity Joint Venture
EOI	Export-Oriented Industrialization
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
FIE	Foreign-Invested Enterprise
FOE	Foreign-Owned Enterprise
GDP	Gross Domestic Product
GNP	Gross National Product
HIV	Human Immunodeficiency Virus
HKSAR	Hong Kong Special Administrative Region
HPWS	High-Performance Work Systems
HR	Human Resources
HRM	Human Resource Management
HSBC	Hong Kong and Shanghai Bank
IBM	International Business Machines
ICA	Industrial Coordination Act
ICT	Information and Communication Technology
IDA	Industrial Disputes Act
IFC	International Finance Corporation
ILM	Internal Labour Market
ILO	International Labour Organization

IMF	International Monetary Fund
IRA	Industrial Relations Act
IRS	Industrial Relations System
IT	Information Technology
ISI	Import-Substitution Strategy
JMC	Joint Management Council
JSC	Joint Stock Company
JV	Joint Venture
LEP	'Look East' Policy
LMC	Labour–Management Council
MBA	Master of Business Administration
MCA	Malaysian Chinese Association
MIT	Massachusetts Institute of Technology
MNC	Multinational Corporation
NDP	National Development Plan
NEP	New Economic Policy
NIC	Newly Industrializing Country
NP	National Development Plan
OD	Organization Development
OECD	Organization for Economic Cooperation and Development
PAP	People's Action Party
PERT	Programme and Evaluation and Review Technique
PLFS	Philippine Labour Flexibility Survey
PRC	People's Republic of China
PSE	Public Sector Enterprise
SAR	Special Administrative Region
SEZ	Special Economic Zone
SME	Small and Medium Size Enterprise
SOE	State Owned Enterprise
TCC	Quality Control Circles
TNC	Transnational Corporation
TQC	Total Quality Control
TQM	Total Quality Management
TUA	Trade Union Act
TUC	Trades Union Congress
TVE	Town and Village Enterprise
UMNO	United Malays National Organization
VW	Volkswagen
WOFE	Wholly Owned Foreign Enterprise
WSO	Wholly Owned Subsidiary
WTO	World Trade Organization

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1 Introduction

Culture and management in *Asia*

Malcolm Warner

Introduction

More and more goods and services are traded globally these days; more and more managers operate across both borders and cultures. 'Globalization', on the one hand, coexists with 'localization' on the other. Understanding the balance between these two ends of the spectrum has become increasingly important.

This book asks the question how far culture shapes business, economic and management behaviour and values, in general, and in Asia, in particular. It is hoped that this edited work will help both academics – researchers, teachers and students – and practitioners to understand better how business works in this increasingly important region of the world and the international economy. We hope it will, for instance, also assist management in multinationals in deciding to set up plants in this region or already invested there, as well as expatriate executives and their spouses intending to work there or already settled in.

Observing that regions – and the countries and cultures within them – are different is one thing, but explaining differences, particularly between and within such entities, is another. Bold, sweeping theories of human or social behaviour are often attractive, but equally it is often said that the 'devil is in the details'. Instead of invoking a crude economic or technological determinism, it may be suggested that there is a subtle link between the cultural distinctiveness of nation states and their business and economic performance. The role of values on economic behaviour is not a new perspective; Weber (1947) for instance, at the beginning of the last century, had evoked the concept of the 'Protestant Ethic', namely a set of beliefs and values, to help explain how capitalism evolved before and during the Industrial Revolution. Others later have generalized this from a European setting to one that was more global. More recently, Child (2002) has attempted to synthesize the 'low-context' approach (based on material resources, such as the economic or technological) with the 'high-context' one (based on ideational and institutional components) in order to explain cross-national and cross-cultural organizational differences.

Why 'culture'? The role 'culture' plays in economic development has long fascinated scholars. In using this term, we mean a pattern of taken-for-granted assumptions about how a given collection of people think, act and feel that affects how they produce goods and services. But there are many competing definitions of culture and the term has been used in a number of ways, some more precise then others, others less so.

Culture as a term has long-standing linguistic origins: – it was probably adapted from the Latin *cultura*, which was related to 'cult' or 'worship'. Over centuries, it was associated with elite refinement, such as the cultivation of the arts, as in the French language. In German, *Kultur* implied the intellectual dimension of civilization. Anthropologists have used the term extensively; some have defined it as 'ideas, beliefs and values' that form a 'conceptual framework' (Gertz and Geertz 1975: 2–3) for instance. In recent years, many have spoken of cultures as associated with nations, such as with American, Japanese or Russian cultures. Others have invoked the 'societal effect' (Maurice *et al.* 1980). We may also now speak of corporate cultures, such as IBM, Nestlé or VW 'in-house' cultures.

There are two interesting and possibly useful perspectives that have emerged in recent years in the academic literature dealing with organizations. The first may be called the 'culturalist' school (for example, Hofstede 1980; Hampden-Turner and Trompenaars 1997; 2000) and focuses on variances in values across cultures (see Chapter 10 in this volume); the second may be called the 'institutionalist' school (for example, Wilkinson 1996) stressing the historical and political structures influencing economic and organizational activity. A view that uses 'culture' in the widest sense of the term might be seen as more encompassing, in that it might include both values as well as institutions. It is clear that we must be careful how we use the term and which definition we use.

Why 'management'? Management may seen as a major link (or intervening variable) between the cultural environment of a given economy and the resultant level of business performance (see Warner and Joynt 2002). If the 'cross-cultural' view holds water, then it would follow that there would be differences in management and organization between different cultural and national systems and these would be important vis-à-vis their resultant outputs. If the 'institutionalist' view is stressed, then paying greater attention to attention to historical and political factors – as well as values – may be *de rigueur*. We should add here that we do not advocate a simplistic one-to-one approach. It is clear that there are complex causal relationships between 'culture' and the economic and management variables it may shape. There are also feedback loops and 'culture' itself may be in turn reshaped by major economic and management innovations.

Why 'Asia'? This problem takes a particular form in its geographical context. Although a continent in itself, Asia covers a wide range of geographical, economic and cultural spheres. We concern ourselves here mainly with East and South-East Asia, as well as most of South Asia. The

rationale for doing this relates to the concentration of economic and population resources to be found there. In this book we deal with over a dozen countries in the continent broadly defined, namely China, Hong Kong, India, Indonesia, Japan, Malaysia, Pakistan, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam. These nations not only contain over half of humankind but in many cases are on the road to becoming the economies of tomorrow. In the case of China – the People's Republic of China (see Chapter 2) – the World Bank sees an economic superpower in the making; Japan (see Chapter 6) is already second to the dominant US economy in its ranking.

Taking Asia as a whole, it had an average GDP per capita that was less than that of Africa in the 1960s; now it has double that average level of income per head, although this glosses over its dispersion. With 3.3 billion people, Asia still has three-quarters of the world's poor, due to its income inequalities, both between states and within them. But the poverty rate, again on average, has gone down from 65 per cent in 1960 to 17 per cent in 2000, at least as claimed by UN statisticians. Infant mortality fell from 141 of live births then, to 48 now, according to such sources. And the 'typical' Asian can expect to live longer, on average, up from 41 to 67 years. The standard of life in terms of human development has thus improved for a good number of the 'many', although most of the 'few' still retain their privileged lifestyle, if the 'Gini coefficients' that measure income inequality are to be believed (see Human Development Report 2002). .

'Asia', it is evident, comprises a wide range of countries, economies and national systems. Geographical factors do feature very strongly, with the PRC pre-eminent so clearly in terms of its vast land mass and huge population. The countries of the region range from those with such relatively huge populations like the PRC with around 1.3 billion inhabitants (see Chapter 2), to relatively small city-states like Singapore (see Chapter 10) with only a few million citizens. The population variable helps to shape the level of economic development, amongst other factors. However, this variable may be seen as relatively invariant only in the short term (see Warner 2002).

An attempt to evaluate the direction of Asian economies and their managements in terms of the 'late-development effect' has recently been proposed (see Ng and Warner 1999). It breaks down the whole set of countries into two main sets, namely the advanced economies and sectors on the one hand and the less developed countries on the other. Yet there remain analytical problems with compressing so much into such a basic dichotomy. The economies of the region have on the other hand often been economically and industrially dominated by a powerful neighbour, namely Japan. The 'little Dragon' economies in turn also stand apart from many others in their set, particularly in terms of the level of economic development they have achieved.[1] Most of the regions' economies had a rapid rate of growth over the last two decades, although it might have been uneven from one year to the next. Whether the Asian so-called 'miracle' will be sustainable into the

twenty-first century is of course moot. Even if Asian economies continue to grow at more or less respectable rates of growth, they may not pick up the pace of the 1990s again or at least for some time. For instance, China has had a fluctuating growth rate for the last ten years and it has fallen below the trend rate in the last few years, if official statistics are to be believed.[2] But even this level has been credibly above the average of, say, EU economies.

As Rowley (1997: 1) has put it: 'Asia provides a paragon of practices around which companies searching for "success" and the "one best way" can converge'. The Asian way, many believed, was identifiable and then transplantable. It was perceived as a formula for fast economic growth and social development. There are a number of common features present in many Asian Pacific Rim economies in these respects and in others, although the specific institutional forms may have varied from one country to another (see Hamilton 1995). But we can say with hindsight that the 'Asian model' has been 'stretched thin' (Godement 1999: 15). It was probably too simple an explanation, in retrospect, to have imagined a truly homogeneous set of countries, institutions and practices in a given region, or indeed a given, single 'Asian model' as such. There are too many subtle, and sometimes less subtle, variations. It was perhaps due to the blatant 'self-confidence' of the times, namely the late 1980s and early 1990s, that such an idea could be promulgated. 'Japan' as a major player was riding high as an economic success and the 'flying ducks' notion was, for many, *de rigueur*. Furthermore, the Asia-Pacific model had been presented as an 'alternative' to the Western standard industrial relations and HRM 'templates' that had emerged in the post-war years, although we would have to argue here that across Asia or even in the West, these systems and subsystems have only a limited 'family resemblance'. By this, we mean they have some prima facie common characteristics but these remain of a 'rather bounded' kind. The region, of course, is as a whole a large and varied one, economically, politically and socially, and hence it would not be that surprising if it proved difficult to cast it into a single mould.

As can be seen from the above, Asia is a complex region with many variations, not only in terms of its societal factors and values (see Chapter 10 for comparative data across the region vis-à-vis the nation in question) but also in terms of its economies and management. It has indeed prospered in recent years and after some setbacks will no doubt bounce back but probably not evenly. While the Asian crisis of 1997 undermined confidence in the region's prospects, it did not deal a 'knock-out blow'. Many economies recovered relatively quickly; some were less affected by the downturn such as the PRC. Nonetheless, it dented the 'myth' of the Asian economic miracle.

As *The Economist* news analysts had put it at the time: 'Changing global winds will blow differently through the region's individual economies' (21 October 2000: 128). The grouping suggested they picked the 'big bets' economies, Japan as well as the PRC; then listed the 'best bets' like Hong

Kong and Singapore; after them, the 'middling' ones like Malaysia, South Korea and Taiwan; then the weakest 'bad bets', namely Indonesia, the Philippines and Thailand. India is probably a 'middling' bet and Pakistan a 'bad' one. Of course, only time will tell if these odds ring true!

Globalization expands via markets but there are important intervening variables, such as export-dependency, developmental state strength, intermediate institutions and so on. While it may not be possible to put forward neat econometric models to delineate these links precisely, it is apparent that the external economic environment is closely connected to the internal, national one by a number of gears. In quantitative terms, these may be expressed as 'coefficients', such as that of export-dependency, but this may only convey half the story. In Asia, the institutional 'filters' such as 'cronyism', 'transparency' and the like may well count for as much as corporate and government debt levels, foreign exchange reserves and so on.

The 'convergence' debate

Some North American scholars in the post-war period (see Kerr *et al* 1960) argued that given the industrialization process sweeping the world, societies and systems adopting modern technology and management would become more similar than dissimilar. They used the term 'convergence' in emphasizing how economies and the organizations within them have become more alike as development has progressed in the modern world.

Contemporary writers have tended to refer to 'globalization' as the latest version of the 'convergence' scenario. Globalization, as a term, was the byword of the late 1990s; it was to herald the creation of both worldwide markets and transnational enterprises. Smith's classic, eighteenth-century generalization that 'the division of labour depended on the extent of the market' seems to be as valid today as it was in 1776. Marx, too, had envisioned globalization as an eventual outcome of capitalism. Economies of 'scale and scope' were to depend on a growing internationalization of markets – hence large business corporations striving to buy and sell as far and wide as they could. The WTO was to seek to shape the 'rules of the game' to make this easier. The intention has been to extend the global markets beyond goods to services and to parts of the world where they did not reach because of the 'Developmental State'. Critics believed this to be a form of 'neo-imperialism'. But not all economists saw globalization as a wholly deterministic phenomenon; some pinpointed it as both an endogenous as well as an exogenous factor 'determined in its pace by governments, firms and other social actors, but influencing in its turn the behaviour of these same actors' (Kogut and Gittelman 1997: 220).

Others have stressed 'divergence' as their main point of interest (see Joynt and Warner 1996; Warner and Joynt 2002). Not total divergence but enough to make sense. There have been many debates between these two apparently conflicting perspectives. Many theories of organizations do not

take localized factors like culture into account; they stress other variables like technology, size and on. However, others have more in their turn posited culture as playing an important role. This disagreement has led to the so-called 'culture-free' and 'culture-led' debate.

As Braun and Warner put it:

> The scholarly debate on organizational convergence has been ongoing for some years now. A main prop of this discussion has been the arguments about the 'industrialization' thesis so-called (Kerr et al. 1960) which got under way in the post-war period. It was an intellectually bold idea in its day, if somewhat deterministic in its thrust. It had many supporters but also its critics. In any event, it led to a serious debate that has had very useful consequences for the field... The debate itself grew out of a fertile period as far as the emergent sub-disciplines of industrial sociology and organizational behaviour were concerned ... [vis-à-vis] the forces influencing organizations in perhaps often contradictory directions, generally with respect to cross-cultural management and particularly with respect to Human Resource Management (HRM). Such influences are divided into two groups: one, 'culture-free' and the other 'culture-specific'.
>
> (2002: 13)

It is possible that there is a more useful way of dealing with this issue.

Convergence has featured as a common thread in the literature on this theme for some time now, stretching over many decades, from Kerr *et al.* (1960) to Bamber *et al.* (2000). The discussion presented here follows earlier work by the present writer that looked at 'convergence' and 'divergence' in management practices in this part of the world, namely in Asia (see Warner 2000). The analysis there distinguished between different types of 'convergence' and 'divergence', permutated as between 'hard' and 'soft' versions. One may also even speak of 'Cross - Vergence', in some contexts.

There have recently been some theoretical or conceptual refinements made concerning this dichotomy and the setting out of logical possibilities with respect to what has been dubbed, respectively, the 'soft' – or relative (on the one hand) – and 'hard' – or absolute (on the other) – types of convergence and divergence (see Warner 2002). This view has argued that 'soft' – that is, relative convergence (see position 2 below) – is a more likely concept, since an absolute, distinct version of 'hard' convergence (position 1) is probably unlikely where all systems become alike, given the specific historical traditions out of which each national cultural system has grown and where only a 'family resemblance' is the most likely outcome. It is also more likely that the 'soft' or relative divergence (position 3) is also possibly more realistic than absolute 'hard' divergence (position 4), a case where cultural systems become totally different from each other.[3]

We do not wish to pursue the details of the debate further here and readers can refer to the earlier source for the background to this discussion (Warner 2002: 13–25). We would, however, now like to analyse the implications of culture as a factor shaping management in its specific Asian context.

Convergence/divergence: a four-fold analytical framework

	Convergence	divergence
Hard	1	4
Soft	2	3

Levels of culture

Culture may be interpreted as acting at three distinct levels, as follows:

1 *Primary level*: by this we mean where culture as a variable affects the whole of the society. An example of a primary cultural level might refer to the dominance of the Han culture in China. Here, we would look at the 'hegemonic' culture dominating others in the same spatial environment. The presence of a primary culture would not preclude minority ones playing a role there but it would be a subordinate one. In some countries, like China and Japan (see Chapters 2 and 6 in this volume), the dominant culture does often appear almost to swamp the lesser ones even if there is a degree of official tolerance. The issue of hegemonic culture also arises in the case of India (see Chapter 4). But in other states there is a more or less subtle balance, as in Malaysia (see Chapter 7).
2 *Secondary level:* this pertains to parts of the wider culture. Here, robust minority cultures may coexist with the dominant culture, or in some cases may have been perceived as a threat because of their economic power. In some cases, there may be tensions between a number of minority ethnic groups as in the case of Indonesia (see Chapter 5). A further illustration here might be an ethnic group such as those of Chinese origin in the Philippines (see Chapter 9). The overseas Chinese (*Nanyang*) community as a minority has often times experienced varying degrees of resentment from the local majority, as in the cases of Thailand (Chapter 13) and Vietnam (Chapter 14).
3 *Tertiary level:* by this we mean a level where we are speaking of an effect that relates to a clearly *derivative* culture, possibly non-indigenous, within a given national system. An illustration here may be that of a 'foreign' corporate culture, within a subsidiary of an MNC. Or there may be a *residual* culture where there was an observable influence, whether local or foreign, long ago, that may have weakened over time.

What is culturally specific to Asia? There is no one consistently uniform culture that binds the regions found in that continent together; however,

there are 'family resemblances', both in historical legacies and common traits and in terms of values that social scientists have measured, as elsewhere in the world. The term 'late development' implies a time dimension and that other parts of the world went through defined stages of economic and social evolution earlier, involving the process of modernization. We therefore posit the dichotomy between forms of emergent Western-style modernization and lagging forms of non-Western pre-modernization; that is, varying kinds of traditionalism.

One reason for choosing to look at Asia has been the apparent link between defined cultural traits and the rapid economic growth of this continent and its subregions in the post-war period. As Tung (1996: 233) points out, there has been a cluster of countries with apparently similar characteristics that have performed very well for a sustained period of time and these have shared Confucianism as a common feature.[4] Although here we must point to the many variations of the belief-system, over both space and time, even within a given country, as can be seen in the respective country chapters of many East Asian countries in this edited work.

Its distinctiveness vis-à-vis 'Western' characteristics has long been seen as a factor influencing its image and perhaps suggesting clues as to its economic success. Yet its very defining characteristics were in past years sometimes associated with backwardness. Confucianism was even regarded as an obstacle to growth, for example in the period following the Second World War, and it has largely only been in recent times the case that countries influenced by it have been linked to positive economic results.[5] Could we then be seeing a case of *post hoc, non propter hoc*?

'East is East and West is West' is a phrase often used but rather too vague to be of analytical importance. The Weberian 'Protestant Ethic', we well know, arose in the specific case of Europe, but the Confucian ethic – with several comparable characteristics, of achievement, hard work and so on – was clearly Asian. Indeed, Hofstede's (1980) research has shown that European values have not been that distinctive and are found in varying degrees elsewhere. Another expert argues that neither 'Asian', nor for that matter 'Western', culture (if such single entities exist at all, other than caricatures) is unitary and internally consistent (see Friedman 2000). There is something in this view and it is clear from reading the country chapters in this edited book that each culture analysed is so distinct that to deduce a single 'Asian' cultural model would be no simple matter.

We can see from the respective chapters in this edited book that there is much *couleur locale* and that what makes each country 'tick' is its distinctive mix of characteristics. While there are common strands that may be found across Asian states, we firmly believe there are culturally counter-balancing, culturally specific, ones. We believe that these are still critically important, even though they may be weakening at the margin since, as we pointed out earlier, a degree of convergence, albeit relative, may be observed.

Such changes may operate in at least three ways:

1 *Meta-convergence*: this phenomenon may be found where paradigms such as 'Scientific Management' are said to occur *across* a wide range of national systems (see Kerr *et al.* 1960) although even then there may be adaptations to local norms and values, as for example in the case of Japan (see Warner 1994). Here we may find 'Americanization' so called, or indeed even 'Japanization' in varying degrees. Some now even use the broader phrase 'globalization'. Such changes are seen as occurring such that, regardless of where you are, management system characteristics begin to look alike. For instance, a big bank in Hong Kong or Seoul appears to operate more or less like one in Jakarta or Manila. These changes may be mitigated or at least mediated by culture acting as an intervening variable. Across-the-board change may include those that are believed to occur as a result of economic, psychological or technological universalisms that are said to apply regardless of local contexts. We would still argue that this 'meta-convergence' was relative.
2 *Macro-convergence*: this phenomenon may be seen where society- or economy-wide characteristics may appear to be relatively converging in a particular direction *within* a given cultural setting and/or *within* a national context, such as in the case of a state-led 'privatization' programme.[6] To some degree, we have seen China becoming more like its neighbours, in terms of having adopted market reforms (see Child 1994; Warner 1995). Again, in turn, culture may shape the way such changes are implemented. Such macro-convergence may be largely seen as relative.
3 *Micro-convergence*: this tendency may be found where industry- or organizational-level change occurs – but which is not at a higher macro-level – *within* part of a national entity; for example, in a given MNC operating in a particular country. Here, again, cultural constraints may limit the extent of the changes that take place. Thus, we should bear in mind the 'relative' nature of such possible convergence.

We now turn to the plan of the book, how it is divided into specific subsections and the rationale for such a division.

Plan of the book

Each chapter of this book follows a common pattern, with albeit minor variation in some cases. The authors, all of whom are experts on the respective countries they have covered in this volume, were asked to build their chapters around the following ten main headings. These were selected after careful consideration, after an extensive reading of the literature on the broad links between culture and economic development in general, as well as the interaction between these and management across the region in particular.

They were, respectively:

1 Introduction
2 Historical setting
3 Economic background
4 Societal culture
5 Corporate culture
6 Management behaviour
7 Managerial values
8 Labour–management conflict resolution
9 Implications for managers
10 Conclusions

We chose the above subsections – that feature in all the country chapters – because they provide coverage (in terms of description, as well as analysis) of what shapes a cultural environment in a given country, such as its historical development and in turn how its economy and management are affected by it. We then look at its implications for managers and, last, draw a number of conclusions from it.

In this section, we turn to the specific country chapters where we have asked expert contributors to build their discussion around the schema referred to above.

China

In Chapter 2, John Child and Malcolm Warner, both British but with long field experience of China and Hong Kong, look in detail at the PRC. It is clear that this ancient nation has been shaped by its history and that in turn its modern management practices have sprung from its cultural roots, whether in the context of the economic and institutional changes of the last half-century, or even earlier. The authors here note that the late Deng Xiaoping's reforms of the last two decades have changed the management system from one based on a command economy to one more market driven and with increased private ownership. However, Chinese people are quick to maintain that the changes have been given 'Chinese characteristics', implying that whatever the immediate institutional and organizational details, the underlying norms and values may reflect continuity as much as change. In a rapidly changing and varied context such as contemporary China, it is thus very difficult to assess the degree to which traditional culture continues to exert an influence on management values and behaviour. Rather than attempt any definitive conclusions, it is more helpful to reiterate the issues and questions that readers need to bear in mind when addressing this subject. First, it is always necessary to recognize China's great diversity and start by asking 'to which China are we referring and which sector, which region, which generation?' Second, what is taking place in China, keen to learn from the outside world yet also conscious of its history, may force us to abandon the notion that people necessarily conform

to a simple notion of 'culture'. In these circumstances, they may not necessarily fit neatly at a single point along the cultural dimensions beloved of cross-cultural psychologists, but instead display an apparent paradox. The authors have noted, for example, how studies of the values held by PRC managers suggest that those who have internalized certain 'Western' values such as *individualism* may at the same time continue to value traditional Confucian precepts such as *collective* loyalty and responsibility. The social identity of modern Chinese managers may be more complex than has generally been appreciated, requiring a cultural theory that is more complex and subtle than present formulations. A third possibility, Child and Warner argue, that is deserving of further investigation, is that Chinese managers, and perhaps people in general, are more flexible in their cultural referents than theorists such as Hofstede (1980; 1991) assume is normal for adults. Those Chinese who are exposed to 'Western' values, according to the authors, through their roles at work, or equally through their roles as consumers, may retain the option to segment their cultural mind-sets and switch between them. For instance, if conforming to certain Western norms and practices offers material attractions, such as higher pay in return for accepting individual responsibility for performance, then Chinese staff may decide to go along with them within the confines of their workplace roles. They may also be encouraged to accept practices imported from another culture if these are perceived to be part of a more comprehensive policy, justified as 'best international practice', offering other benefits such as equitable treatment, comprehensive training and good prospects for advancement. This is why employment with an MNC's joint venture or subsidiary is usually highly prized by Chinese managers. At the same time, as they switch social identity in 'converting' to their non-work roles in the family and community, they could, the authors conclude, well revert to a more traditional Chinese cultural mind-set.

Hong Kong

In Chapter 3, Jan Selmer – a Swedish national teaching at a business school in Hong Kong – and Corinna de Leon – a psychologist and consultant born in the Philippines, also working in Hong Kong – look at its culture and its management. Having set out the historical and economic background, with the former colony having lived in the shadow of both Mainland China and the British regimes for so long, the authors note that since the 1997 handover, the Special Administrative Region (SAR) is now at a 'crossroads' and its internationally impressive economic record may be under threat, not least of all from neighbouring financial centres, like Shanghai. Circumstances that had previously induced rapid growth in the SAR may now inhibit further economic development, in spite of its cultural legacy of entrepreneurship. Alternative means of achieving competitive advantages must be developed. As telecommunications and infrastructures

for transportation swiftly modernize in China, the competitiveness of the former colony cannot simply rely on its geographical proximity to the mainland. Hong Kong needs new ideas for tackling unforeseen challenges and a knowledge-based economy would be critical. Comprehensive and drastic development of human resources building on its cultural affinity with its giant neighbour, the authors argue, may initiate and maintain structural changes required for Hong Kong's survival and future prosperity. The traditionally laissez-faire government has a distinctive role to play here. Larger investments in and less restrictive policies on education in general are obviously the most facile action that can be taken by the government. In particular, improving the scope and quality of business and management education may be helpful. However, the driving force for a knowledge economy has to be the numerous small business firms and their owner–managers that comprise the backbone of Hong Kong business with their cultural antecedents, who should bridge the human resources gap by extensive programmes on skills upgrading, empowerment and technology development.

India

In Chapter 4, Pawan Budwar, an academic of Indian cultural background, now teaching in the UK, reviews an economy with a vast population but one with a very different cultural and institutional inheritance from that of China. India, he notes, is the birthplace of three of the world's main religions, namely Hinduism (about 7000 BC), Buddhism (487 BC) and Sikhism (AD1699). These three religions have had a significant impact on the social, political and economic landscape of the country. No less complex a society than China (see Chapter 2), it has a legacy of first Moghul and then British imperial rule to confront. Independence from the latter came in 1947. Over the last fifty years or so, India, having split off from Pakistan (see Chapter 8), has gone through an economic cycle of dominance, decline and turnaround of industrial development within Asia. To a great extent this can be attributed to the adoption of different economic development approaches. India has now tasted the pros and cons of both the state-regulated and free-market economic systems. During the decades of the 1950s and 1980s, India adopted a mixed approach to its economic development. However, in the early 1990s, it was forced to introduce major institutional change and switch over to a market-based approach and liberalize its economic policies. Such a macro-level shift seems to have paid rich dividends to the Indian economy. As a result, it is forecasted by the World Bank that, by 2020, India could become the world's fourth-largest economy. However, to achieve this, the author argues, India has to make significant progress in economic development. It has to exploit optimally its human and natural resources and build a modern management system, given its cultural pluses and minuses, and overcome some of its long-existing problems (such as

poverty, population explosion, corruption in the workplace), responsible for creating hindrances to a steady and regular national economic growth. In this regard, a number of steps such as economic liberalization and structural reforms have been initiated. This seems to have taken care of the economic issues impacting national development. However, the socio-cultural and political aspects, which also play a crucial role in the economic development of India, also need updating. The traditional mind-set of Indian entrepreneurs, managers, workers, unions and policy makers towards managing human resources has to be changed to suit the globalized workplace. The author argues that there are indications that this is already taking root, though on a very slow, small scale. Overseas businesses, to operate successfully in India, he concludes, need to have sufficient information regarding the management and cultural aspects of doing business in India.

Indonesia

In Chapter 5, Ashar Munandar, an indigenous expert with a lifetime of teaching psychology in his country, analyses the culture and management of Indonesia, a highly complex multi-ethnic and a multicultural society at the far south-eastern extremity of the region. The Indonesian national culture, he argues, is enhanced by the intensive use of the Indonesian language, the national curriculum executed in all primary and secondary schools and the core values of various religions (Islam especially; see Chapter 8 on Pakistan for its nearest counterpart here). The intensive interactions between Indonesia and other states, European, American, Asian and Australia, have had a significant impact on the national culture and on the economy of Indonesia. The monetary crisis followed by the economic crisis starting in 1997, he points out, also created a political and morality crisis. The government has not yet succeeded in overcoming these multiple crises. The remaining small-, medium- and large-sized business organizations and their managers have to struggle, not only to sustain their existence, but also to be able to grow significantly to support the government in overcoming the economic crisis. Managers in Indonesia, he concludes, should become 'perpetual learners', working together in each business organization, and assist their top bosses, their CEOs, to become absolute leaders able to reconcile the dilemmas they face in their business organizations.

Japan

In Chapter 6, Philippe Debroux, a Belgian national living and teaching in Japan, as well as a native speaker for many years, turns his attention to culture and management in that land. From the Meiji era onwards, in the mid-nineteenth century, Japanese industrial leaders adopted capital, production systems and business management practices from Western countries, in fact much earlier than their Chinese counterparts did (see Chapter 2). But

this occurred in a different institutional, social and economic context from where these innovations originated. The roots of modern Japan were very much anchored in its past. The incorporation of a Confucian-influenced concentric model gave significance to ranking, relatedness and tier on the insider–outsider gradation; the development of Japanese companies as members of industrial groups can be traced back to the household rules of Tokugawa family-owned trading houses in the seventeenth century. It allowed Japanese companies to confront the challenge of industrialization and make the transition to 'developed country' status before the Second World War and before its neighbour, Korea (see Chapter 11). Nevertheless, although seniority, lifetime employment and other attributes of Japanese modern corporate management can indeed also be traced back to the seventeenth-century system, and were in turn later utilized in the pre-war large industrial *zaibatsu* firms as management tools, it was only after the Second World War that they were given a socially normative connotation, to fit into a business system geared towards catching up with the advanced, Western countries. The 'catching-up' process is, however, now over and a new management system is now required, linked to the necessities of globalization and able to respond to the diversifying values of an affluent and open society.

Malaysia

In Chapter 7, Wendy A. Smith, currently teaching in an Australian university, examines the case of Malaysia, a plural society arising from British colonial rule, with immigration creating many different ethnic strands. This society represents an important case for the analysis of management and culture in Asia. The presence of three ethnically distinct communities, the Malays (60 per cent), the Malaysian Chinese (30 per cent) and the Malaysian Indians and others (10 per cent), means that managers and employees with different values and lifestyles must cooperate in modern organizations, without a clear hegemony by one group's culture based on sheer numbers (although there is a greater local Chinese influence in Singapore: see Chapter 10). The intercultural management dynamics of this are made more complex by other outside influences: British colonial management precedents, numerous national management systems from more recent direct foreign investors, following Malaysia's export-oriented, FDI industrialization development policy since 1971, and a state-directed 'Look East' policy which has imposed Japanese work ethics and management practices since 1981 (see Chapter 6 on Japan). Among Malaysian managers and employees themselves, values and managerial behaviour are influenced by the Confucian dynamism of the Chinese, the Islamic work ethic and patron–client orientation of the Malays, mainly first-generation urban professionals with roots in rural peasant society, and the pervading aspirations to globalized consumer lifestyles, which influence not only the