# Asian Business and Management

30807549

# ASIAN BUSINESS AND MANAGEMENT

## VOLUME VI

Edited by

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# On Improving the Robustness of Asian Management Theories: Theoretical Anchors in the Era of Globalization

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Recently there have been some discussions on improving the status and rigor of management theories in the Asian context (Au, 2007; Hofstede, 2007; Meyer, 2007; Ramaswamy, 2007; Yang & Terjesen, 2007). While the ideas expressed in these approaches are not designed to increase the robustness of international management research in general, the insights generated in the course of this debate are helpful for increasing the robustness of theory and research on Asian management – particularly in the Pacific Rim countries in Asia.

Our purpose in this paper is to discuss the relevance of some theoretical anchors that one needs to consider before attempting to advance the knowledge of cultural variations in Asian management. A careful look at the history of research on global strategy and cross-cultural management reveals that considerable attention has been paid to the functioning and effectiveness of organizations in the West with their East Asian counterparts in a comparative perspective. It is as if knowledge in the area of cross-cultural management would not have advanced in a rigorous vein unless the cultural underpinnings of the Asian organizations were interpreted and then compared with their Western counterparts.

Review of cross-cultural organizational research started about 40 years ago (Arvey, Bhagat, & Salas, 1991; Bhagat & McQuaid, 1982; Bhagat, Kedia,

Crawford, & Kaplan, 1990; Bhagat, Kedia, Perez, & Moustafa, 2004; Child, 1981; Hofstede, 2007; Roberts, 1970; Triandis, 1994) and attempts are being made to improve the status of theory and research in recent approaches advanced by Bhagat and Steers (2009) and Leung, Bhagat, Buchan, Erez, and Gibson (2005). These reviews reveal that national culture can be used as an independent, dependent, or moderating variable in explaining an organizational phenomenon of interest. These reviews suggest that there has been a strong tendency to interpret empirical findings in the East Asian context in terms of cultural variables. However, as Bhagat and McQuaid (1982) and Leung et al. (2005) noted, while it might be tempting to use culture-based explanations, observed differences across nations also have other theory-specific antecedents. More often than not, differences are grounded in a complex amalgam of variables involving the level of economic development, the state of current globalization, and the role of the government in the specific Asian country (see Bhagat & McQuaid, 1982 for a detailed review of this rationale).

In an effort to enhance the robustness of research that leads to better theories aimed at explaining management and organizational phenomena in the Asian context, we suggest some theoretical anchors that are likely to be more relevant in this era of globalization. In particular, these anchors are designed to be more helpful for generating robust research hypotheses which form the foundations of conceptual frameworks and theories of management and organizations in this region. A number of papers (Hofstede, 2007; Meyer, 2007, Peng, 2007; Yang & Terjesen, 2007) published in the *Asia Pacific Journal of Management* have described some of the persistent complexities and inconclusive struggles in this area. It is interesting to note that while a significant portion of the global trade is located in the Asian continent and particularly in the Pacific Rim countries of Asia, there is a paucity of management theories that are uniquely grounded in the national and cultural context of these countries. Asia is not only important as the next most important continent for conducting research in the area of management and global strategy, but it also happens to be the largest and most populous continent of the world incorporating a large number of countries that vary a great deal in terms of cultural underpinnings and state of globalization. Asia Pacific countries have been attracting the attention of European- and US-based scholars since the early 1960s. However, it is only recently that we have witnessed the emergence of some systematic insights into the functioning of organizations – whether they are domestic, multinational, or global in the Asian context (see for example, Sheth, 2008).

Perhaps the most insightful research into the complexities of Asian mindsets was provided by Nobel laureate Gunnar Myrdal (1966) in the 1960s, who coined the term "Asian drama." Myrdal noted that there were significant structural- and religion-based barriers in the majority of Asian countries (whether they were larger countries such as China or India or smaller

countries such as Singapore, Indonesia, and Malaysia). These barriers act as considerable impediments for developing systematic patterns of management thought and organizational designs that are simultaneously reflective of the deep concerns of Asian cultures and are uniquely effective in the Asian context. In other words, the management theories that are likely to be most effective should be grounded in the culture-specific norms, practices, and values of these countries. There is a distinct need for developing management theories in the Asian context by not necessarily contrasting and comparing the structure of such theories with those found in the management literature in the West.

Myrdal's observations were widely recognized by the various agencies of the United Nations (UN). However, national leaders and managers of various public sector organizations were skeptical of the long term significance of Myrdal's thesis. Later, Galbraith, a Harvard economist who was the US ambassador to India during the Kennedy administration in the 1960s, also echoed views similar to Myrdal. He referred to the culture of India as highly reflective of an *un-economic* culture (Galbraith, 1967). He suggested that it was difficult to sustain effectiveness of large scale state-owned enterprises in India because of this unique mindset which was largely absent in the Western context. He observed that Indians were mostly content with their economic lot, which they thought was their destiny, and the propensity to engage in entrepreneurial activities was rather weak in the people of India. Insightful as these earlier research might have been, they are not particularly useful in helping us understand or reconcile the dramatic rise of the economies of the various countries in Asia and in particular in the countries of the Pacific Rim region. These countries successfully overcame the various structural and psychological barriers described in Myrdal (1966) and Galbraith (1967) and are currently commanding heights of the global economy. For example, according to the 2002 report of Goldman Sachs, China and India will be two of the largest economies of the world in less than a decade from now (Goldman Sachs, 2002).

From the present day perspective of *Chindia rising* (Sheth, 2008) and *The quest for global dominance* (Gupta, Govandarjan, & Wang, 2008), the observations of Myrdal and Galbraith seem to not accurately reflect the reality of what would become of these two large countries in the latter part of the twentieth century. Both of these books discuss the importance of leveraging China and India for sustaining global dominance for multinational corporations. Perhaps, the main reason as to why these insights are not particularly useful today is concerned with the economic complexity and cultural dynamics of the countries of Asia. As Hofstede and Bond (1988) showed, cultural underpinnings of economic growth are important, but remain largely unexplored in current attempts to develop management theories that are largely applicable in the Asian context. To remedy this situation, we turn our attention to the relevant economic issues of the Asia Pacific region in the twenty-first century and their implications for cross-cultural research.

## Asia Pacific Region in the Twenty-first Century

Zakaria (2008), in his analysis of the world economies, shows that the current growth rate of the various export-driven economies of Asia are greater than not only the US, but also much of Western Europe, Australia, and New Zealand – the core states of the Anglo-Saxon world which enjoyed the benefits of early phases of massive industrialization which started in Western Europe at the dawn of the twentieth century. Some of the Asia Pacific region have been able to maintain some of their economic momentum even during the current economic meltdown and global recession in 2008 and 2009. The twentieth century was driven by the political and economic ideologies of the West, but the twenty-first century is being driven by the markets of the emerging nations, particularly those from the Asia Pacific countries of the world (Leung et al., 2005; Shenkar, 2005; Sheth, 2008). The twenty-first century is beginning to witness some of the intense economic activities of the emergent Asian multinationals in various sectors of the global economy (Shenkar, 2005). Seventy percent of the concentration of world trade and gross domestic product (GDP) among the 15 advanced countries of the world which include 12 European common market nations is simply unsustainable in the twenty-first century. A Goldman Sachs (2002) report predicts that the economies of Brazil, Russia, India, and China (the BRIC economies) are going to be among the top five globally important economics of the world by 2040. The only Western nation that will play an important role as a global economy is the US. The population of the Western economies is aging, and we are beginning to observe slow-to-no rates of growth in the economies of Japan, Germany, and France. The US is the exception because its population is not aging as fast as those in Japan and in Western Europe. Contrast this situation with the demography of the Asia continent: much of the population is below 25 and there is considerable entrepreneurial energy and innovative activities in countries such as China, India, Taiwan, Vietnam, Thailand, Singapore, and Malaysia. Some of these countries have strong signs of the syndromes of Asian drama as articulated by Myrdal (1966).

The large emerging economies of Brazil, Russia, Nigeria, Indonesia, and possibly Mexico will become important in the twenty-first century. However, it is the rise of China and India as described in *Chindia rising* (Sheth, 2008) that will have considerable economic and strategic implications for much of the multinational and global activities.

In this paper, we provide a framework for understanding the nature of management theories that are likely to be more effective in explaining the current phenomenal rates of growth that have characterized China and India and recently also Vietnam, Thailand, Singapore, Indonesia, and Taiwan (the "dragons" and other small but dynamic economies of southeast Asia). Zakaria (2008) speculates some of the reasons as to why these non-Western countries of the Asia Pacific region are moving forward in such a remarkable fashion compared to the Western economies which were primarily responsible

for the industrial renaissance which started it all. The nineteenth century belonged to the British, whereas the twentieth century was clearly the American century. As Zakaria aptly observes, the twenty-first century belongs to the Asia Pacific Rim countries whereas Shenkar (2005) also terms the twenty-first century as *The Chinese century*. Therefore, it is not surprising that considerable research is being undertaken to develop insights into the antecedents of growth and development in these Asian countries. Paralleling research efforts are also comprehensive research strategies inquiring into the global strategies of large Asian multinationals.

One is tempted to make the observation that national culture is no longer a major impediment to strategic growth and development of multinationals located in South, Southeast, and Eastern contexts in Asia. In other words, maybe the time has come to move beyond the observations of Myrdal and Galbraith and other leading World Bank economists of the 1960s who were quick to depict economic and management development-related processes in much of Asia in pessimistic terms.

## Towards a Taxonomy of Theories as Applicable in the Asia Pacific Region

We present a taxonomy of theories of cross-cultural management and international business that are likely to be employed in explaining various management and organizational phenomena in the Pacific Rim region (see Table 1).

**Table 1:** A taxonomy of cross-cultural management theories as applied to the Asia Pacific countries

| | Employee-orientedness | Job-orientedness |
|---|---|---|
| Rule-based | Cell 2 | Cell 3 |
| | Moderate emphasis on theories of cross-cultural variations | Strong emphasis on theories of economic and strategic performance of business enterprises |
| | Moderate emphasis on theories of strategic management along with psychological theories of organization and management | Western theories of cross-cultural variations as well as strategic management apply well in these country contexts |
| | Examples of countries: Singapore, Malaysia, Thailand | Examples of countries: Hong Kong, Japan |
| Relationship-based | Cell 1 | Cell 4 |
| | Stronger emphasis on psychological perspectives involving emic and culture-specific constructs | Moderate emphasis on both psychological as well as on organizational and societal contexts |
| | Role of contextual variables are not as strongly emphasized | Theories of individual modernity and social and cultural change are some of the guiding principles |
| | Examples of countries: Islamic countries in the Middle East to include Saudi Arabia and other oil-rich nations, i.e., UAE, Kuwait, Iraq, etc. | Examples of countries: South Korea, China, other countries in SE Asia |

The cultural metrics presented in Table 1 are created by juxtaposing the *rule versus relationship* orientation of societies (Hooker, 2003) with the organizational culture dimension of *employee-orientedness* versus *job-orientedness* (Hofstede, 2001). Rule-oriented societies are interested in getting things done by the various rules and regulations that are developed in the historical context; there is strong emphasis of formal organizational procedures and arrangements. One is unlikely to receive a special consideration of any kind (e.g., a longer maternity leave) than is usually sanctioned or provided in the human resource policy and procedures of the organization. In contrast, relationship-based societies are likely to focus on maintaining harmonious relationships even at the expense of immediate gains of individual, group, and organizational productivity. Conflicts between individuals and organizations are likely to be minimized by emphasizing the value of harmony and the importance of the collective over individual goals and aspirations.

Organizations in societies which emphasize the norms of job-orientedness demonstrate a stronger concern for *tasks* as opposed to *employees*. Emphasis in getting jobs done on time with strict norms of punctuality is valued. In contrast, the employee-orientedness is reflected in organizations putting a stronger emphasis on personal and emotional well-being of the employees (Hofstede, 2001). The boundary between work and non-work roles tends to be not as clearly defined in organizations that values employee-orientedness. Examples of countries which fall in the four quadrants of this taxonomy are mentioned in Table 1. The majority of the countries in West Asia and the Middle East depict the pattern of strong employee-orientedness coupled with strong relationship orientation (cell 1 of Table 1). Strong religious overtones are also of considerable importance in evolving and sustaining psychological contracts between organizations and their employees in countries located in this quadrant.

Trust between individuals and organizations and their employees are of pivotal importance. Acts of disloyalty to the organization are frowned upon and strongly sanctioned. We suggest that theories that are likely to be more valid and robust in the countries in this cell should incorporate strong culture-specific themes reflecting the two dimensions of employee-relatedness and relationship-based nature of the context.

The complexity of trust and its evolution in different cultural contexts has been addressed in Buchan (2009). She notes that the complexity of trust development is not fully understood and this is particularly true when it comes to understanding the nature of trust, and its varied consequences in the Pacific Rim countries. The multidimensional model of trust proposed by Buchan (2009) should be of value to researchers interested in developing more robust management theories.

Societies which strongly reflect equal emphasis of employee-orientedness and rule orientation are found in the Cell 2 quadrant. These countries tend to be strongly collectivistic in their orientation, but they do emphasize the

utility of formal rules and regulations in the governance of internal environments of the organization and organization environment relations such as labor and industrial relations. Preservation of face (Early, 1997), harmony, and emotional connectedness with the members of one's organization are important. Pacific Rim countries of Malaysia, Singapore, and Thailand tend to reflect equal emphasis of these two orientations. There might be some variations among these countries, i.e., Singapore is more rule-oriented than either Malaysia or Thailand. However, harmony in organizational relationships is valued in all of these contexts. Management theories that are likely to be more applicable in these countries put equal emphases on both rule and relationship orientation in developing the basic structure of relationships and predictions.

Cell 3 countries reflect the values of those Asia Pacific countries which were called economic miracles in the last two decades of the twentieth century. Japan, South Korea, and Hong Kong aptly characterize the cultural orientations of the societies found in Cell 3 of Table 1. Work organizations in these societies are strongly characterized simultaneously by rule orientation and job-orientedness. Theories of management and organizations that are likely to be more applicable in these countries should incorporate the norms, patterns, and practices reflecting both rule orientation and job-orientedness simultaneously. Japan has always been an anomaly (see Shenkar & Ronen, 1987), but on a closer inspection, the economic theories of strategic management and global competitiveness that have evolved in the US and Western Europe do apply to this national context quite well (Li & Peng, 2008; Peng, 2005).

Countries in Cell 4 are characterized by cultural orientation with emphases on both relationship and job orientation. China, Indonesia, and Vietnam fall into this category. There is a stronger tendency to emphasize relationship versus rules in work organizations of these countries. They were late entrants into to the globalization era after World War II – in fact, before 1978, China did not have any presence in the global economy, but lately, it has emerged as the fourth largest economy in the world (Sheth, 2008). Our framework suggests that China is more relationship-oriented than Japan. A closer inspection of the success of Chinese multinational and global enterprises reveals that they are driven strongly by norms of *guanxi*, i.e., interpersonal relationships and connections sustained in the historical context of family- and community-based relationships. The Chinese have traditionally been less effective than the Japanese in evolving large bureaucratic organizations such as Toyota, Sony, and Mitsubishi (Smith & Misumi, 1987). Despite the fact that some of the largest multinational and global organizations are found in the Japanese context, China has evolved as the fourth largest economy. Strong conformity to rules and tacit understanding of norms of organizational cultures that energize performance-related motives and expectations are some of the strong features of the large-scale

Japanese economic organizations. While Chinese organizations may lack this pattern of functioning, they are able to create a synergy by blending strong relationship orientation with job-orientedness, resulting in highly efficient enterprises that are globally competitive.

Finally, the countries found in the Cell 1 category of the cultural matrix are characterized by both strong relationship orientation and employee-orientedness. These countries are not necessarily located in the Pacific Rim countries of Asia, but are more commonly found in the Middle East and western part of the Asian continent. A majority of the countries in this geographical region have been slow to modernize, and there have been major clashes with the values of economic globalization (Huntington, 1996). Strong adherence to Islamic practices and Sharia-law related transactions make these countries develop their economic policies in manners that are in sharp contrast with the West. Maintenance of historically derived and ascribed relationships and power distance (a strong reflection of the importance of vertical relationships) in the various clans and community-based networks are critical. Rules governing business transactions evolve slowly in these countries, and the resistance to Western-style economic globalization is frequently reported in the business press. However, as we have noted earlier, these countries are not located in the Asia Pacific region of the world, and there has not been an explicit discussion of theoretical frameworks that are particularly useful in these countries (an exception is found in Ali, 2008).

## Improving Applicability of Theories for the Asia Pacific Region

Our review of the literature clearly indicates that it is time to design more effective management theories that are particularly applicable to the Asia Pacific region. Three-fourths of the world's population is in the Asian continent, and the countries in this continent account for a large share of the transactions and activities in the global marketplace. Issues pertaining to methodological robustness in testing these theories are also addressed.

## On Theoretical Rigor

Our recommendations for improving the robustness of management theories focused in the Pacific Rim region are made with reference to our taxonomy (see Table 1). Our survey of the literature reveals that most studies are conducted in Cell 2 and Cell 4 of the taxonomy (see Bhagat, 2009; Smith, Peterson, & Thomas, 2008). While this is to be expected, it does not enable us to generate insights and knowledge that are uniquely applicable to countries in Cell 1 and Cell 2 categories. Some of the ways by which theoretical

rigor may be improved is by developing frameworks which explicitly incorporate the important role of the following cultural-specific (i.e., emic or indigenous) concepts. Leung et al. (2005), in their state-of-the art review of the literature on cultural and international business, note that much research on the role of cultural variations on international businesses has adopted what they consider to be a simplistic and static view of culture. Much of the research based on Hofstede's (2001) dimensions fall into this category which, as they correctly noted, was instrumental in inspiring much of the research in this area. For example, collectivism is the dominant cultural value in the Pacific Rim region according to Hofstede's (1991, 2001) analyses, but it would be a mistake if future theory development does not examine the role of indigenous and culture-specific processes that examine selected influences in different areas of the Pacific Rim region. Several new perspectives on culture have been proposed in Leung et al. (2005) – they deal with multi-layer, multi-facet, contextual, and systems perspectives on the role of culture on international business-related processes. Future research should be conducted by incorporating the role of some culture-specific indigenous processes in the various types of perspectives that are proposed in Kitayama, Duffy, and Uchida (2007), Leung et al. (2005), and Smith, Bond, and Kagitcibasi (2006). In addition to these recommendations, we list some of the culture-specific mechanisms that, in our view, are going to facilitate the development of more rigorous theories that are more robustly applicable in this cultural region of the world.

## The Importance of *Guanxi, Chaebol,* and *Zaibatsu*

Given the intensity of research on Chinese management styles including important issues of strategic orientations of Chinese multinational and global corporations, research on *guanxi* ("connections" among important members of a community or segment of society) has been well established (Fu & Liu, 2008; So & Walker, 2005; Xin & Pearce, 1996). *Guanxi* between two individuals or in a community is of long-lasting significance and is based on some aspect of shared background involving a strong element of reciprocal obligation. A unique aspect of *guanxi* is that such relationships are totally absent in the Western world of organizations and that in a *guanxi*-based relationship, one is obliged to provide more assistance and support than he or she receives. Sometimes, these reciprocal relationships are observed even after a rather long period of time (Triandis, 1990). In addition, these relationships cut across organizational hierarchies and include exchange of information that promotes mutual well-being. In a recent survey of business students in China (Chen, Chen, & Xi, 2004), it was found that business students preferred to trust someone in the organization who is from their *guanxi* network, especially if it is based on family relationships or on the basis of

close physical proximity. While the quality of relationships that are found in *guanxi* can go up or down, negative behavior or exchanges affect quality more strongly than the positive ones. The clear implication is that Western scholars and practitioners need to seriously incorporate the role of *guanxi* in countries where Chinese cultural values are likely to predominate including values of Confucianism. In an interesting monograph entitled *Confucius lives next door*, Reid (1999) provides some interesting insights regarding what living in the countries of East Asia can teach us about living in the West. We suggest that ethnographic studies like the one presented by Reid should be a good model to employ the role of *guanxi* in the Chinese context. Similarly, the role of *chaebol* (spelled alternatively as *jaebol*) refers to the South Korean form of business conglomerate in which the role of culture-specific factors play an important role in its evolution. *Zaibatsu*, a phenomenon which is unique in the Japanese context, refers to industrial and financial business conglomerates in the Japanese context in which culture-specific factors play important roles. These three phenomena should be examined by employing ethno-cultural frameworks, specifically developed for these three unique culture-specific processes. While there are parallel mechanisms at play between *guanxi, chaebol*, and *zaibatsu*, there are still enough differences that need to be explored in culture-specific terms.

Earley (1997) is a good example in this respect, and we need to see more theory-driven research in this tradition. Understandably, research reflected in Earley (1997) takes a considerable amount of one's time and is not perhaps fruitful for young researchers in the area of international and cross-cultural research. However, we feel that for senior scholars exploring the role of these kinds of culture-specific mechanisms it is not going to be a burdensome task because considerations of tenure and other career-related recognitions should not pose a major challenge. We recommend that researchers at an advanced state of their academic careers engage in developing theories by explicitly incorporating multi-faceted aspects of *guanxi, chaebol*, and *ziabatsu*. These three unique cultural phenomena, when explored in depth by employing related emic constructs, will go a long way to create a body of theoretical frameworks that are particularly applicable in the Asia Pacific.

## The Role of Globalization in Developing Management Theories

Another issue of considerable theoretical interest deals with the question, "Will globalization lead to homogenization of cultures?" As discussed already, the Asia Pacific region of the world is slowly evolving to be the largest consumer market for automobiles, mobile phones, and other amenities of modern life. While homogenization of culture, i.e., especially mass-market consumer culture, might be taking place in the era of e-commerce and Internet commerce in the twenty-first century, there are fewer indicators that the

dominant cultural patterns of the East and the West are converging. While non-Westerners are glad to endorse the values of materialism and consumerism, they are reluctant to accept dominant social and cultural values of the West (Huntington, 1996).

Countries in the Pacific Rim region including the most developed ones such as Japan, South Korea, Singapore, and Hong Kong have tended to treat Western economic powers as points of departure in their economic development. However, such processes did not necessary accompany the process of cultural reconstruction or changes in the cultural mindsets of people in these countries. Despite being the second largest economy of the world and technologically as sophisticated as any of the leading G-20 countries of the world, Japan has remained a country whose cultural underpinnings in many endeavors of international and global business are not.

A major argument against homogenization of cultures in the Asia Pacific region is based on the idea that traditionalism (such as strong emphasis on *guanxi, chaebol*, and *ziabatsu*) may be unrelated or in fact co-exist with preference for modernity and modern ways of living. Traditional values such as emphasis on group solidarity, inter-personal harmony, paternalism, and familialism, are quite prevalent in these cultures. However, such emphases have not resulted in the undervaluing of achievement-related activities and competition both at the individual level and at the level of the firm. A case in point is reflected in the work of Chang, Wong, and Koh (2003) and Zhang, Zheng, and Wang (2003) in that the ethnic Chinese in Singapore and China strongly endorse both traditional and modern values. Such findings should inform the researcher that the tendency towards developing emphasis towards either a strong rule or relationship orientation depends on the interplay between the new modern-, scientific-, and result-oriented nature of the new global culture of international business and the traditional values.

## Improving Methodological Robustness

Our review of the empirical literature reveals considerable progress towards employing more sophisticated research designs in testing as well as validating management theories that are applicable in the Asia Pacific countries. For example, consider the laudable studies by Earley (1993, 1989), which use experimental methods to investigate the role of social loafing in work performance across the individualism–collectivism divide. More studies are needed using experimental methods as discussed by Leung and Su (2004). Some of the conceptual difficulties associated with untangling the role of collectivistic influences from the individualistic ones are better resolved by adopting the experimental methods.

Other strategies for improving causal inferences in cross-cultural research have been proposed by Leung and van de Vijer (2008). Their method holds