

Middlesex University Research Repository

An open access repository of

Middlesex University research

<http://eprints.mdx.ac.uk>

To, Brian (2010) The adoption of western management methods by Chinese family and publicly listed companies in Asia. DProf thesis, Middlesex University. [Thesis]

This version is available at: <https://eprints.mdx.ac.uk/7248/>

Copyright:

Middlesex University Research Repository makes the University's research available electronically.

Copyright and moral rights to this work are retained by the author and/or other copyright owners unless otherwise stated. The work is supplied on the understanding that any use for commercial gain is strictly forbidden. A copy may be downloaded for personal, non-commercial, research or study without prior permission and without charge.

Works, including theses and research projects, may not be reproduced in any format or medium, or extensive quotations taken from them, or their content changed in any way, without first obtaining permission in writing from the copyright holder(s). They may not be sold or exploited commercially in any format or medium without the prior written permission of the copyright holder(s).

Full bibliographic details must be given when referring to, or quoting from full items including the author's name, the title of the work, publication details where relevant (place, publisher, date), pagination, and for theses or dissertations the awarding institution, the degree type awarded, and the date of the award.

If you believe that any material held in the repository infringes copyright law, please contact the Repository Team at Middlesex University via the following email address:

eprints@mdx.ac.uk

The item will be removed from the repository while any claim is being investigated.

See also repository copyright: re-use policy: <http://eprints.mdx.ac.uk/policies.html#copy>

The Adoption of Western Management Methods by Chinese Family and Publicly Listed
Companies in Asia

A Project and Dissertation

By

Brian To

Approved By Dissertation Committee

Pro Vice Chancellor And Professor Steven Li

Dr. Kate Mcguire

Dr. Barbara Horman

Dr. F. T. Chan

The Adoption of Western Management Methods By Chinese Family And Publicly Listed
Companies In Asia

A Project And Dissertation Submitted to Middlesex University In Partial Fulfillment of the
Requirements for the Degree of Doctor of Professional Studies

By

Brian To

D. Prof. Candidate Number M00135217

National Center for Work Based Learning Partnership

Middlesex University

London, England

UK

January 2010



Table of Contents

Acknowledgments.....	9
Abstract.....	10
CHAPTER I: Introduction.....	12
Chinese Family Managed Business.....	14
Chinese Family Firm.....	15
The Challenge.....	18
Project Aim.....	19
Purpose of the Project.....	21
Objective and Main Research Questions.....	21
Methodology.....	22
Project Limitations.....	24
Malaysia.....	24
Fundamental Differences.....	26
The Chinese In Malaysia.....	30
Structure of the Family Business	34
Operating Methods.....	37
Guanxi.....	38
Face.....	40
Renqing.....	41
Reflections and Personal Learnings.....	44
CHAPTER 2: The Case Study of AHQUAT.....	52
AHQUAT – A Case Study.....	53
The Group Managing Director.....	58

The Learning Organization.....	61
Analysis.....	65
Guanxi and Competition.....	69
Culture.....	70
Cultural Imperialism.....	71
Reflections and Personal Learning Outcomes.....	76
Future Considerations.....	96
CHAPTER 3: The Comprehensive Survey and Questionnaire.....	98
Methodology.....	100
Research Design.....	100
Survey Research.....	100
Survey Section I - Management Systems.....	101
Survey Section I - Management Practices.....	103
Survey Section II - Behavioral Attributes.....	105
Survey Section III -	107
Collage of Survey Questions.....	108
Sample and Data Collection.....	109
Validity.....	109
Reliability.....	109
Data Analysis.....	110
Cronbach Alpha Coefficient.....	110
Descriptive Statistics.....	110
Projection of Human Subjects.....	111
Survey Analysis and Results.....	111
Sample.....	111

Demographic Results.....	112
Section I - Management Systems.....	114
Management Practices.....	123
Section 2- Behavioral Attributes.....	131
Section 3 – The Adoption of Western Management Practices.....	138
Limitations.....	143
Reflections and Personal Learning Outcomes.....	144
Overall Reflections and Learnings.....	147
CHAPTER 4 - The Literature Review.....	149
Reflections and Personal Learning Outcomes.....	161
CHAPTER 5 – Conclusions and Reflections.....	164
Conclusions.....	164
Realization of Research Aim.....	170
Concluding Remarks and Research Implications.....	171
References.....	173
Appendix A.....	181
Tables and Figures	
Tables	
Table 1: A Comparison of Western and Asian Values.....	27
Table 2: Chinese Emigration.....	31
Table 3: Population Distribution of Overseas Chinese.....	32
Table 4: Control of Publicly Listed Companies by Families and State.....	37
Table 5: Comparison between Chinese and American Family Companies.....	40
Table 6: How Leadership Changes with Organizational Change.....	58
Table 7: Internal and External Groups to AHQUAT Corporation.....	60

Table 8: Results of Informal Chats with AHQUAT Executives.....	88
Table 9: Descriptive Statistics - Management Systems.....	115
Table 10: Descriptive Statistics – Western Management Practices.....	123
Table 11: Descriptive Statistics – Behavioral Attributes and Effectiveness of Managing Director	131
Table 12: Behavioral Attributes and Effectiveness of Managing Directors for Family Owned, Privately Held and Publicly Owned Companies.....	137
Table 13: Country Cultural Differences with Management.....	158
Table 14: Integrated Framework about Professionalization of Family Business...	160

Figures

Figure 1: Li Ka-Shing's Holding of Business Enterprise.....	36
Figure 2: Model on Guanxi and Face Interactions.....	43
Figure 3: Four-plex Systems Operating in Malaysia.....	92
Figure 4: Survey Methodology.....	99
Figure 5: Management and Leadership Areas Surveyed.....	108
Figure 6: Age of Participants – Survey.....	113
Figure 7: Participant Regions – Survey.....	113
Figure 8: Position Title – Survey.....	113
Figure 9: Industry Segment – Survey.....	114
Figure 10: Corporation Type – Survey.....	114
Figure 11: Western Management Systems - Family Owned/Controlled	117
Figure 12: Western Management Systems - Privately Owned Companies	118
Figure 13: Western Management Systems - Publicly Listed Companies	118
Figure 14: Western Management Systems - Family Owned/Controlled	121
Figure 15: Western Management Systems - Privately Owned Companies.....	121
Figure 16: Western Management Systems - Publicly Listed Companies	122

Figure 17: Western Management Practices - Family Owned/Controlled	126
Figure 18: Western Management Practices - Privately Owned Companies.....	126
Figure 19: Western Management Practices - Publicly Listed Companies.....	127
Figure 20: Western Management Practices - Family Owned/Controlled Companies.....	129
Figure 21: Western Management Practices - Privately Owned Companies.....	130
Figure 22: Western Management Practices - Publicly Listed Companies.....	130
Figure 23: Survey Section 3 Results, Adoption of Western Management Practices Owned/Controlled Companies.....	142
Figure 24: Survey Section 3 Results, Adoption of Western Management Practices Privately Owned Companies.....	142
Figure 25: Survey Section 3 Results, Adoption of Western Management Practices Publicly Listed Companies.....	143
Figure 26: External Considerations that Impact the Transfer of Management Methods.....	154
Figure 27: Impediment Forces (Von Glinow and Teagrow, 1998).....	155
Figure 28: Five Critical Barriers Against Applying Marketing Concepts (Chen, 1989).....	155
Figure 29: Four Development Phases for Family Firms	157

Acknowledgements

The project dissertation would not have been possible without the support of many people.

My sincere appreciation to my mentor, coach and work based learning advisor and professor,

Pro Vice Chancellor and Professor Steven Li. My heartfelt thanks also go out to my

committee members, Dr. Barbara Workman (Chair), Dr. Kate Mcquire and Dr. F.T. Chan for

their assistance and encouragement. Under their guidance, I was able to express my

knowledge, thinking and analytical ability. Finally I am grateful to everyone who helped me

in the project dissertation process but not listed above, thanks with all my heart.

ABSTRACT

The adoption of Western management methods and systems by companies in Asia has been hyperactive in the last 20 years, fuelled by Asia's growth and thirst for technology, know how, methods, strategies and systems. Companies throughout Asia have spent huge amounts of resources on the adoption of Western management methods. Much of the management literature on Asian management since the 1980s has focused on the Japanese management system. However, in more recent times, an increasing number of publications have focused on overseas Chinese businesses in East and South East Asia, Korean and mainland Chinese management systems.

The research question this dissertation seeks to answer is whether or not Asian companies that are family managed can successfully adopt Western management practices? The methodology used included a mixed methods approach of a case study of a publicly listed overseas corporation controlled and managed by an overseas Chinese family, a comprehensive survey questionnaire of companies in Asia seeking answers to the research question and employees' experiences with specific management practices along with a literature review.

Results indicated that the adoption of Western management methods was mixed within Family managed businesses in Asia. The adoption of Western management practices and systems was found to depend on the type of company. Publicly Listed companies were found to adopt Western management practices more than Privately Held or Family Owned enterprises, however, overall the adoption of Western management methods was limited in all three types of corporations. Western management methods were found to be at odds to the practices of the typical Chinese family business. Characteristics such as paternalism, high levels of centralized decision making, loyalty, obedience to the manager-

owner and issues of trust toward outsiders may produce difficulties in advancing business interests in the future.

Asian political, economic, familial, cultural and environmental conditions limit the ability of Family Owned corporations to effectively adopt Western management practices. The size and type of the family controlled company influenced the extent to which a firm can effectively adopt Western management practices. Limited knowledge of Western management methods within Family Controlled corporations places constraints on growth that will require recruitment of professionals with management experience.

CHAPTER 1
INTRODUCTION
AND
CHINESE FAMILY MANAGED BUSINESSES

The Chinese have an expression,

'shang chang re zhan chang' is translated to literally mean 'the market place is a battlefield'

Zhu-ge Liang

Art of Management

(AD 220-280)

CHAPTER 1
INTRODUCTION

The motivation, idea, and impetus for this project dissertation is deeply rooted in my professional work as a practice professor at several leading institutions and universities in the United States, Asia and Western Europe and as a board and management advisor and consultant to Fortune 500 corporations and family owned enterprises for over two decades throughout Asia. During this period, I have been fortunate to have contributed to the success of numerous corporations, but have also observed the various efforts of other companies who have not been so fortunate in managing growth initiatives, competition and change.

Following a rewarding advisory career in North America, I chose to accept advisory challenges in Asia which I perceived to be the next developmental stage in my professional development.

Despite continuous success in significant corporate growth initiatives in Asia, I was pleased overall with results achieved but surprised and curious that corporate results were not as I would have expected and accustomed to with previous clients in North America, employing similar strategies, approaches, techniques, methods and change initiatives. This was the beginning of an important journey of reflection, research and inquiry into why almost identical management practices were not as effective or successful.

This dissertation seeks to answer the research question as to whether or not Asian companies that are family managed can successfully adopt Western management practices. The dissertation will focus on the triangulation between a case study of the AHQUAT corporation, and the company's attempt to successfully adopt several Western management methods and practices in recent years together with a literature review and the completion of a survey questionnaire that focused on the systems, methods and processes that have been adopted and how successful these management and business processes have been. The

dissertation will conclude with observations and conclusions of specific methods and their effectiveness, as well as concluding observations on the subject of adopting selected Western management methods by an Asian family managed enterprise.

Chapter 1 will provide background on Chinese family managed businesses, the Chinese family firm and some challenges for Chinese family firms. Next, the project aim, research questions, methodology and project limitations will be discussed. To set the stage for the case study in Chapter 2 and to provide an understanding of business within the Chinese context, a discussion of Malaysia, the Chinese in Malaysia, operating methods and Chinese values will follow. The chapter will end with a discussion of reflections and personal learnings.

Chinese Family Managed Businesses

Many of the largest conglomerates in Asia outside of China are family controlled and owned. This includes major Asian business centers such as Jakarta, Manila, Singapore, Taipei, Bangkok and Hong Kong. The Chinese in Indonesia, Malaysia, Philippines and Thailand are in fact the minority. However, in these countries many Chinese families dominate in retail, mining, transportation, manufacturing, plantation and finance. The overseas Chinese have been reported to be astute entrepreneurs and competitive businessmen (Chen, 2004). Many of the original Chinese that immigrated to South East Asia were laborers who were motivated to emigrate as a function of opportunity or as a result of being refugees for economic or political reasons.

Through hard work, tenacity and effective organization the overseas Chinese have excelled in business in the South East Asia region with over 500 million people. They have virtually dominated every national economy with only six percent of the population.

Furthermore, in all of the ASEAN countries, the overseas Chinese have generated powerful business and financial interests (Chen, 2004).

Given this historical sliver, it is no surprise that China is the world's second largest economy "due perhaps to the motivation and effectiveness of Chinese people, whether they are Mainland Chinese or Overseas Chinese" (Shenkar, 2005). It is anticipated that the Chinese economy is to surpass the economy of the United States within less than two decades (Shenkar, 2005).

The Chinese Family Firm

A model of the Chinese family firm was once published in *The British Journal of Sociology* Volume XXXVI – number I. The Chinese family firm model was illustrated as having three aspects of Chinese economic familism distinguished as nepotism, paternalism and family ownership (Wong, 1985). This is the first occasion that I have come across the term 'familism', first characterized by Milton L. Barnett to characterize the behavior pattern of Cantonese Entrepreneurs. In North America, we refer to nepotism as preferential treatment and promotion of fellow family members and village members. This system of promoting and advocating your own is essentially paternalism. The fears of ownership control and maintaining control is an obsession within Chinese family firms, since assets are passed down from generation to generation.

In the same article the author proceeds to describe a model developed by Morton Fried in 1940. The model suggests three distinct types of financial organizations that include: nuclear family enterprises, extended family stores and partnerships (Wong, 1985). Fried's study found that the primary source of capital is either the owner or his relatives. Further, the use of partnerships was also quite prevalent, as most new enterprises required partnerships in which financial resources were pooled largely by unrelated family ties.

A few riveting facts include “nine out of ten billionaires in South East Asia are ethnically Chinese”, and “the overseas Chinese numbering some 60 million hold assets of about USD 2 trillion and generate annual economic output of estimates of over 500 billion” (Weidenbaum, 1996). These kinds of numbers essentially dwarf any other parts of the world. As such, growth, innovation and business expansion is being driven by ethnic Chinese firms throughout the Asia region.

In the typical Chinese family model, most if not all key positions are held by family members. Other strategic positions are reserved or held for relatives who are close and, of course, trusted and those who have worked for the family for a long period of time. Those individuals holding key positions as a function of tenure and loyalty are referred to as “Honorary” family members according to Weidenbaum (1996). This style of leadership is authoritarian, and worked in this context because of the authority that is inherent in ‘the boss’ as leader or even founder of the group.

The unique combination of the owners and managers essentially eliminates the largest problems encountered by firms in the West. Western businesses focus on shareholder interests, shareholder value and all inclusive concern for interests of the shareholder. As the owner-managers are the shareholders within this framework, the Chinese family firm typically has a high degree of management effort. However, even with the flexibility, management are encouraged and reinforced by ties of mutual obligation and duty towards the family.

The Chinese family firm, in recent years, has also tried to adopt some of the Western management practices, such as, recruitment practices and publicly listing some of the company’s assets. However, the most important and desirable assets are kept in complex surrounds of trust, onshore and offshore businesses, holding companies and partnerships that are controlled by the family members. Even if the family recruits professional leaders or

managers in these family firms, strategic decisions will still be made by the family members. Another interesting attribute about these family firms is that there exists a tendency to do business, extend cooperation and business networks to organizations or people with and of similar culture. It is very common for example, with overseas Chinese firms, to extend business to the same village members, clan members (same last name) and those who speak the same dialect (e.g. Hokkien, Fukkien).

There appears to be some immediate shortcomings associated with this model. For example, companies that are consumed with control, maintenance and control within the family have restrictions on managing company growth and migrating to high technology businesses. On overseas businesses there may also be a dependency on technical experts, marketing and sales professionals as opposed to the business. Family or relationship ties are so strong that incompetent, untrained, unqualified relatives are promoted over more experienced external candidates. This personal observation is reinforced by Berger's (1994) research work on Chinese businesses that found Chinese businesses are almost always family firms because within traditional Chinese culture, one can only trust close relatives. He concluded that managers who were not family members were the unhappiest. The reasons and examples cited were that the non-family managers were not trusted and they knew there was no future. A constant thought within their minds was 'to leave the company as soon as possible' and start their own company. Another key observation of Chinese family firms is the obsession with the practice of 'cost control and cost savings' resulting in a very high savings rate, which in turn meant a high investment rate.

Despite many shortfalls of the family model, the existence of a deeply rooted Confucian tradition exists within these firms. A major core value is the loyalty to a hierarchical structure of authority and obedience. This value is practiced between elders and younger members, adults, children and family members, insiders and honorary members. One

critical perspective could be this model represents 'blind loyalty'. On the other hand, this model represents the ability to acquire, develop and grow assets by mostly internal funding, despite legendary frugality.

Family businesses in other areas of the world also offer some very compelling statistics in terms of business ownership and management of the organizations. Somewhere in the vicinity of 80 and 95 percent of businesses in the United States and Latin America and Europe are family managed (Kets De Vries, 1993; Hunt & Handler, 1999). All of these businesses, despite organization size, account for more than 50 percent of the gross domestic product (GDP) of the world's most advanced economies and employ a significant majority of the population (Birley, 1991).

The Challenge

Survival beyond the first generation is the primary challenge facing advisors to family owned enterprises. This reality and challenge is also global and is independent of cultural context or economic business conditions (Birley, 1991). The same research suggests that only 30 percent of family firms into the second generation and only a mere 15-16 percent survive into the third generation (Birley, 1991; Kets De Vries, 1993). Research conducted by INSEAD (2006) of 33 of Asia's high net families from Hong Kong, India, Indonesia, Malaysia, Singapore and Taiwan found similar results.

Although professional management is increasingly being recruited by family firms, in many cases there may not exist a suitable and qualified family member to assume leadership responsibly for the family enterprise. However, leadership successors are mostly family members, despite the fact that many of these successors may not have the skills, expertise, motivation or abilities to assist or advance the business.

Another trend emerging among some of Asia's families is a noticeable increase in the amount of western educated degree holders among the children of Asian family business owners. In the same INSEAD research, approximately 33 percent of the 33 respondents had offspring enrolled in foreign universities (2006). Whilst a new generation of overseas educated offspring is coming to the forefront of business in Asia, it may be one or two more decades before these organizations may benefit from the newly appointed and western educated successors.

Since Asian and Western economies are so interwoven, it is inevitable that the Asian companies will consider the adoption of even more Western management methods. While the challenges of which leadership, management and business practice should be contemplated for organization adoption, still outstanding will be the challenge of succession planning and wealth transfer for all of these companies in Asia.

Project Aim

This project dissertation aims to prove or disprove that Chinese Family Managed and Controlled Corporations can successfully adopt and implement North American Management Methods and Systems. This research and project has been rooted in my eight years of direct advisory and residential work in companies in South East Asia, in both Private and Publicly Held companies. This subject is significant in the context of my background as a management advisor and consultant since mostly change and improvement processes, methods and systems are always included in any growth strategy, organization development effort or advancement efforts of any organization. With such rapid market, technological, political and financial climate changes, how would I know whether or not the professional advisory services that I have provided and continue to provide is correct and that my recommendations have a strong positive probability of success? The creation of change

initiatives and implementation of new methods required significant organizational resources. As such, the study of companies in South East Asia has been educational and compelling in terms of the financial and potential loss or gain (productivity) and in terms of organizational impact and longevity.

Almost all of the Western management methods are focused on “how things should be done” that is to say in terms of behavior, processes, methodology and systems. Whilst at the time of writing this project dissertation, numerous companies in Asia have already adopted management methods from the west. However, even with the adoption of Western management methods over the last two decades, Asia’s breakneck growth has stalled and appears that even in South East Asia, which has been a major engine for economic growth and prosperity, has been hit by the economic plague. The current facts are indisputable. Asian companies are destocking on a huge scale and a collapse in exports has already occurred in 2009. Clearly western financial incompetence has trashed the value of their global investments and consumer demand is drying up quickly throughout the world.

Despite the adoption of Western management methods, Asian governments and corporations have also adopted Western financial and accounting practices. These consequences are terrifying if these practices both management and financial are not appropriate or functional in an Asian context. More sobering, is that many of these advanced methods adopted by companies in Asia will be abandoned during the present economic tsunami, particularly, if these companies resort immediately to survival practices and ignore professional practice.

As the management advisor to several major corporations and institutions, I do have the responsibility to ensure sound, practical and thoughtful advice to clients, in addition to advising on corporate performance initiatives and productivity strategies. In most cases, I also advise the Board of Directors of these companies, enterprises and institutions. In my work in

Asia, I have begun to be startled by the continuous and numerous efforts by corporations to adopt methods primarily from the US and Europe, and within two to three years subsequently abandon these methods after much fanfare at the outset.

The focus of my project has identified which practices have been adopted by Chinese Family Managed Corporations and attempt to determine which methods have been successful and those methods which have been abandoned. This research, work and study will afford me an opportunity in the future to contribute more effectively in my work in both the corporate and education sector and influence innovation in business policy and practice.

Purpose of the Project Research, Study and Dissertation

The purpose of this work was to answer the primary questions which are to determine whether or not, family owned and managed corporations in Asia have been successful in adopting Western management methods?

A secondary purpose of this study is to identify key contributing factors which either help or hinder the effective and successful adoption and use of Western management methods.

The tertiary reason, (albeit practical) was to improve my knowledge, skills and appreciation in advising, consulting and educating family owned and managed businesses and organizations in Asia.

Objective and Main Research Questions

My main objective is to determine whether or not Chinese Family Managed Companies have been successful in adopting selected Western management methods. This was achieved through a case study of an overseas Chinese family controlled corporation, a comprehensive confidential questionnaire that identified key management practices, methods

and systems, together with a literature review of research on both Chinese families and the adoption of Western management methods by families in Asia. The questionnaire was developed, facilitated and executed and the results are illustrated in this project dissertation.

My role in this family controlled corporation – AHQUAT (not the corporation's real name), was that of a main board member and senior advisor to the board and the various group of subsidiary companies. My influence in the company was that of a board director, management advisor and consultant focused on growth strategies and initiatives, and all major investment decisions.

The Primary Research Questions Which Guided The Project Study Are:

Question 1

How successful have Chinese managed companies been in adopting Western management methods?

Question 2

Are present leaders of these Chinese family managed corporations fully educated, trained or prepared or have the ability to adopt Western management methods successfully?

Question 3

What are some of the challenges to the successful adoption of Western management methods?

Methodology - Triangulation

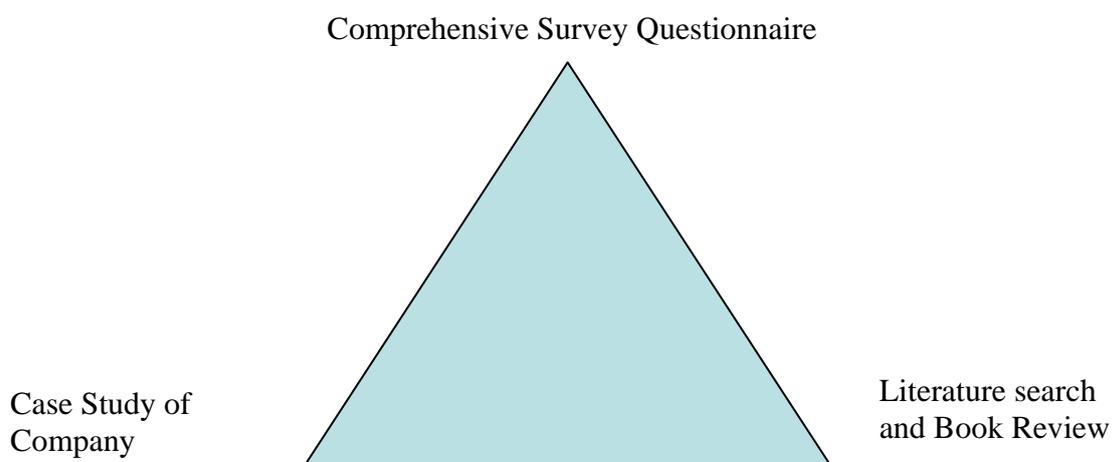
For such a significant project I chose to employ a triangulation approach that proposed the following major components for this project dissertation.

- A. Comprehensive survey questionnaire
- B. Case Study with interviews

C. Literature review

In attempting to answer key questions about the successful adoption of management methods, I truly do not feel that it is possible to rely solely on any one of these methodologies to draw meaningful conclusions about the questions or comments on successful practices.

Such a triangulation approach has been chosen which offers a more thoughtful and thorough approach to the project.



The formulation of a wide span survey questionnaire (diverse questions) for over 70 respondents was ambitious given the somewhat secretive nature of family owned company executives, but given that the potential community of survey respondents would represent at least the industries including banking, retailing, and property development.

Much has been written and studied about Asian business practices. The availability of published material on successful adoption of Western management methods is sparse. Whilst research and articles on comprehensive management are abundant few comprehensive surveys in this area have been facilitated in recent years.

The case study of an existing Asian company afforded an opportunity to ask direct questions similar to those that were formulated for the survey questionnaire. This offers and brings an immediate sense of reality to the entire project. This case study focuses on the

company's attempts to adopt numerous Western management practices over a period of 10 years, and the challenges faced by the company in attempting to adopt practices with no deep appreciation of the implications of the commitment to sustainability.

The combination of these three project components comprises the triangulation appraisals and structure of the methodology. This methodology basically engages the research questions and creates opportunities for findings and conclusions about the following:

1. Experiences of at least 50 other companies with Western management methods;
2. Experiences of a current operating company that has adopted selected Western management methods;
3. Experiences of other students and researchers asking similar questions, and whom have facilitated surveys and questionnaires with similar companies.

Project Limitations

The use of a survey questionnaire, direct feedback through interviews and a literature review has of course some limitations. These limitations primarily include the dependency on the interview candidates and survey respondents being completely honest in their responses. This can only be achieved I feel through trust, rapport and confidentiality. This awareness reinforces the need to restate the need for direct feedback, the assurance of confidentiality and communicating clearly the purpose of the research. Additional limitations include the absence of prior research in this study area, perhaps due to the secretive nature of family managed corporations.

Malaysia

Malaysia, located in South East Asia, is unique in the world in that discrimination in favor of the majority race in the country is explicitly enshrined in its constitution. The

composition of Malaysia's population of almost 30 million is approximately 45 percent Malay, 30 percent Chinese, and 15 percent Indian with the remaining 10 percent a mix of other races. The 'Bumiputras' (which translate into sons of the soil) are the Malays, whose population in recent years has been increasing, while the Chinese population is growing at a much slower rate because they are choosing to have fewer children (Koon, 1997). The racial diversity and ethnic mix in Malaysia is particularly interesting given that the Bumiputras are followers of the Islamic faith and culture.

The Chinese are essentially Buddhists and Christians, and the Indians are of Hindu faith. This Asian melting pot of culture, values, traditions, religions and practices appear to be set in a context of a developing nation running towards industrialization and globalization. The working population will face many challenges in the next few years as a result of: (a) the demands of the global workplace; (b) competitiveness; (c) assertiveness; (d) culture; (e) behavior; (f) management systems and practices; and (g) the proliferation of Western management methods, systems and styles that have been introduced into Asia since the 1980s.

In order to afford a fair perspective, not only in the selection of a country and company, but in terms of interest to the student, I referred to the Transparency International Corruptions Perceptions Index of 2003. Interestingly enough Malaysia was selected 37th in the rankings together with the United Arab Emirates. Among its South East Asian neighbors, Singapore was placed 5th, Thailand was 70th, the Philippines 92nd and Indonesia 122nd. As a basis for comparison the United States placed 18th (p. 3 & 5).

This section will focus on management practices and fundamental difficulties between Malaysian, Chinese and Western management systems in Malaysia. This section also will look at Western and Asian management practices and styles followed by some selected insights into a Malaysian publicly listed company managed and mostly owned by a Chinese

family. This will include implications for a Malaysian publicly listed company that is ambitiously striving to adopt Western management methods and systems in the face of global competition.

Fundamental Differences

In order to understand the basic differences between Malaysian and Western/American values, practices and thinking, a brief study and review of Malay culture and values is necessary.

1. Malays believe that people must live in harmony with nature. The orientation encourages the promotion of a coexistence with others and a willingness to accept situations as they are. The prescription is to 'adapt and take' whatever comes and encourages an attitude of humility, non-confrontation, adaptability and submission. Basically behaving in a way that makes living in the community or being at work easy and smooth.
2. Malays believe in hierarchal relationships where the unequal distribution of power is seen as natural and appropriate. This leads to a ready acceptance of unequal and authoritarian relationships between young and old and superior and subordinate.
3. Malays have a strong sense of social sensitivity and a feeling of shame. They often incorporate the views of others, and the needs and goals of the group before taking a stand or position. Learning to feel shame is the first step towards being mature, as the phrase 'he knows no shame' is the sharpest criticism for a Malay. Avoiding criticism is a strong motivational tool for a Malay, as is adjusting behavior to the social situation and maintaining the family's honor. All are key to face-saving and upholding the group harmony.

4. Being cooperative and having a sense of interdependence and maintaining harmonious relationships with others is important for Malay people to become and remain part of a social network. Thus the focus becomes ‘we’ rather than ‘I’ in the social context of emotional interdependence.
5. The concept of Budi can be described as intellect or kindness. It is the part of the ethical system of the Malays, which reflects their character and development, and influence the way they relate to others (Abdullah, 1996).
6. Change and change processes in Malaysia are not easily coached or implemented, as the Bumiputra Malay culture is resistive to new methods of management. This is fostered by the central government as Bumiputra’s are afforded special privileges in recruitment, housing, education, social services and business.

In contrast, the more Western or American approach and value is more individually focused rather than collectively focused. The fundamental difference can be surmised as “in Asia you receive a group identity; and in the West you make and have your own individual identity” (Lee, 2003).

The following table provides a short summary of the differences in Western and Asian systems.

Table 1: A Comparison of Western and Asian Values

Western	Asian
Main Virtues	Main Virtues
Honor	Face
Courtesy	Respect
Obligation	Reciprocity
Loyalty to Superiors	Respect for Religious Values
Good and Evil	Right and Wrong

The blend and co-existence of Malay, Chinese and Western values, practices, systems and management styles produce a rich and complex environment in which to operate, co-exist and prosper. Hence, the attraction to study and consider the challenges faced by organizations today in attempting to prosper in an environment that is ambitious in seeking development and wealth, in context of increasing corporate transparency.



Historically in Malaysia, the traditional social progression for the Chinese was from coolie labor to small scale entrepreneurship, such as running a modest food stall or small retail shop (food, tailoring, laundry). As a result of pertinent capital accumulation, these small family enterprises progressed to eventually making investments in property, and eventually entered into large scale industry sectors such as, logging, shipping, property development, education, manufacturing, retail developments and trading. The focus of the Chinese has then been solely business and entrepreneurial activities.

The overseas Chinese families effectively employed two principal areas of expertise. The first being the astute management of cash and financing, and the second conservation of

networks of vertically integrated companies which control local market processes only. These networks of trust serve to reduce uncertainty, risk, and transaction costs.

In order to understand the present environment in Malaysia, one must constantly revisit the country. The riots in Malaysia during 1969 cruelly exposed the deep undercurrents of mistrust between the different ethnic communities. The Malays held the political power in the country but significantly lagged behind the Chinese in commerce and industry. The early Chinese immigrant population was primarily interested in accumulating wealth with a view of returning to the 'motherland' at some point in time. Their loyalty to Malaysia was therefore in doubt.

Under British rule, Malaysia's Chinese traders and businessmen prospered. The Bumiputras, who lived mainly in the rural areas, had little access to education, owned only two and a half percent of the country's corporate assets, as compared to the Chinese who owned over 30 percent. Foreigners, mainly British, owned the rest (The Slaughter of Sacred Cows, 2003). The British brought in the Indians from India and Sri Lanka, mainly as 'industries' labor, to work in the rubber estates and other plantations. The Indians were therefore largely disenfranchised in economic and political terms.

In 1970, the Malaysian government implemented the New Economic Policy (NEP), which was to be implemented over a 20 year period. In quantitative terms, the government decreed that 'Bumiputras' would have ownership of at least 30 percent of contracts. New licenses and permits for certain business or industries were reserved solely for Bumiputras (Mahatir Takes A Gamble, 2002). In the housing sector, private developers were required to give discounts of at least seven and a half percent to Bumiputra purchasers. In the education sector, quotas began to exist for admission into public universities and other educational institutions. Much change occurred during this period including political, economic and social that would benefit the Bumiputra's.

Dependant upon social benefits, preferential treatment, cronyism and facilitation funding (better known as kickbacks) occurred. Investors and bankers from the international community viewed the systemic, social and economic situation as problematic. They continued to take a wait and see attitude, despite a new administration. In the recent 2004 general elections, the incumbent ruling party in Malaysia, the Barisan National, was returned to power in a landslide victory. The coalition party is now headed by Mr. Abdullah Badawi, the new Prime Minister. No sooner had he taken over the reins, a Deputy Minister in his cabinet, a prominent businessman was charged with corrupt practices (New Sunday Times, August 8th, 2004, p.4). The absence of direct foreign investment in the country, due to the negative perception of business practices will continue to slow the economic growth and development of the country. In addition, the perception by foreign governments of Malaysia effectively implementing much needed policy changes will also affect the country's economic development.

The Chinese in Malaysia

When referring to Asian or Chinese management systems, one would accurately state that it is Confucian. This suggests that the four 'Asian management' systems, mainland Chinese, overseas Chinese, Japanese and Korean have all been heavily influenced by Confucian traditions.

Asian cultures have managed to keep the unique practice of keeping an organization together as a dynamic group, which is complimentary to the hierarchy, sensitivity and collectivistic norms of Asian culture. The Chinese family business is the type of business that has been adopted by overseas Chinese families also. The overseas Chinese have earned a reputation for the vigorous pursuit of wealth in a very entrepreneurial fashion. Overseas Chinese companies have one so called 'owner' and typically have very simple structures and

very limited capabilities without the benefit of social networks. Since the transformation to communism in China in the late 1940s, the exodus of Chinese to other Asian countries was fuelled by a commercial business mentality. They thrived in non-complex industries such as property, trading and simple manufacturing. The Chinese, known for their hardworking ethic, have maintained close working ties with both family and business/social networks and have prospered in these high growth economies.

Perhaps before proceeding, eastern and western civilizations developed independently until about 250 BC, with the development of the Silk Road. As such, China, which has one of the world's largest populations, has stood as the representation of eastern civilization for about 5000 years. In contrast, a dominant business culture has emerged during the 20th century in the United States and is safely the leader of western civilization in business.

The overseas Chinese have earned a reputation to be particularly active entrepreneurs, according to the 1993 report on the overseas Chinese by Ohio University. Including those who live in Taiwan, this numbered over 55 million people, and had a GDP of over 500 billion (World Daily, 19 January 1994). Overseas Chinese are found all over the world and about 60 percent of the overseas Chinese living outside Asia reside in North America (Poston & Yu, 1990). The motivation for emigration, for those who left China can be best illustrated by the following chart (Wu & Wu, 1980).

Table 2: Chinese Emigration

Reason Given for Emigration	Number of Families	Percentage of Emigrants
Economic pressure	633	69.95
Previous connections abroad	176	19.45
Losses from natural calamities	31	3.43
Plan to expand specific enterprises	26	2.87
Bad conduct	17	1.88
Local disturbance	7	0.77
Family quarrel	7	0.77
Other	8	0.88
TOTAL	905	100.00

As the chart indicates, the Chinese are mostly driven by economic reasons and the avoidance or escape from hardships. The overseas Chinese are the minority ethnic group in Indonesia, Malaysia, Thailand and the Philippines. The population distribution of overseas Chinese is illustrated in Table 3.

Table 3: Population Distribution of Overseas Chinese

Country	Chinese Population	Percent of Total Population
Philippines	600,000	1.4
Indonesia	3,250,000	2.5
Thailand	3,,500,000	8.5
Malaysia	3,687,000	35.5
Brunei	46,700	46.7
Singapore	1,580,000	72.0

(Source: Limlingan, 1986)

The Chinese in Malaysia are a large percentage of the total population, but have very limited direct access to political power. This is a direct result of the colonial period, when the then ruling British encouraged the Chinese to become middlemen (Kapitans), who were essentially brokers, traders, commerce, and business people (Wu & Wu, 1980). During the 1960s, the political power was transferred from the British to the Malays. As a consequence, the Chinese were not interested in developing new political roles in the new independent country.

In 1969, ethnic riots broke out in Malaysia in which hundreds of people were killed. This action reflected the inherent crisis of the ethnic challenges between Malays and other ethnic groups. The aim of the Malaysian government was to redress the disproportionate concentration of wealth acquired by the Chinese and other foreigners into the hands of the Malays (Bumiputras). This was achieved through a new economic policy (NEP) by the government that began in 1971. At the point of the NEP, 62 percent of the economy was controlled by foreign corporations. The Malaysian Chinese and Indians controlled another 34

percent and the Bumiputras held four percent. By 1990, the NEP would forcibly redistribute at least 30 percent of the domestic economic sectors to the Bumiputras leaving approximately 40 percent to Chinese and Indian Malaysians, and 30 percent to foreigners. The government executed this policy by exercising controls on business ownership completing government acquisitions of foreign business using permits and licenses to manipulate ethnic participation and imposing severe employment and educational quotas (Redding, 1990).

In Malaysia, the Chinese community can be divided into three groups. The first group identify themselves with mainland China, both politically and culturally. The second group is interested in profile politics of trade and associations, and the third group has cultivated some sort of Malay Bumiputra loyalty. Owing to the population size, the majority of the Chinese in the country follow traditional Chinese business practices and adhere to Chinese culture. In spite of an engineered system of assimilation, and the increasing mobility of overseas Chinese, many Chinese families sent their children for an overseas education. England, Australia, United States and even Europe were typical choices for educational institutions for Chinese children. Many attended university in these countries and also acquired passports. However, there is still a strong sense of Chinese identity.

In the case of Malaysia, and in other Asian countries such as Indonesia, the overseas Chinese have not exactly lived in friendly environments. This has forced the Chinese to rely upon their own resources, will power and motivation. Throughout history, many open hostilities towards the Chinese have caused eruptions of anti-Chinese violence, which has resulted in feelings of being separate from the environment and uncertain about the future. Perhaps this is why so many Chinese families have sent their children abroad for an education with the possibility of obtaining a passport. Feeling disconnected would cause reaction and over reaction in business and in social situations. The Chinese have followed the practice of extreme caution, constantly developing hedging strategies and deliberate

avoidance of publicity. These strategies are in response to a country that dictates racial quotas for university access, government sponsored economic preference, restriction on certain types of business and restricted rules on the use of Chinese language.

The Bumiputra's (the local Malays all are Muslim) have a clear advantage. The law dictates that the Malays have significant financial advantages over their Chinese counterparts by virtue of being afforded discounts on home purchases and retaining 30 percent of all companies in Malaysia. The Malays must comply with these laws if they want to do any business with any level of government.

Given that local Malay Bumiputra companies have this advantage, mostly Bumiputra companies' award contracts to only Bumiputra companies also. In fairness, also the same occurs for Chinese owned and managed companies, in that business is given to other Chinese businesses. This section is intended to explain the racial, cultural and economic environment of Malaysia, which provides some insights also into the operating environment of the case study of the 'AHQUAT Corporation', which exists within Malaysia.

The question that I set out to ask is 'can a Chinese managed family owned company successfully adopt Western management practices?' Some background on Malaysia is necessary to understand the challenges and the environment, in which the 'AHQUAT Corporation' must operate, compete and perform. The next chapter on Chinese family managed business attempts to explain how the Chinese family, particularly the overseas Chinese, do business outside of China. A review of the structure, practices and limitations of the Chinese family business is included.

Structure of the Family Business

It may be difficult to look for comparisons to the equivalent of family companies in Europe or North America. Family companies in Asia are structured in very complex ways so

that many of Asia's companies have never been heard of in other parts of the world. For many, the lack of visibility, exposure and publicity may in many cases be deliberate and intentional by the company. This is usually a function to avoid jealousy and envy in various populations. As such, the paradigm is for low visibility to be an asset rather than a liability to the family.

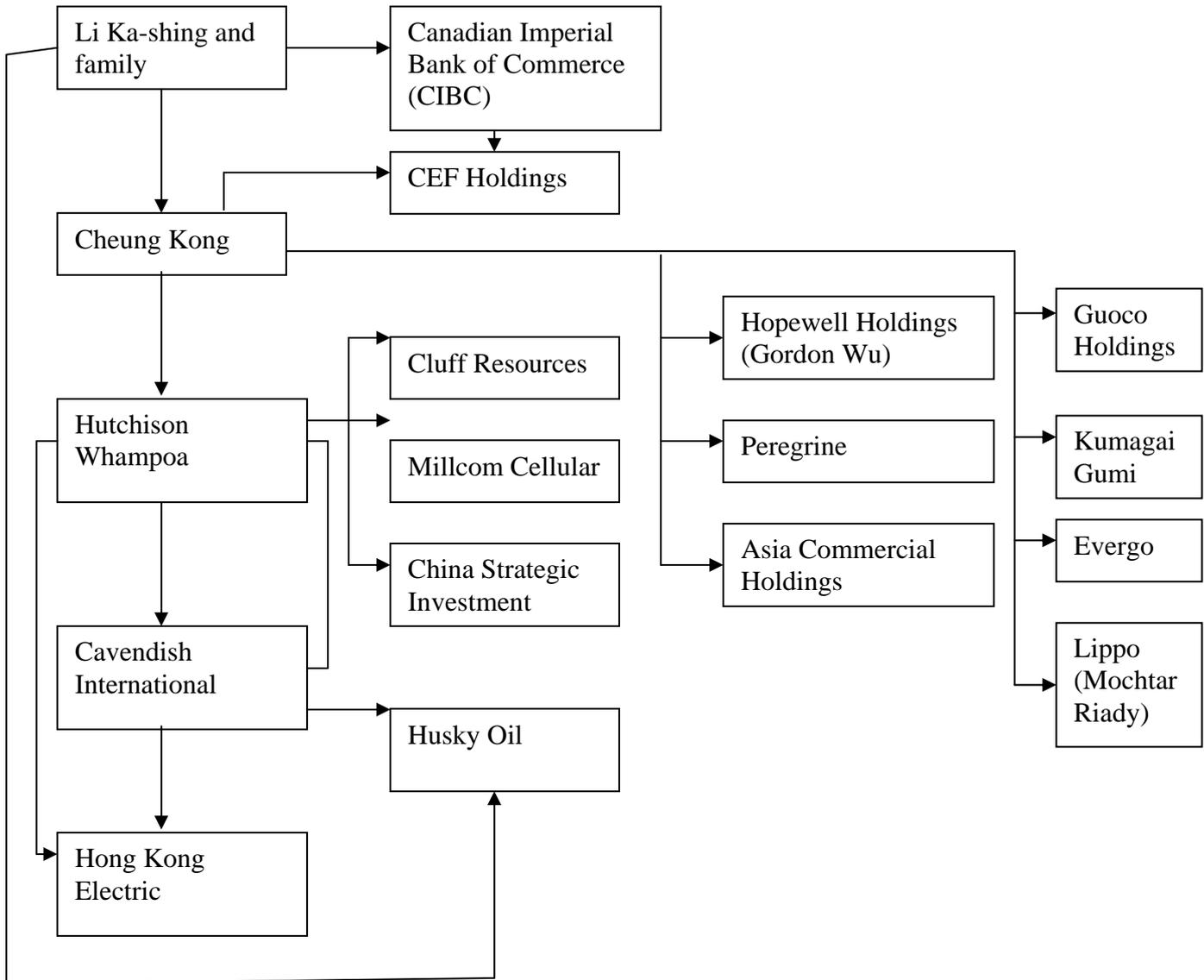
Mostly, family companies are organized and structured in such a way as to have cross holdings between family companies and family members. This way the family maintains control of the family's holdings. The schema of family companies essentially is tight management by placing family members in key positions.

I have seen numerous reasons why sometimes these families, who maintain ultimate control often in secrecy, chose to go public. The reasons include: to seek to raise capital, share and shift risk, exit from the investment, or have a listed public company as a topic for the golf course. Whether public or private, information is tightly controlled and the amount of information that is shared is very limited to those that are trusted. As such, information flow is again tightly controlled throughout the company and in particular outside of the company. Family firms may have one or even several publicly listed companies on a major public exchange where disclosure laws apply, and legal documents and financial statements are in abundance. However, many of these holdings are not visible or disclosed as to the true public ownership, since much of the true assets are hidden and buried. One of the most successful and wealthiest businessmen throughout Asia is Mr. Li Ka Shing, who is based in Hong Kong. "Residents of Hong Kong can barely avoid contributing to the coffers of billionaire Li Ka Shing and his sons, who controls office towers, supermarkets, electronic outlets and telephones companies" (Spaeth, 2004).

In 2004, Time Magazine reported Mr. Li Ka Shing to be Asia's richest man with an estimated net worth of USD 2.8 billion (Spaeth, 2004, p. 34). To demonstrate the complexity

of family holdings, Figure 1 illustrates the shareholdings by the Li Family (Chart by Weidenbaum, 1996), and does not include most recent updated acquisitions.

Figure 1: Li Ka-Shing's Holding of Business Enterprise



Operating Methods

It is necessary to discuss briefly the operating methods of Chinese family management and their approach to business relationships. Family firms in Asia have a distinct benefit over their Western counterparts with fewer levels of management and less bureaucracy which results in a decision making process and system that is faster. Facilitation, of transactions therefore produces a much more responsive and dynamic result.

Very large transactions for example, can be accommodated and achieved in days, rather than in weeks or months. Informal networks such as personal relationships replace committee reviews over diligence, steering groups, approval processes and unnecessary administration. These special skills in building and managing networks of alliances with suppliers, governments and even competitors are positive features of the Asian business heritage and sums up the clear advantage of those family firms (Williamson, 2004).

The following chart on control of publicly listed companies by families and state weights by market capitalization (Claessens & Djankov, 1999) clearly illustrates the volume and extent of family controlled publicly listed companies.

Table 4: Control of Publicly Listed Companies by Families and State

	No. of Companies in the Study Sample	Control by Families (%)	Control by the State (%)
Singapore	221	44.8	40.1
Korea	345	24.6	19.9
Hong Kong	330	71.5	4.8
Taiwan	141	45.5	3.3
Japan	1,240	4.1	7.3

Source: Modified from Claessens and Djankov (1999).

Guanxi

The Chinese attach extreme importance to developing and maintaining ‘Guanxi’ (relationships and connections). Simply stated ‘Guanxi’ binds people together, through transactions and business and is essentially considerations or favors. As defined by Chen (2001),

In the Chinese business context, relationships are a form of social capital owned by business people and associated with the companies they run. Whereas in the West a person is spoken of as wealthy, in the Chinese context, he or she is described as well connected. This phenomenon led the Economist to describe Guanxi as the chief asset of most Chinese companies. (p.45)

Guanxi necessarily requires nurturing, maintenance and cultivation which require a considerable amount of time and investment. This is essentially the most important piece of the business fabric of the Chinese (Chen, 2001). As described by Chen, Guanxi is a socio-cultural concept.

This network building and relationship cultivation is only one piece of the three important concepts of understanding Chinese social behavioral patterns and their business dynamics. The other two master concepts are ‘face’ (面子) and ‘Renqing’ (人情) which will be discussed later in this chapter. Another definition of the term Guanxi by Chen (2004) refers to “special relationships two persons have with each other” (p. 45). It can be best translated as friendship with implications of a continual exchange of favors. According to Chen, “the Guanxi relationship does not have to involve friends, although this is often preferred. The relationship tends to be more utilitarian than emotional” (p. 45). The moral dimension functioning here is that a person who fails to observe a rule of equity and refuses to return favor for favor loses face and looks untrustworthy. Guanxi is actively employed among the Chinese in communities all over the world.

Here the author is essentially very polite. Whenever one refuses to assist (given they can) the relationship is immensely at risk, as guanxi requires reciprocity on an ongoing basis

in order to be functional. As an example, Victor Fung, Chairman of the Hong Kong Investment Bank Prudential Asia advised that to be considered for a partnership, “A personal reference from a respected member of the Chinese community is worth more than any amount of money you could throw on the table” (Kraar, 1994, p. 108).

Essentially, signed contracts merely indicate the completion of the first stage in the business process. Subsequent changes in specific areas are anticipated and expected in the future as unplanned problems arise. A good example is of the subordinated role of formal contracts. Approximately one third of subcontracting relationships with Hong Kong firms are based on an oral understanding (Weidenbaum, 1996). This level of informality is practiced throughout Asia. It is a practice of a combination of centralized controls and informal processes.

Many financial and business decisions are made on the basis of the relationship, experience, intuition, and informal exchanges, rather than detailed analytical reports. Typically, the ethnic Chinese business leaders know each other and execute deals together with information facilitated through informal channels rather than formal processes. One of the major benefits of business being facilitated this way is the dramatic reduction of the overall cost of doing business. These powerful commercial networks allow for the flexible and responsive communication of informal capital, products, and goods that creates a clear competitive advantage. According to Weidenbaum (1996), these practices should not be ignored by Western firms attempting to do business in Asia. Weidenbaum states “attempts to transform these informal, loosely structured but tightly controlled Chinese enterprises into a more bureaucratic, Western style corporation will fail” (p. 62).

Table 5: The following Table is Adapted from Weidenbaum (1996) and Illustrates the Comparison Between Chinese and American Family Companies.

Characteristic	Traditional Western Corporation	Chinese Family Firm
Ownership	Public	Private
Succession	Seniority	Family Members
Organizational Structure	Large Unitary Firm	Cross-Ownerships of Many Medium-Sized and Small Firms
Nature of Control	Decentralized	Centralized
Decision Making	Analytical	Intuitive
Markets Served	Consumer and Industrial	Industrial
Product Line	Narrow	Road and Diverse
Level of Technology	High to Low	Low to Medium
Internal Reporting	Substantial and Formal	Limited and Informal
Due Diligence of Mergers and Investments	Detailed	Nil to Modest
Inter-firm Relationships	Contractual	Informal
Financing	Internal and External	Mainly Internal and Close Networks
Public	High	Low – Medium

Face

Face or one's dignity or self-respect is the second socio-cultural concept outlined in the previous section on guanxi. The maintenance of relationships requires that one's own face as well as other people's face is protected. The loss of face to a Chinese person may be worse than losing a body part or their reputation. As such, communication, social interactions and business dealings have to be conducted in such a way that no one's face is lost or compromised.

However, face can also be afforded and given, which is a form of giving respect and consideration that may mean extending favors or assistance or help (Hofstede & Bond, 1988). Therefore, face is a key component in the dynamics of guanxi which is essentially a form of social currency (Hu, 1944). If one does not have face (mianzi) one has very limited social resources to employ in cultivating and developing network connections therefore, limiting one's ability to facilitate business. An additional component of face is that the more affluent an individual is or the more senior position that one holds, the more face (mianzi) one has.

As in the case of guanxi, the person who fails to give face (given that 'guanxi' exists) may then be viewed as untrustworthy. In face (mianzi) and relationship (guanxi), trust and credibility are two of the most important ingredients to maintain relationships. Face then can sound really abstract and seems that it cannot be measured and quantified, but clearly the relationship between face and guanxi is important. One could summarize by saying that how much face a person has depends significantly on his guanxi or network. In Chinese business, the larger one's guanxi, the more powerful their personal and professional network which in turn means individuals maintains more influence.

Renqing

Renqing is the third of the socio-cultural concepts and is another necessary component for the understanding and cultivating of guanxi. Chen (2001) explains that "renqing is used to express the unpaid debts or favors that accrue through guanxi relationships" (p. 49). Renqing can be literally translated as human empathy or human relationship, and has come to mean favor or gift-giving.

Another way of explaining renqing is that it is an inventory of obligations between people and various networks that are woven between immediate family members, extended family member, non family affiliates, close friends and colleagues. These networks of gifts, favors and considerations create a mutual indebtedness that continues throughout life, and as such reinforces the guanxi between people, families and companies. Renqing debts or obligations must always be repaid, as no dates or time frames are assigned to these obligations. The obligations may continue from generation to generation and are deemed a no time frame concept, which ensure that obligations are binding without a time limit.

Renqing described by Chen (2004) involves social exchanges. There is an inherent obligation for people to keep equity in mind. In this sense, renqing is also a favor with the inclusion of a sentimental element. Chen (2004) adds if one fails to follow the rule of equity

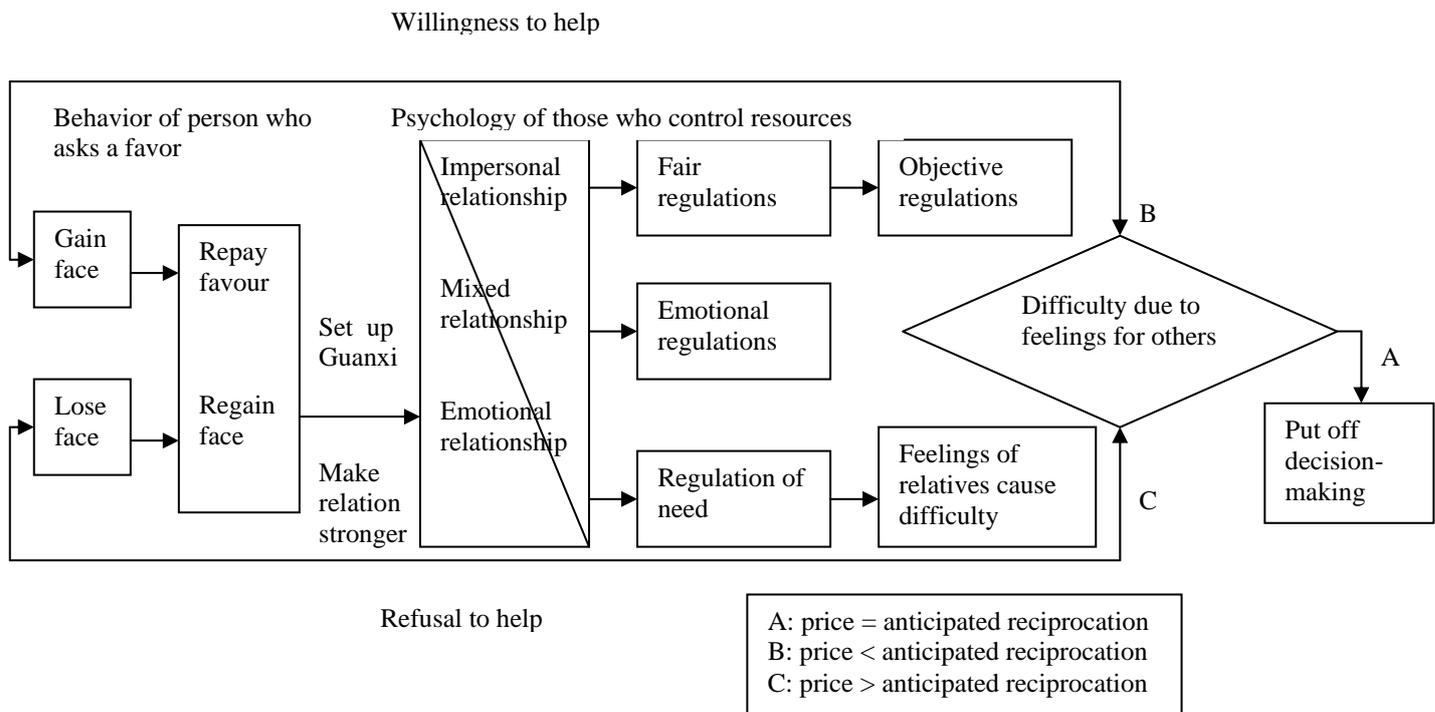
in exchange of renqing, one may lose face, hurt the feeling of ones' friends and ending up looking morally bad. Furthermore, one's guanxi (connection network) is in danger. The concept of renqing has its roots in Confucianism. Specifically, behavioral propriety which focuses on social responsibility of individuals to be aware of and behave according to certain prescribed rules of behavior. One final, but most important aspect of guanxi and renqing, is that in order to enjoy the advantages and benefits of relationships and connections one also incurs the responsibility and burden of obligations, which must be taken care of, at some point in the future.

Given that there are inherent advantages and disadvantages in managing a family owned firm, public or private, I would suggest that most of the disadvantages could be overcome. As the transformation from family managed to professionally managed companies continues, I do not believe it will be a North American version of professionally managed, but an alternative Asian definition, or what might be called a hybrid of both. Following the research on Chinese family owned firms, I am left with several questions in mind?

1. To continue to survive and prosper in Asia and throughout the rest of the world, can Chinese family managed firms continue to be dependant on guanxi?
2. Can Chinese family managed firms successfully adopt Western management practices?
3. Can the Chinese family managed company adopt a more participative management style?

The following chart taken from Huang (1989) illustrates well the model of Guanxi and Face and the interactions and consequences.

Figure 2: Model on Guanxi and Face Interactions (Huang 1989: 33)



Asian family managed companies continue to thrive throughout Asia and the world.

Senkar (2005) articulates that “China is on course to surpass the United States within two decades”. As such, Chinese family managed businesses in Asia and around the world benefit from this growth. It is not likely in this century that family owned, managed and operated companies in Asia, either private and publicly listed companies will cease to employ Chinese methods of management and facilitation. With the strengths of traditional methods, it is more likely that the next generation of leadership, most of whom are educated in the west, will likely blend the Asian business heritage with the advanced innovative Western management methods and capabilities.

Reflections and Personal Learnings

My past and present professional roles include being advisor to corporations and institutions, a professor to several leading academic universities on different continents, a strategist and executioner of strategy, and a strategist and facilitator of change, typically for the purpose of revenue expansion, organization development and competitive market reasons. In these challenging roles, quite frankly much advice is given about strategy, management, leadership, finance and people. I believe that much advice is dispelled quite often without the benefit of research by advisers and consultants.

My rationale for this project dissertation includes eliminating the possibility in my professional work to rely only on intuition, experience and shoot from the hip solutions given the recommendations and advice that I provide which is almost always accepted and implemented with few questions. In my personal and professional quest to become at least a world class advisor, I need to know that the advice I provide in my practice truly represents work based and literary researched management and business solutions, since most of my current professional practice is presently throughout Asia. It has been important to undergo this research on family managed enterprises in Asia as key knowledge and learning components of my work based repository of experience and knowledge. I always wanted to appreciate which methods have been adopted, which ones have been discarded and for what reasons if possible in order to better serve my clients, given the community size of my influence in companies and institutions is over twenty million employees on several continents including China.

This module and phase of my work based learning has included becoming more sensitized to not only being an advisor, but also being a researcher, which has encouraged me to recognize my biases, that is to say biases that have been advanced throughout my professional career. In outlining this methodology for my research, I did in fact consider other

options and approaches for this project. Given that one can assume that many companies in Asia have faced and challenged similar questions about what methods may and may not have worked is compelling enough to complete this necessary research as results may vary between companies, industries, agencies and even regions within Asia. I have felt that as an advisor that I truly need to know and have access to the latest results and findings of other's research and the latest thoughts of leadership for my project of study. Only in this way can I improve the quality of my own professional advice to clients and improve my own abilities and skills in ensuring more effective and quality outcomes.

Organizing myself, as in my thoughts, and my work for this project has required organization and discipline in terms of organizing the project. Learnings during this phase have been significant. The study of families and family managed corporations has not been a trivial task. I have learnt that narrowing the research area or subject of focus is truly necessary, due to the immense body of knowledge that is available in all of these interesting areas of study. At the planning phase of this project, I became particularly ambitious at the outset of this work. I truly wanted to execute a survey of Asian companies; study a family managed company, and have the opportunity for theoretical case application.

In planning this project dissertation, other approaches I considered carefully did include the use of observation studies. Particularly unstructured observation is very appealing in that you could observe management decision making in action. Albeit highly attractive, this would prove to be a very lengthy project and truly how many executive teams would allow you to observe? Perhaps the executive team might also resort to role playing was my thinking. Another methodology that at the outset seemed attractive was group interviews and the use of focus groups. This methodology seemed to me to be the most expedient way of garnering information given that I could assemble groups of executives who have similar characteristics and experiences. I chose to avoid following a more disciplined approach to the

challenges of group interviews and focus groups. Hayes (2000) supports this by suggesting “groups have to be carefully balanced in relation to the age, sex and ethnic status of respondents (p. 395). This approach would prove difficult to facilitate given that senior executives have diverse ethnic backgrounds and age differences would be diverse.

By analyzing and evaluating the benefits and shortfalls of each approach and alternative I was to learn that this was essentially establishing a new pattern of planning and thinking in my planning and organizing a project, which included a research component. I have discovered and learnt that the program proposal phase of this project is crucial in determining the road map, study objectives and desired learning outcomes. For example, the consideration that I had to contemplate in planning and facilitating this project included a review of the ethical considerations in carrying out the survey. For example, privacy protection for the interviewed candidates and anonymity as far as the survey questionnaire respondents were concerned. All of these necessary steps I will now include in my professional advisory practice.

At the outset, I intended to probe and research carefully the challenges that some of these companies have had in the successful adoption of Western management methods. I have learnt that in North America and Western Europe for example, the encouragement and use of participative management systems has proven critical to a company’s continued survival, however, in a typical traditional Chinese managed company there may exist a command and control mentality and leadership style. As such, the adoption of participative management systems may not necessarily be in the interest of the family managed empire. Practical and professional experience in working in Asia over the past has caused me to question and shape inquiry into examining not just the ability of the leaders of these Chinese managed companies, but also the core motives of Chinese family managed companies to fully adopt Western management methods and practices.

In the study of this question and other similar questions, it is clear that Chinese family firms have built a world wide web of business relationships, friendships and networks and now these families have emerged as a global economic power. The following data from a survey conducted by Kao (1993) suggests that the ethnic Chinese share of market capitalization amounts to 81 percent in Singapore and Thailand, 73 percent in Indonesia, and 69 percent in Malaysia. Even more importantly, ethnic Chinese capital constitutes the largest block of overseas investment in the People's Republic of China (PC). Given their regional reach, ethnic Chinese companies and business will obviously have a dynamic effect on Asian economies. Given, again that in the Asian family enterprise, the patriarch has unquestioned authority and manages the business with a modest management team of family members and friends, it makes the study of leadership and management practices even more compelling. According to a study by Gallup and the Global Leadership Institute many of the Asian CEOs interviewed stated that they did not have any formal leadership training nor were they formally groomed for leadership positions (Avoilo & Ong, n.d.) Most leaders were asked to be leaders "because they were the most qualified in terms of their job performance" and not because of any "particular qualifications or experience in leading" (p. 2). Avoilo and Ong suggest that thirty six percent of the leaders came into the position accidentally, with only 25 percent actually consciously striving to become a leader.

Having determined that I would employ both, literary research and the use of a questionnaire, I managed also to contemplate the use of reflection in action. As illustrated in the "Reflective Practitioner", how professionals think in action, that is to say, in my study and research, "must take account of the interweaving of cognitive, affective and group dynamic efforts" (Schon, 1983, p.322). Since reflection in action required the observation of someone, some people in action, this will be best achieved in my advisory practice in working with clients over the project duration period.

During the project period, I was to have an opportunity to analyze two new family enterprises in Asia, both large organizations in terms of revenue (100 mm USD annual turnover). Both companies requested that I analyze their operations. This was to become an excellent opportunity in which to practice reflection in action. My learning here was significant as a function of my advance analysis of company reports, live interviews within the companies at three levels, patient observation of management decision making at management meetings, facilitating a comparison between observation, survey interviews and sensing interviews.

Both of these family managed companies had similar beginnings but operate differently. The first company based in China, was fairly typical of any operating company focused on manufacturing in Southern China. The second company, based in the Philippines was however not so trivial. The company is being managed by the second generation founders, whom had successfully taken a food-stall business and transformed the company into a leading industry food supplier with significant export ability. The owners had advanced the company in under two decades, without the benefit of advisors, consultants, business school training and access to management or business books.

Observing and studying this company was truly enlightening. When probing into their Secrets of Business Success, the principals merely replied that they worked by principles of common sense and were guided by catholic spiritual values and ethics. Upon closer examination of the family, the business was in fact operating in an identical manner as a traditional Chinese family business, either mainland Chinese or overseas Chinese. What is notable here is that the family is Filipino, not Chinese. The learning here was despite the family being Asian and not Chinese is an illustration of the professionalism of traditional Chinese business practices throughout Asia and among other Asian cultures. Whilst one cursory study of a Filipino company is not concrete evidence, it has reinforced the extensive

use of Chinese family practices throughout Asia. My learning here was clearly, why does any Asian company need to adopt Western management practices at all, if they are already successful?

I began to consider that perhaps, Asian families may not all have to adopt North American practices, only perhaps in the event that those companies may be working with North American partners or counterparts. My learnings about how family businesses manage partnerships, network structures and cross holdings with North American firms is also to appoint family members. As in the earlier comments on the Filipino company, the owners discriminate in favor of trusted family members to work with overseas companies to manage joint ventures, deal creation, extending credit or transferring business and for analyzing new business opportunities. I was to observe and learn in this case and other cases that for those business and management activities that have a value component are restricted to those insiders and those routine activities such as marketing and operations, are positions held by professional staff. This I was to learn, is the dualistic nature of family businesses, not just among Chinese families, but also Asian Filipino businesses. In my continued analysis of the same case, I was to reflect on the organizational systems employed in the family business and wondered if the intent of the organization of these family companies was to support two objectives: 1) an organizational design that ensures familial wealth, and affords protection from those possible predators, and 2) an organizational design that creates opportunities for business to expand through the networks of valuable linkages with other families, politicians and overseas networks, essentially social and business networks that have trust and solidarity, that in addition to family members, and ethnic ties, includes corporate, community and political affiliations.

Earlier I suggested that some family firms may not have any present requirement to adopt North American business management practices. In the face of growing domestic

competition, global market forces, and the growing pressure from bankers, venture capitalists and government official and agencies, pressure may be felt to adopt more professional management practices and transparent government structures in the future. In reflection, it may be a matter of corporate survival for many of these family managed firms in the future, should they not consider new governance structures and more contemporary practices.

A change in management practices however, would require a transition. This concept forced me to consider that in the turnover of managing directors, and given the importance of Guanxi in Asian family firms, what happens to the social business capital of the firm as much of the value of the firm is ultimately resident in the personal relationships and social capital of senior executives. Perhaps, however, in the contemplation of business owners to consider adoption of new practices may itself encourage some key senior family members and senior executives to leave the firm as any major changes may highlight certain incompetencies and ultimately affect the Mianzi of the individual. Given these reflections, I began to consider if I could devise some processes or methodologies that would enable a softer journey and landing in the midst of adoption of new practices and transition changes within a family firm. The welcome challenge here was how I could effectively communicate and illustrate the change processes to a client that could mitigate turnover risk for the family firm.

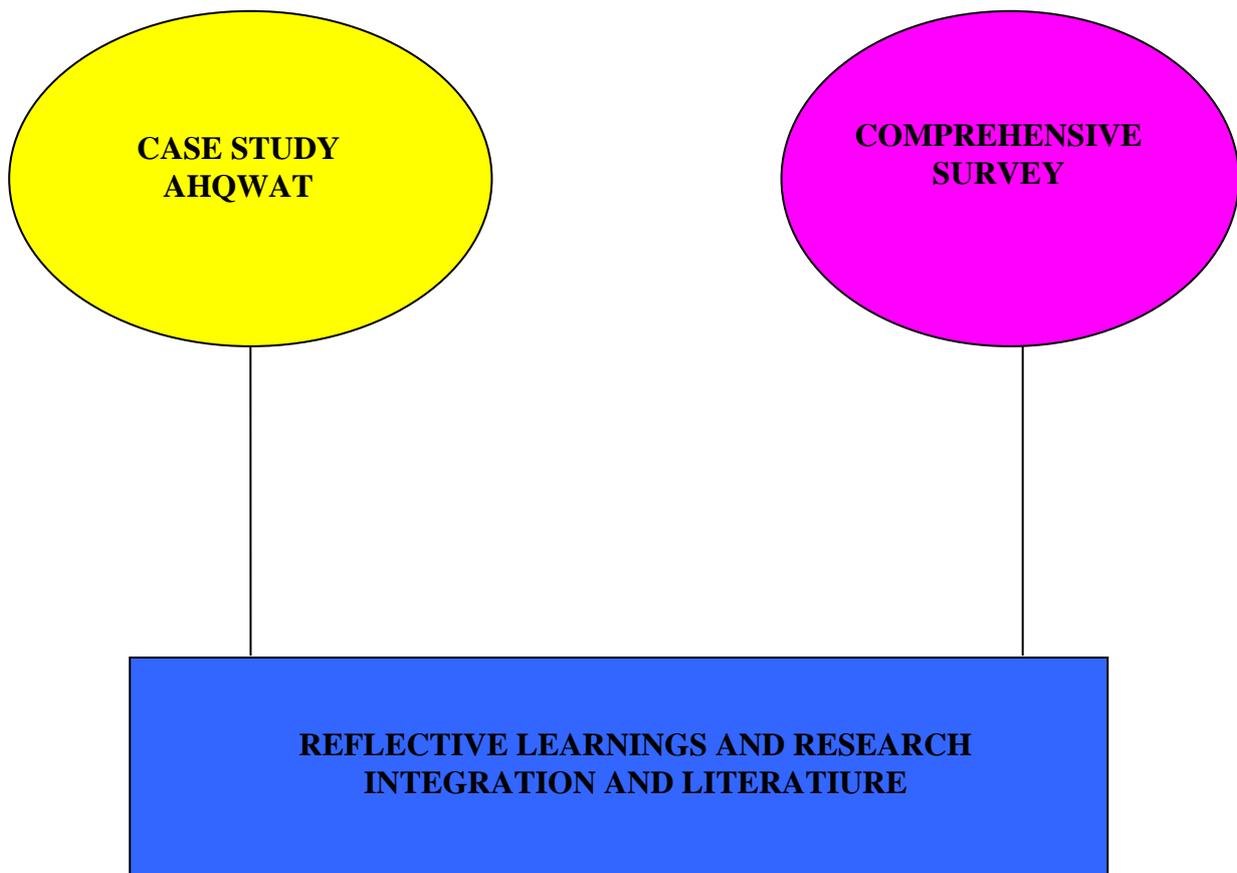
The work based learning, reflections and discoveries for me as a researcher have been drastic. Whilst throughout this project dissertation I have disclosed my professional experience and level of professional experiences and level of professional assignments, I have been humbled to discover through both practical study and literary research just how limited my scope, approach and knowledge has been in my practice as an advisor to family firms in both North America and particularly Asia. Further, whilst I have been at times a broken record to my clients, in advocating change and adoption of best practices, I have realized that my greatest learnings are in a sobering alert for myself to truly study the

available body of knowledge and research in each area of client study practice and target area for possible change and improvements. Given the advantage and insights that this project has afforded me, I have contemplated over the past three months each of the individual major assignments I was involved in as a business strategist, consultant and advisor over the past two decades. I examined the changes and advice given based on the knowledge and first hand insights that this project has motivated me to explore. At the time of writing (2009) the Global recession has motivated me to explore and look beyond traditional research settings which in my research were primarily in North America and Western Europe. The management and business research community is becoming more international, and the explosive growth in publications reflects the demand for research in this area. A key learning and discovery that I have made during this project is the motivation also for further inquiry into what appears to me as being a research area in its infancy. As industrial latecomers to the global marketplace, I have learnt that most South East Asian companies have the technological capability to enter international markets through strategies of joint alliances and ventures. However this has not been the situation in the case of the adoption of management technologies and practices, human performance and processing know how or even motivational strategies or participative management systems. Perhaps Asian families will need to move beyond cost factor and investment based strategies and consider moving towards an innovation driven phase of development.

CHAPTER 2
THE CASE STUDY OF AHQUAT

“There are four things that mask a man of superior mind. He takes nothing for granted, he is never over-positive, he is never inflexible, and he is never egoistical.”

- Confucius



CHAPTER 2

AHQWAT A CASE STUDY IN ASIA

Overseas Chinese are reputed to be astute entrepreneurs and competitive businessmen and respond to changes quickly in areas of trends, technology and product development. According to a 1993 research report on the Overseas Chinese by Ohio University, overseas Chinese numbered 55 million and had a GDP of more than 500 billion. Total assets for overseas Chinese total approximately USD 2 trillion, which surpasses that of Mainland China and amounted to two thirds of that of Japan's assets by early 1990s (World Daily, January 19, 1994, p 4). In general, the overseas Chinese economic influence is much more powerful than their sheer population. For the sake of social stability, governments are reluctant to reveal the extent of the overseas Chinese economic might, therefore governments misleadingly use a blend of Chinese and native economics (Chen, 2004, p. 61).

From a political standpoint, the Chinese in Malaysia have very limited access to political power. During the colonial period, the political power that the British held was transferred to the Malays. Consequently the Chinese were not interested in the newly developing nation and have remained in their traditional economic sphere. Thus, the sphere of influence in Malaysia is clearly defined in terms of race. The government is a Malay monopoly where Chinese control the modern economy and the Indians dominate the legal professions and unions (Chen, 2004, p .63). This model is unlikely to change in the near future as no motivation exists for the Malay monopoly to change.

The AHQUAT Corporation is a first board (main board) publicly listed company on the Kuala Lumpur Stock Exchange (KLSE) located in West Malaysia. For the purpose of definition, the KLSE main board is the equivalent to the New York Stock Exchange (NYSE) in the United States. The company was incorporated in 1969, and went public in 1971. Since that time, the company has diversified its interests from its roots in rice mailing to significant operations in property development, education, construction, plantations, insurances, real estate and strategic investments.

The company is essentially controlled and managed by an overseas Chinese family, the NORTI family and is considered to be one of the wealthiest families in Southeast Asia and certainly in Malaysia and Singapore. The majority of the family assets (greater than 90%) are not resident in the publicly listed company, but rather held in offshore private trusts.

In 2001, the Board of Directors of the “AHQUAT” Corporation extended an invitation to a Management Consultant to join its Main Board Company as a Board Director. Following the appointment, the company’s strategic plans were re-crafted to focus on corporate growth that incorporated the acquisition of a land bank, capitalizing on the company’s competencies of property development and construction. In late 2002, the

company was successful in securing a land bank of 524 plus acres of freehold prime land in the central corridor of Klang Valley. The transaction was completed in June 2003.

The result of this successful acquisition allowed the corporation to begin effecting management and organization changes within the company. These changes included adopting Western management practices such as strategic planning processes and CRM (customer relationship management) among other practices, processes and initiatives. Essentially the appointment of the Advisor/Consultant was to the board Director/Advisor as the driver of corporate change throughout the entire corporation.

The AHQUAT Corporation is a classical example of a Chinese managed publicly listed corporation that is managed by the grandson of the original founder, essentially the third generation of family leadership. The grandfather was at an early age an immigrant from China whom was the beneficiary of being at the right place. During those early years, the country was in political turmoil, and an embargo was instituted in the importing of rice into the country. The grandfather courageously chose to illegally import rice and hence a company was born.

As time went by, the first son was to assume leadership of the company and the company flourished and the investments were made in other industry segments such as property, hotels, and food. As the first son grew the company, he became wealthy and in the late 1980s was kidnapped by terrorists for ransom. Following a week of capture and torture, facilitation of the ransom fees was made and the first son was released and business continued. Less than 5 years later the first son was kidnapped again, despite the appointment of bodyguards, who fled during the second kidnapping. In the second kidnapping the terrorists were even more aggressive with the family members. An even larger ransom was requested for the son's safe return. During the hand over attempt, the first son was shot and killed.

The first son's first son was held responsible for leading the company.

The first son's first son began to assume the reigns for the company despite little corporate experience. The new leader, Ah Q Nort, began to engineer a buy out of other relatives who were also shareholders of the company. After two years of negotiation, valuation and legal wrangling Ah Q was successful in assuming total control of selected assets of the company. By this time, the original company was to number over a hundred sister, subsidiary and operative units. No small feat for a newcomer to the position, but seemingly necessary at this point. Uncles, numerous cousins and family members all continued to haggle over which assets they wanted to control, manage, own and operate.

Perhaps one of the most important responsibilities that the Board of Directors or leaders have is actually preparing organizational leadership to effectively manage growth and change during periods of turbulence, such as periods of growth, product rollouts or even acquisitions and mergers. There are many models of leadership, but one in particular, I found that is simple in nature in a leadership study by Bass and Stogill (1990). Bass and Stogill describe two behavioral or leadership types, the first being transactional and the second type being transformational. Each of these behavioral/leadership styles has varying characteristics. The transactional leader, for example, may provide contingent rewards, or rewards given for accomplishments. In contrast, the transformational leader may be effective in realigning values and norms in the organization, and when necessary accommodates and promote internal and external change. Both of these leadership styles each have their own strength in differing situations, and perhaps contingent in effectiveness depending upon the situation.

There are numerous models of leadership, but one model has particular relevance to the study of leadership, in the context of Asian managed organizations. Tannenbaum and Schmidt (1973) developed a theory of leadership, which organizes leadership along a continuum. At one end is the boss centered leadership style, where (bosses) leaders tell

employees what to do, and at the opposite end is the subordinate-centralize leadership style where (bosses) leaders and employees jointly make decisions.

Another model by Dunphy and Stace (1993) identify four types of leadership, which is particularly useful in analyzing leadership styles. The styles identified are: (a) collaborative, (b) consultative, (c) directive and (d) coercive. This model is particularly useful in understanding the style of leadership at the AHQWAT Corporation. Unmistakably, the organization is driven in the coercive quadrant where decision making is entirely self focused by the leader. One observable rule of thumb is the decision-making of the Group Managing Director (GMD), who can be counted on to make decisions entirely to advance himself only. For example, one of the company subsidiaries had not performed well in a 12 month period and had no funds at the end of the year to pay dividends between the shareholders. The GMD in turn utilized a bank line of credit for the operation to pay dividends to himself, friends and family. This maneuver is unheard of in the Western world of business, either in a public company or in a private company. This essentially would be considered self serving and unethical in terms of management and financial practice.

Leadership of the GMD has in fact been entirely coercive, albeit that monthly management meetings are held with little said by any of the executives. Feedback is political and calibrated, and meetings last for hours. The following however, provides a summary overview of the dominant themes/practices that illustrate the behavior, communication and management practices of the GMD within the company. This style of leadership is not uncommon within the region. These so called companies are referred to as “Chinaman businesses” by the locals to illustrate the style of leadership and operation of the company. In fact, all of these styles have a practical use, when appropriate, such as changing circumstances and situations. An example of this can be found in Fielder’s contingency model of leadership where different situations dictate different leadership styles. Fielder

considered two leadership styles. Task-motivated leadership places primary emphasis on completing the task, as opposed to relationship-motivated leadership which places the emphasis on maintaining good relationships (Bateman & Snell, 2007).

The Group Managing Director (GMD)

The coercive and self interested leader cannot possibly sustain a motivated and talented team. Perhaps the introduction here on double loop learning (Abernathy, 1999) would help. Kotter, (as cited in Bichard, 2000) has defined leadership that makes sense of such a GMD. Kotter terms leadership as “creating a sense of purpose and direction, generating support for that vision and inspiring people to achieve it” (Bichard, 2000, p. 44). Perhaps this is where one begins to understand why it is that any major changes have not occurred in over 26 years. Change management is dependant on leadership to be enacted, which is not predictable with the GMD’s leadership style.

A few basic models of leadership are applied to the GMD below to examine the leadership and the effectiveness of such leadership. The following model was found in an article by (Piasecka, 2000) on Not Leadership but leadership.

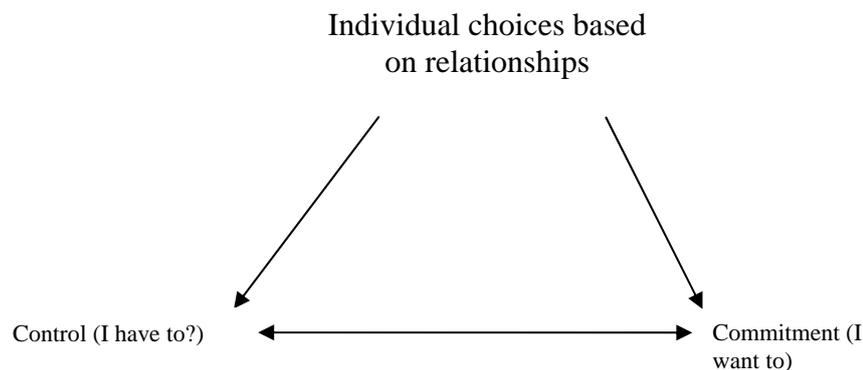
Table 6: Control vs Commitment Leadership

CONTROL	COMMITMENT
Focus on hierarchies	Focus on customers
Bosses make all decisions	Teams make decisions
Managing by rules	Managing by principle
Encouragement of agreement	Fostering thoughtful disagreement
Emphasis on means	Emphasis on ends
Selective information giving	Open information
Emphasis on supervision	Emphasis on development

As seen in Table 6, the GMD is clearly consumed and obsessed with control behaviors and control activities. In fact, the common observation is that the GMD is consumed with micro-management activities. Furthermore, all of these behaviors in the control column are encouraged and role modeled by the GMD on a daily basis.

Moreover, the leadership analysis also offered by Kotter (as cited in Piasecka, 2000) is something called “everyday leadership” (p. 254). In his description of effective leaders, he described the “everyday life of a leader as being a set of tiny actions and well through-out conversations” (p. 254). Kotter further suggests that lots of favors are exchanged (Piasecka, 2000). Essentially a trading environment is created, favors traded and simply put, things get done.

Another way of illustrating this might be the following diagram:



A more dramatic model perhaps is the definition by Goleman (1998) of leadership as being functional intelligence. His work suggests that successful leadership possess five essential components that are outlined as follows:

1. Self awareness
2. Self regulation
3. Motivation
4. Empathy
5. Social skills

When, yet again trying to apply those five essential components to the GMD's style of leadership it again becomes even more revealing or even transparent why the corporation is not going anywhere fast? This is not a critical or subjective comment or even criticism. Even at the point of writing the corporate stock has been declining daily, and trades are at a discount by up 30 percent to NTA (Net Tangible Asset). The GMD has in fact low Emotional Quotient (EQ) skills when in the company of employees, however, when in the company of non employees, and particularly small groups, the GMD's behavior somehow is transformed to being very polite, gracious and accommodating.

The company can be viewed in some sense as a community of individuals functioning together in harmony/purpose with technology for the purpose of satisfying some external need. This separateness to which I referred earlier might exist among certain ignored groups and would prove particularly negative for the organization with key groups. For example, the following groups are internal and external to the organization at the AHQUAT Corporation.

Table 7: Internal and External Groups to AHQUAT Corporation

Groups	Dissatisfaction	Implications
New shareholders within last three years	Market capitalization decrease despite numerous analyst briefings	Mass selling of company stock
Financial Institution	Market capitalization decrease, despite bond issue and institutional leading	Mass selling, decrease in company's ability to increase L.C.'s and institutional borrowing
CEO's Managing Directors, Executive Directors at AHQUAT	Poor bonus payments constant over managing	Contented moral event turnover of senior positions
Senior Managers and Senior Staff	Surprise audits and constant whining and unreasonable expectations from executive management	Lack of focus, securing part time work and increased turnover
Advisor and Consultants	No execution of strategy, poor communication and tyranny leadership	Turnover in advisors left with those who are motivated by job security, not performance and positive outcomes

Albeit the prospects for healthy corporate growth and organizational development seem not to be positive at the present time and perhaps some innovative interventions should be facilitated.

Finally, the following comment on the leadership style of the current GMD who seems recently to be overly concerned with harvesting assets, which may have something to do with the aging process. Presently in his late 50s, and past the accepted retirement age (55) in Malaysia, he may be more concerned with the future of self and family. Survival within the corporation, particularly with the older guard is very quiet at all times. Perhaps those who do not possess strong academic qualifications may be worried about their job security. Regardless, it seems that the company and the leadership at present are not prepared for change.

The Learning Organization

Before examining how best to learn ourselves, it is worth reviewing if the organizations that we are involved in are ready to learn or if they can make the transitions to becoming a learning organization. However, it seems that becoming a learning organization would have to be a deliberate decision on behalf of the company or the leaders of the company. Being or becoming a learning organization would need to be embedded in the core values of the company.

The core values of any company are the organizational tenets and are essentially the anchors that management has to live by, particularly in the midst of continuous change. Some case examples of organizations from Collins and Porras (1996) are as follows:

Harvard Business Review (September-October 1996)

Walt Disney (Values)

- No cynicism
- Creativity, dreams and imagination
- Fanatical attention to consistency and detail
- Preservation and control of the Disney magic

Nordstrom (Values)

- Service to the customer above all else
- Hard work and individual productivity
- Never being satisfied
- Excellence in reputation, being part of something special

Each of these companies succeeded in their respective industry segments (retailing and diversified environment) and are both industry leaders. These companies clearly practice what they preach and are probably obsessed with living by their core values.

This section will continue to examine the AHQUAT Corporation based in Asia and look at the theory on the subject of learning organizations and the importance of learning capabilities in staging companies and organizations to prepare for change initiatives in the future.

Action learning is an approach to the development of people in organizations which takes the task of the vehicle for learning. It is also based on the premise that there is no learning without action. "Action learning implies both self development and organizational development" (Limerick, Passfield, & Cunnington, 1994, p. 34). But what happens when an organization has no idea that it needs to change and cannot determine that its survival is dependant on change or is unaware of the necessity for change?

Clearly, to prepare the organization for learning and for change would be one of the foundation areas of responsibility for the GMD as an indication of effective management and leadership. As the saying goes pick any industry and chances are that it looks very different now than it did a decade ago. The organizations that have had to become learning organizations are numerous. Whether deliberate or default, organizations like IBM and General Electric have transformed themselves successfully as learning organizations. The IBM organization, for example, has undergone a significant businesses transformation this last decade or so.

As we contemplate learning in organizations and staging organizations to be learning communities, the reality perhaps could be staging and preparations are also the keys to organizational effectiveness, specifically, when organizations engage in anticipating change and what changes are on the horizon. Developments that cause organizations to unlearn and relearn typically include; mergers, acquisition, divestitures, product launches, new technology introduction, and economic upturns. Just as important as the learning is within the organization, so is the tale of preparation and reading in order to engage in the opportunities and to respond to market conditions quickly. The reality is and will continually be that organizations undergo continual change and that is inescapable, but essential for organizational progress.

The AHQUAT Corporation is not a learning organization, but claims to be such an organization. However, in fairness to the GMD, the GMD had in fact implemented a process called Learning Community meetings in one of the operating subsidiaries. These meetings included all the company subsidiary staff and lasted about three to four hours each month. Each of the meetings was held on company premises and was always chaired by the GMD himself. Needless to say that feedback was very limited, and most participants just sat, with nothing to contribute. Direct questions asked by the GMD, typically were responded to by a

passive level grunt, yes or no. But in all instances, the group never progressed to any point of healthy exchange of ideas or concepts. The group found the GMD's disposition to be non-trustworthy, non-communicative and they were not particularly interested in what the GMD could offer. The meetings and lack of trust continued for several years. The lack of trust of the GMD was so great by the staff that even after three years the subsidiary staff found the GMD to be detached and aloof.

Following the implementation of Learning Community meetings in one operating subsidiary, the GMD implemented the same model in all of the other major subsidiaries, with no notable results. During the module, I began to wonder what was I missing? Why would staff not open up to the GMD? Limerick, Passfield and Cunnington (1994) suggest that the "action learning organization contributes to continuous improvement and transformational change through a range of interdependent systems of action focused on individual and organizational development" (p. 35). In addition, Limerick, Passfield and Cunnington suggest action learning organizations have the following characteristics:

- A bias for reflection in action
- Formation of learning alliances
- Creation of meaningful information
- Development of external networks
- Multiple reward systems
- Individual empowerment
- Leadership and vision (p. 35).

Further inquiry revealed that not only were these attributes not resident in the staging of the Learning Committee meetings, neither were the attributes of a bias for action. In fact, the common theme of the feedback was that the whole initiative was painful and counter-productive. Seemingly, each meeting was conducted in an audit style, and learning

community members were fingered for the most mundane, trivial and petty items, such as process issues, human errors, non-compliance to policy and non meaningful trivial items. Overall, each group found the monthly meetings to be discouraging, rather than encouraging.

Perhaps Argyris (1985) was right in that leaders, themselves, despite their commitment to continuous improvement, can be the greatest impediment to organizational learning because they fear embarrassment, vulnerability or incompetence. Argyris also suggests that “most leaders engaged in anti-learning respond defensively to information they find threatening” (p. 103).

When applying this to the GMD it makes perfect sense. It appears that the insecurities of the GMD are manifested in terms of a series of defensive responses. There seem to be countless good examples of learning communities that have been setup to engage change, improvement and advancement outcomes. The organization is to ensure that an organization vision is shared among everyone.

The obvious and basic premise of this course is that leadership is concerned with building shared vision, empowering people and inspiring commitment. Neither of these two necessary factors is resident within the organization. This shared vision is important as it enables learning to be translated from a reactive state to a reactive process in the organization.

Analysis

Returning to the GMD again, the question asked by many is can the GMD be retained since he is in his late 50s? Could we then send the GMD for retraining and have him become more sensitive and aware of himself? Furthermore, there is a much broader question here, which is, is there a relationship between interpersonal skills and managerial performance? In a paper by Hunt and Baruch (2003), the authors suggested that numerous studies had in fact

been done on this subject and stated “the relationship between interpersonal skills and managerial performance began to attract attention after the Second World War” (p. 730). The authors concluded that researchers who were interested in this subject could be classified into three categories. The three groups include:

1. Style Theorist – apparently, the first rigorous attempt to link interpersonal skill to effectiveness in business came from Argyris in the 1960’s. His prime objective was to establish how interpersonal feedback affects behavior.
2. The T & D Practitioners – the authors cite that a study by Cooper’s and Lybrand (1985) found that few companies had any link between training, competition, and success. On the other hand, Burke and Day (1986) in a meta analysis of 70 studies found a correlation between the influence of managerial training and performance.
3. Competency Theory – Davis et al. (1996) proposed a framework with five groupings of managerial skills, which they argue are essential for a manager to be successful. These are according to the authors:
 - a. Administrative
 - b. Communication
 - c. Interpersonal
 - d. Leadership
 - e. Motivation skills

Despite these helpful models, I wonder if the GMD has deeper issues than just a narcissistic personality? Nevertheless at this point in my writing, research by Hunt and Baruch (2003) identified four areas of clustered interpersonal skills that are predictive of superior managerial performance that include:

1. Structural, envisioning, target, prioritizing
2. Motivating, enthusing individuals, team building, innovating

3. Assessing rewarding, giving positive and negative feedback, coaching, encouraging development
4. Leading, giving direction, sensitizing, focusing, information searching, scanning, differentiating.

In analyzing the leadership and management style of the GMD, one would have to suggest the following:

1. Under structuring, he would score very well, with the exception of envisioning, if it was to mean having a vision for the company. However, the target setting and prioritizing would be high on the list.
2. With respect to motivating, the GMD would score highly on a scale for motivating by fear and intimidation.
3. As for encouraging individuals, he would score very poorly.
4. As far as team building in his inner loyal circle, he would score very high, but for the rest of the organization it would be a dismal rating of three and four. In both of these areas he would score very poorly as leadership skills have in fact caused continuous turnover, low morale and little teamwork.

At this point, I am beginning to think about whether or not the GMD could actually build and develop the necessary skill set to transform or grow a company of significance. In the previous model, the focuses of the core are all entirely interpersonal skills and areas in which the GMD is lacking. I wonder then if going back to school is a realistic solution for the GMD at this point? A study by Farris, Haskins and Yemen (2003) concluded that executives attend education programs for three main reasons that include:

1. To further specialization;
2. To enhance their understanding of their company's strategic challenges; and
3. To prepare for a new position or assignment.

These of course are all very legitimate and forthright reasons to attend programs, but what happens if the mind set to attend is not appropriate as in the mental model of behavioral assumptions of the GMD? How can positive change occur within the organization if the GMD has such poor interpersonal and communication skills? Kotter (1995) suggests that poor communication is, in many cases, the root cause of failed efforts to achieve effective and lasting organizational change. He continues to say that “transformation is impossible unless people are willing to help, often to the point of making short term sacrifices.

Employees will not make sacrifices if they are happy with the status quo unless they believe that useful change is possible, without credible communication, and a lot of it, the hearts and minds of the troops are never captured” (p.63).

Considering that definition, is it really possible that the GMD could lead major change or transformation efforts? Is he intelligent or wise enough to step aside to allow someone else to lead a much needed transformation? Looking at the leadership and management ability of the GMD, one could only conclude that, there exists in this case an absolute failure to control, manage and lead positive change in an innovative and dynamic way. Of course, it is not just about the GMD? How about the rest of the organization? How do we begin to transform the organization when the GMD claims himself to be a living God? Of course, I asked myself this question. Is there a price to narcissism in the workplace? Despite this analysis, the company achieved records profits in 2005, and the largest dividend was declared in the history of the company.

However, this was not sustainable on a go forward basis. Thompson (1996) cites that “it’s all too easy for currently successful firms to lose their edge and their competitive advantage” (p. 22). Miles and Snow (as cited in Thompson, 1996) cite four main reasons why companies lose their edge:

1. A lack of awareness and not being alert to new opportunities and threats;

2. Retaining a belief in a successful competitive paradigm for too long;
3. An unwillingness to accept the need for structural or cultural change;
4. Poor judgment, which causes a company to make inappropriate decisions.

All of these reasons are applicable and resident in the case of the AHQUAT Corporation, and will eventually affect business performance.

Guanxi and Competition

The rapid growth of business in Asia and global forces will ultimately drive societal and organizational changes throughout the world. In Malaysia in particular, these same forces of change are advancing the country in a way never seen before, recognizing however that the country only 30 years ago was predominantly an agricultural society.

Today's organizations, just as with the AHQUAT Corporation, are being thrust into global competition along and against other highly industrialized countries. In the Malaysian context (Bumiputra), that is to say in Bumiputra organizations (now Chinese), it is the social group (organizations and families) that will provide support for positive changes and initiatives. This provides a very different context for change than in North America companies for example. This includes paying closer attention to developing a community spirit among people as a foundation for change. The comparison here is that in North America, Western management methods and practices advocate an obsession with short-term performance and results. In Malaysia, there is a concept of bergotong-royong. Bergotong-royong simply stated is community effort and has been long practiced within Malaysia. The spirit of this concept is that it anchors the need for community development, cooperation and strength of unity. However, the AHQUAT Corporation, is managed differently, and is not managed in a Bumiputra way, but as a "Chinaman Business, despite the environmental

considerations. The culture of a family owned business is entirely different that those run as multinationals.

I believe there is a trend away from hierarchical and highly centralized organization systems and designs. As such, how long can this structure and design prove functional and effective? Within the next three to four years, I would anticipate several crises emerging within the organization, primarily the crisis of leadership. The GMD will not be able to develop, manage or even innovate new products and services to ensure continuous business competitiveness, given the status quo. At the point of writing, I am now wondering if I overestimated the importance and value of the Chinese business network. The successful community and growth of these networks extends Guanxi (personalities, connections, relationships) to other families and networks. Such networks can solve most of the problems that can arise within the company. However, this is also dependent on trust, which is a fundamental tenet of the Guanxi system/concept. This ethic of trust is central to the business success of the Chinese businessman, however the question has to be, can Guanxi work where the GMD mostly does not trust and few others trust him? In this regard, will Guanxi really advance the company in the midst of uncontrollable market forces and unanticipated changes and narcissistic leadership? Unlikely is my concluding thought since, Guanxi is just like most social network theories, which is dependant upon reciprocity.

Culture

The bedrock of any organization has to be its philosophy and culture. As such an organization or a company's culture unique philosophy is how business gets accomplished where organizations show their own blue print of management and operating processes. Given these observations, we live in a world where over three thousand languages are spoken and each language must in fact have its own culture. We must ask ourselves how reliable can

our understanding be of another culture that speaks a radically different language? Precisely given this question, how reliable can our understanding be of another organization's culture given that there are millions of organizations and corporations? The AHQUAT Corporation has a very strong organizational culture that has tried to valiantly bring itself into the twenty first century in terms of value creation, management thinking and management processes. It is still managed as a Chinese family owned enterprise. The search to understand the nature and consequences of leading and managing a family owned enterprise continues as I strive to understand and appreciate cultures.

The fabric of an organization is clearly its culture, people and processes. It seems to me at this point that some of my past work has truly been incomplete as I have underestimated the force and strength of culture within an organization. Further, the study of organizational culture as a predictor of behavior in change initiatives and the strength of an organization's culture depends on the probability of successful change.

Cultural Imperialism

In attempting to understand organizational change, leadership and behavior, it is helpful to study the connections between the decline in reason and the rise of authoritarian regimens across the European continent. At the turn of the twentieth century, Arendt (1973) found that the rise in Nazism and Anti-Semitism and other forms of nationalism exemplified the consequences of communities and societies built on instrumental reasons and or means over ends.

Some organizations which are defined as lesser organizations cannot govern themselves nor meet organizational objectives without the superior power (Said, 1994, p. 9). This research helps to explain the situation at the AHQUAT Corporation, where patriarch

practices, or so called imperialistic practices control groups in such a way that decisions and processes always focuses on means over ends (Morrow, 1994; Denhardt, 1981).

The study of what is referred to as cultural imperialism is of high interest and is more easily understood as having three forms that include: cultural domination, cultural imposition and then cultural fragmentation (Grubbs, 2000, p. 221). Moreover, as this does apply to the AHQUAT GMD, he is not very visible within the company. However, within the company he is very powerful and highly motivated towards self preservation. The author, however, argues that the elite remain steadfast in maintaining their social prerogatives to the point of justifying all necessary patterns of domination.

The will to self preservation of the upper stratum of society “unequivocally defined the course of actions against slaves, surfs and masses. The perpetuation of privileges was the only rational criterion which determined whether one should fight against or collude with other interests and groups, maintain constitutional government or take the step of authoritarianism” (Horkheimer, 1995a, p. 31-32).

The author further suggests that in contemporary society our own notions of mind and reason as in our intellectual capability and human understanding are essentially meaningless. In doing so, we will have lost the connection between means and ends. Further, without the link, knowledge becomes nothing more than an instrument, which ultimately supports the self perpetuation of the powerful and ensures a broad deterioration in the human condition. As such, the author further equates “the end of reason with the decline of the human subject” Horkheimer (1995a, p. 36).

This became apparent with the GMD under specific directions from the GMD. Senior organizational leaders were instructed to seize intellectual property that did not belong to the GMD or the organization in a blind effort to obey orders and secure a positive space in the mind of the GMD. Those who seized property were not aware that the intellectual property

actually belonged to an external third party and the GMD or company had no rights whatsoever to the intellectual property. The individuals who seized the property did not realize that they were being setup the by the GMD to execute the crime and were now left with stains on their hands. In another region, those hands would have now been removed.

Returning to the theory and definitions of cultural imperialism, the three forms of imperialistic intercultural engagement are cultural domination, cultural imposition and cultural fragmentation. Each requires a brief description and definition in order to understand the value received in helping me make sense of the organizational culture of the AHQUAT Corporation. Cultural domination occurs when a company that is expanding establishes dominance through administrative decrees (Morrow, 1994). The author compares this behavior to the British models of imperialism in the nineteenth and early twentieth century. These models capitalize on their position of authority which may stem from control of financial resources, decision making or accountability to subjugate the owner groups or subordinate groups in the organization. Further the social and related institutions are the very next group/networks to succumb. Time advances the underlying norms, values and beliefs of the lesser cultures that actually get replaced by those of the imperial organization.

This model applies to the AHQUAT Corporation and every subsidiary company that have been infiltrated by AHQUAT loyalists who dominate key board positions and key roles in management. Needless to say, each of these loyalists have advanced the imperial culture to the subsidiary and sister companies. Not surprising however, is the compensation and reward system that favors loyalty to the imperial system and not corporate performances.

The definition of cultural imposition involves the imperialistic leadership and management expansion plans and direct imposition of an administrative system on subordinate groups. As with the previous explanation of cultural domination, the superior power uses a position of authority to exert its will. Cultural imposition is further explained by

Arendt (1973), who suggests that similar to the French model of imperializing in the previous century, cultural imposition starts with the imperialistic group requiring its subjects to adopt key systems. Such systems would include accounting, decision making and other key administrative functions. Cultural imposition occurred with the investment in an offshore company. The imperialist loyalists attempted to dictate the accounting systems and administrative processes that should be employed in the company. The imperialistic attempts to almost colonize were not trivial. Attempts were made by the imperial board members to remove the chief executive officer when he would not comply in adopting certain administrative reporting systems. Further attempts were made to populate the offshore company with imperial systems to no avail during a three year period. What, however, cannot be underestimated here is the strong attempts to impose the company culture.

The third and final form of imperialistic engagement is something called cultural fragmentation. According to the Grubbs (2000) this is different than the previous two definitions as it “appears both as an instrument and as a consequence” (p. 229). Therefore, cultural fragmentation becomes and is an instrument of control. The dominant organization, as a way of ensuring continued control and supremacy may set subject groups against each other, thereby preventing the creation of a total group that may challenge the imperial structure, administration and authority. This, I am certain, is how exactly the AHQUAT corporation arranges itself. For example weekly meetings with the GMD are always one on one. There are never meetings with two business unit leaders and each operating group is always told of other groups’ successes. Similar to parental behavior, business unit leaders who are actually CEOs are always scolded as to the why don’t you do what X does? Or why don’t you adopt these practices? Clearly, business units are pitted against each other and CEOs rush around the company trying to please the patriarch – the GMD. This is an effective strategy for the imperial organization as no signs of dissatisfaction are ever visible as people

just leave. Turnover, in fact, has always been high, particularly when people are unable to conform to the imperialistic culture. Those who stay within the organization seem to live in the safety of conformity.

One observation of the imperialistic practice is the cultural domination within the AHQUAT Corporation, which aims to control the leadership of the organization. This is done through persistent behavior and control of the administrative functions. Control is exerted also through stated policies (which do not exist), of memorandums, formal mandates and other forms of imperial decrees. The use of myths is also employed to essentially secure the mindsets of the imperial loyalists. Myths about past employees or about enemies of the Empire are always discussed as a basis for reinforcing unity, more or less advocating an us and them mentality among the loyal subjects.

One cannot help but to focus again on the GMD's narcissistic personality and behavior as driving and fuelling the imperial organization, perhaps out of a paranoid state. However, more importantly, the organization is stagnant and frozen as a function of spending obsessive amounts of time driving the imperial internal network performance and process efficiency and not focusing on the competition or learning to become competitive. From the perspective of the imperial guard however, the imperial culture works and is very effective. I am beginning to wonder if the culture should be changed at all?

At the AHQUAT Corporation, morale is poor, turnover is high, and there is a lack of focus on the external environment. In addition, short term thinking exists and a perpetual undermining also exists of the new high performers due to jealousy. The imperial culture works for the GMD and serves to satisfy the fears and paranoia that consumes the GMD and his loyalists. However, shareholder value still has not gone anywhere in almost two decades. Does this mean although the company is publicly listed, it truly only serves the purposes of the GMD only without regard for financial consolidation for non family shareholders?

Reflections and Personal Learning Outcomes

With globalization and internationalization business possibilities on the minds of most global businessmen today, I am also prone to reflect about whether or not advancement in management practices are necessary for any Asian Family Owned Enterprise. It is possible that different societies and different regions may continue to have a distinctive organizational or company system? Perhaps this is an appropriate time to mention that not all organizations perhaps need to be consumed with Total Quality Management (TQM), Key Performance Indicators (KPI's), process reengineering or organizational change? However, given those Asian organizations that increase their involvement and engagement with Western firms or other international firms, change initiatives may be necessary as a strategic response to the evolving business and trade situation, particularly from the competitive viewpoint. Should Asian businesses emulate Western management methods? Perhaps a new system is a hybrid of a sort that incorporates Asian values and neo-Confucian beliefs.

Again a quick summary of the distinction between Western management systems and Asian management systems is useful. The Asian system typically incorporates and is characterized by paternalism, personalism, nepotism, relationship centeredness, high conflict avoidance, harmonious, relationships and exclusive forms and networking. However, again, the necessary mode of operation and international involvement exposes many to Western business management practices which eventually may create strategic pressure to move from traditional personalistic forms to a more modern professional firm (Haley, Tan & Haley, 1998).

Further examination of some of the Western management methods however seemed at odds to the practices of the typical Chinese family business. Characteristics included paternalism, high levels of centralized decision making, loyalty and obedience to the manager-owner. These characteristics are in opposition to the Western methods of

participative management and the encouragement of delegation and decision making at the lowest possible levels.

The collectivist nature of Chinese culture has been widely researched. The most significant point here is that the collectivist viewpoint is more important than the individual viewpoint and therefore the collective interest supersedes the individual's interest (Redding, 1990). This collectivist orientation obviously would mediate and negotiate the organizational relationships and influence the behavior patterns.

In the case of the AHQUAT Corporation, the culture is not defined, documented or communicated in any common sense or practical manner. The culture is only subversive or becomes apparent when an error is made. Then and only then is the statement made that is not company policy. However, a policy manual does not exist. It is a gotcha system of operating and is the true culture of the organization and not the espoused culture. This management of two cultures distinctively different will inevitably be very harmful to the organization and its members, particularly over time.

The AHQUAT Company has in fact made some valiant efforts in the adoption of contemporary methods, but like a serial buyer, had failed with almost all adoptions. The employees I was to learn were already hardened by continuous attempts to adopt new "fads" as they referred to each new idea. This continuous cycle over a decade had made the employees quietly pessimistic and each change initiative was greeted half heartedly and without any real comments. The culture now was one of follow and see what happens. No surprise that the financial performance of the company was almost flat for over fourteen years. The challenge for me was to contemplate how to change the culture without changing the owner managing director and at the same time advance corporate performance and profitability. Corporate culture and profitability clearly go hand in hand and I realized that I

had to consider more thoughtfulness in my approach to organizational effectiveness initiatives for clients.

Culture has been defined as “a pattern of shared basic assumptions that the group learned as it solved problems of external adaptation and internal integration that has worked well enough to be considered valid therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems” (Schein, 1992, p. 373-374). Culture with the AHQUAT Corporation, as referred to earlier, contains rules and policies that are never communicated to new employees until major mistakes are made. While this was an effective way to eliminate the new conformists in the company, it is obviously all underhanded on the part of the company, but that is the organizational culture. Schein (1996) refers to this as cultural misalignment. It occurs then that misalignment can occur between those of us who assist companies and those companies where they may choose to spend time. If only we could spend time studying the company before we went to the company to do the work. We could call this the cultural exploration opportunity or ask just how large is the cultural gap?

The body of research and literature on the subject of change, corporate culture and interventions is large, nevertheless change is as important to the organization as are customers and constituents. “From the corporate effectiveness perspective, culture helps explain why some companies are more successful than others” (Smith, 2003, p. 249).

Kotter and Heskett (1992) summarized their research on the relationship of culture corporate performance and concluded the following “(a) corporate culture can have significant impact of a firm’s long terms economic performance; (b) corporate culture will be an even more important factor in determining the success or failure of firms in the next year; (c) cultures that inhibit strong long term financial performance are common and they develop

easily even when employees are reasonable and intelligent people; and (d) although tough to change, corporate culture can be made more performance enhancing” (p. 11,12).

The first two conclusions here are particularly meaningful in my work. Perhaps the main learning here is that for any planned change I must incorporate the planning change as part of the business strategy and carefully consider the cultural issues and impact of any planned initiatives on the existing culture. In my continued study of the AHQUAT case, I realized that in my usual approach of commencing and starting management and business changes in an organization, I have always had the support, authority and endorsement to proceed with haste to achieve results. Usually this is driven by the Board of Directors, and or the Managing Director of the company who needs to be seen to be doing something above improving the company’s results. Despite prior experience in designing large organizational change initiatives, it was now clear that I had underestimated the importance of culture and I had also not planned well the anticipated changes. Also in my haste to achieve early results I underestimated the staff in their ability to delay initiatives, changes and new systems. In reflection, when I consider that in a patriarchal system, the use of coercing, authority and orders is typically adhered to immediately, I was to learn that the community of staff had the ability to postpone, stall, disguise and shroud real efforts in exercising changes. In other words, the staff had the ability to make it appear that progress was being made, but actually little progress was being made, using regularly reporting requirements and deadlines as a distraction to delay efforts.

My role as a management advisor and agent of change is appropriate for the study of Asian management as it forces a curious and analytical opportunity to look at oneself and one’s role as an agent of change as well as one’s own effectiveness as a professional. Clearly, the role and the profession of an advisor is not a trivial choice given that managing corporate culture change, for example, is most difficult. Kotter and Heskett (1992) suggest that

“Leadership from one or two people has to come from the top because to change cultures one needs power at a level only found at the top of organizations and usually the scope of change is of a magnitude that the only individual in a position to change it is the senior management” (p. 92). Further, Brubakk and Wilkinson (1996) suggest that middle managers have an important role to play in major cultural changes, but are often not seen as capable of initiating such changes. Kotter and Heskett (1992) add that “ultimately, it is their [middle managers’] actions that produce the changes” (p. 93).

However, my own observations lead me to suggest that the role of the advisor is quite often managed more effectively by an external resource. While I entirely agree with the necessary support of two at least in the senior ranks, the importance of the change agent cannot be underestimated. Often I have seen change initiatives led by internal executives who neither have the desire, motivation nor experience to lead such efforts. I can recall in recent years two clients who deliberately appointed the naysayers to lead transformation efforts. In both cases, forcing the new supporters to assume the senior leadership roles within the change transformation efforts essentially became a do or die maneuver. My role as the adviser conjures visions of magicians and sorcerers or perhaps they have conditioned us to believe that successful efforts require some type of miracle. Conversely, perhaps it is more of a reality based perspective in knowing that not all change efforts are successful, particularly in the midst of global economic turbulence.

The role of an agent of change itself suggests and invites differing opinions about the definition and expectations of the role. Despite training and education in the study of change, one subject that is necessary to pay attention to in any change process is the subject (again) of culture. Lakomski (2001) argues “that at the root it is the organization’s culture which causes resistance and which needs changing” (p. 68). Further, “in order to change, an organizational learning process needs to take place that pushes the organization beyond its currently held

understandings of itself and its ways of dealing both with its internal and external reality” (Lakowski, 2001, p. 68). The two key points I have taken from this is first that change is a serious force on culture and the second is the requirement of senior leadership involvement in any change initiative.

In much of the literature and theory on culture and management, “culture is widely understood as an instrument of management to shape and control in some way the beliefs, understandings and behaviors of individuals and thus the organization to reach goals” (Ladomski, 2001, p. 69). If time is the proposition could we not then create temporary cultures to achieve behavioral and organizational productivity?

The study case survey has prompted me to think carefully about the importance of leadership in change, and it seems that Schein (1992) has very definite views on the specific relationship between leadership and culture. Given that often in my experience leadership must come from the agent of change themselves, very rarely have I seen this to be the case. Schein (1992) cites that “there are two sides to the same coin in that leaders first create culture when they create groups and organizations Once culture exists, they determine the criteria for leadership and thus determine who will or will not be a leader. But if culture becomes dysfunctional it is the unique functions of leadership to perceive the functional and dysfunctional elements of the existing culture and to manage cultural evolution and change in such a way that the group can survive in a changing environment” (p. 15). This implies that leaders and/or agents of change will focus on the culture following the formation of a group. I would not have instinctively known this myself had I not had the chance to look at the literature.

Typically, in past practice, following the formation of groups, even temporary groups, I have always focused on the group’s goals, mandate, and leader objectives and expected outcomes. The focus on the role of the change agent and the leader is then more of an

interventionist and process consultant given the priority of working quickly on cultural formation. Another reason why I think there is a clear advantage of employing external resources for the role of change agent is that when a major cultural change is necessary within an organization and the leader comes from ranks, the leader may appear to be part of the existing culture of the organization. As part of the existing culture of the organization, the internal leader may not be able to avoid or sidestep the stigma of being associated with the old culture when the existing cultural assumptions have become dysfunctional. Further, the leader may be unable to interpret or define the new culture or even analyze the existing dysfunctional properties accurately.

What is required in the future? Is it the learning leader who creates a learning culture within organizations? This new concept of learning leader might seem to undermine the internal change agent as the culture creator and change master. This is not the intent, but merely questions the ability of internal resources as being possibly disabled by legacy issues, inward focus and lack of experience in leading change efforts. Of course, this is highly situational and circumstantial. Change leaders seem to appear in all forms, shapes, and sizes, both internal and external to the organization. The responsibility and assumptions places higher expectations here on the change master of the future essentially with the ability to replace a common and control mentality with a coaching and collaboration culture. I consider that a patient orientation is also necessary, as clearly change processes and cultural changes take time.

Does this mean that advisors and consultants should be the new profession or should all management and executive leaders learn to become effective change masters? Perhaps if we recognize that if foreign and intensifying competition and business activity such as mergers and acquisitions and global business transactions drives change, then the need for effective leaders will be in demand for many decades to come. In addition, all leaders will

have to embrace managing in an even more competitive climate with limited resources and not always in ideal conditions. The study of AHQUAT has brought about more questions than answers so far. The learning here is the significant increase in my rapport of appropriate questions and insights into a case study of a Chinese family, managing a firm with business activities throughout Asia in the midst of adopting selected Western management practices.

The fundamental requirements for speed, execution ability and flexibility in Asia are deeply rooted in Asian business. Those organizations which are now doing business in Asia are finding that many of the traditional systems and strategic processes and methods are inadequate. As such strategic thinking is necessary for all change leaders, agents, coaches, and consultants. This is not meant to be prescriptive. Based on my own recent observations that companies/organizations are beginning to appreciate that the skills in implementing strategy does not lie so much in the what as in the how tos. This essentially means that alone having the right strategic answer is not enough. We must also be concerned with execution details and behavioral considerations. Those of us who have had the privilege of working through the ranks in many large corporations have also realized that many organizations get stuck in the administrative and strategic annual processes which essentially become meaningless and no longer respond to the demands of business today. Many get caught in the maze of developing three to five year business plans, executing nice charts and irrelevant pro formas that go nowhere while ignoring customers, competition and a rapidly changing business landscape.

Whilst trying to understand this in the context of an Asian company, I chose to study the available research and learnt that startling also is the research findings of Hamel and Prahalad (1994a) in *Competing for the Future*. The authors found that senior managers spend less than three percent of their time focused externally on future strategic trends. This notion is absolutely terrifying to those of us who devote all of our time to strategizing and executing

for companies. This insight essentially is unlikely to enable any organization to stay ahead of the competition and the challenges presented. If we can assume strategic skills and strategic ability needs to be embedded in the entire organization, the future of the work of the change leader must be integrated throughout all levels of the organization. The opportunity to contemplate the strategic processes that occur within an organization can become a vehicle for change. Further, if we were to employ some basic organizational work design principles, the opportunity exists to design and implement a different strategic process. The result of a different process could improve the present models employed and also provide a framework to address and engage current organizational realities.

No strategic redesign would be complete without mentioning the strategic ability to manage one's own emotions, impulses, empathy and social skills. Colemaix (1996) further explains that derailed managers were not successful in their ability to handle their own and other people's emotions. The author refers to such managers as people who have little self-awareness and composure, are abrasive and leave conflicts unresolved as detailers. Strategic development and strategic ability development must include the development of one's own interpersonal skills if we are to become more skilled and effective change agents. Based on what I have learnt from the study of the AHQUAT Company, many of the professional managers had in fact very poor skills and abilities, but were very proficient in managing the political framework for which they were rewarded by the company. In reflecting on the behavior of their managers, it occurred to me that personal survival and prolonging longevity within the company was the primary motivation and not advancing the business of the company.

Given this learning and insight, I am humbled by the fact that I was unable to observe these behaviors exerted and in fact did not anticipate this level of resistance at the outset, a valuable learning for me, albeit, somewhat late.

Deal and Kennedy (1982) propose, “we need to remember that people make business work and we need to relearn old lessons about how culture ties people together and gives meaning and purpose to their daily lives”. Given this statement by the authors, we are reminded of the importance of creating a culture that binds the organization together. The statement also invites thinking about the cultural ties between the organization and its customers. Could a culture be developed to bind the ties between the various customer groups? In other words, the way we deal with each other could become a culture that advances the customer relationship management strategy?

Some organizations such as McDonalds have adopted the view that their management systems are culture free and can be transplanted anywhere in the world (Puffer, 1992). Perhaps, then, change agents attempt to convert employees to a new way of thinking and give emphasis to developing and advancing attitudes that we think are appropriate. Furthermore, changing values along the way to suit corporate agendas and aligning behaviors in the workplace also appears necessary. It is almost as if temporarily we have to become evangelists or preachers of a sort to allure and attract support for the company’s change initiatives.

There could be a temptation on behalf of some change consultants to be blinded by the attraction of serving the account rather than focusing on the deep analysis required to determine whether or not the change agent has the requisite background, skills and ability to achieve the client desired outcome. The professional ethics must be of a high standard in securing change projects since the potential impact is particularly high in such initiatives. For example, in a limited management consultancy exercise led by a global firm at AHQUAT, I have witnessed coercive practices demonstrated by senior partners and consultants. Some of the practices being employed were implemented to bring about conformance to behavioral ideal expectations espoused as part of the change objectives of the change architects and

executioners. This shockingly was followed by reprisals led again by the consultants. The consultants directly focused on those who were perceived as not being supportive of the change efforts or who were believed to be damaging the effort or causing delays in the program initiatives. No surprise that often the staff at AHQUAT behaved as though they were battle weary and had demonstrated no signs of interest in change initiatives.

The awareness of professional ethics seems to be trivial at AHQUAT given that one can safely assume it is always inherent in securing professional services but the assumption is not a safe bet. I was gently reminded that to behave ethically provides a more productive and pleasant atmosphere in which to work. However, given the allure of large consulting contracts for change management, can we always safeguard the client or do we need to gently remind our consultant and advisory colleagues? Given my study of the AHQUAT Corporation I am now inclined to ask, can a family managed company effectively adopt Western management methods on a wholesale basis, without adjusting these possible methods to fit the Asian organization and situation?

A forceful and limited management consultancy exercise was led at the AHQUAT Company by an advisory team from the United States who had some practical experience in Hong Kong, but was not Asian. During what might be called orientation and training sessions, I was to witness their numerous and repeated attempts to motivate the Senior Management Team members to adopt the 8 Habits of Successful People. Given the noticeable absence of the GMD from the training sessions it was clear that the senior management team had no interest in adopting Covey's 8 Habits, unless the GMD himself was going to participate in the program and adopt the programs proposed 8 Habits. More than 380,000 dollars (US) later and training sessions to the entire senior management team, still without the personal participation of the company patriarch, the only common and emerging comments from the participants was about the quality of the food served at lunchtime at the hotel where

the program was held. I was to relearn that involvement is fundamental. Even in training programs, the exercise could have been productive, but failed with naive attempts to advance organizational effectiveness.

Despite attempts to adopt Western management methods over more than a decade, the AHQUAT Corporation struggled with adoption of new management systems and methods. As part of the research of the AHQUAT Corporation, I interviewed previous senior executives who had held senior positions within the company. Their portfolios ranged from managing director to director of corporate development. In all, seven executives were interviewed under the arguments of conformity and privacy. All of whom were asked to participate in an informal chat and all agreed to participate. When all of the candidates initially were asked to participate in an informal off the record chat, they were understandably apprehensive since all of these candidates had departed the company. I deliberately chose not to facilitate a survey, but in fact I chose to ask a few select questions about the adoption of management methods and practices and what results were achieved given the adoption of some of these methods and attempts to adopt.

Firstly, all of the candidates had been senior executives of the company with one person being a Director of Corporate Planning. The rest had been CEOs and Managing Directors of subsidiary companies. Given a short period with each candidate, with an average visit length of approximately two and a half hours, all of those informal chats were held over dinner or lunch and all were hosted by myself and one CEO of a subsidiary company of AHQUAT, who made the introduction to each past company executive. The approach that I chose was to probe what achievements and impact they felt they had made during their tenure at AHQUAT. The following chart illustrates the findings of the informal chats. All of the candidates were asked for their consent for me to make a few notes during the informal chat without disclosing any names. All approved and none asked for informal chat results. As

such, no names are provided in this dissertation. All of the chats were held within a five week period and in some cases the candidates brought along their spouses. In one case the candidate brought along a peer from their present employer.

Table 8: Results of Informal Chats with AHQUAT Executives

	Candidates						
	1	2	3	4	5	6	7
Position	Director corporate development	CEO, subsidiary	CEO, subsidiary	CEO, subsidiary	Executive director	Executive director	Principal subsidiary
Board of directors	No subsidiary Yes	Yes	Yes	Yes	Yes	Yes	Yes
Major coordination	Successful mergers and acquisitions Management by objective (MBO) Annual strategic planning processes	Adoption of strategic partners Teamwork promoted Task teams created	Adoption of strategic partners New programs and services	Revised board of directors practice (corporate governing)	Management by walking around Internal managements development programs	Suggested new methods such as pay for performance	Arranging for credential group managing directors
Credentials and ages group	Postgraduate 40+	PhD 50+	Masters 50+	Masters 50+	Masters 50+	PhD 60+	PhD 60+
Tenure	3	3	3	1	3	1	8 months
Observation on leadership	Traditional Chinese Fraudulent	Tradition al Chinese	Tradition al Chinese	Tradition al Chinese	Dishonest and a thief	Dishonest and paranoid	Narcisstic and egocentric
Departure terms	Involving	Involuntary	Involuntary	Involuntary	Involuntary	Involuntary	Involuntary

All of the executives had a number of similar experiences in their tenure at AHQUAT. Firstly, the seven executives had stayed at the company for a short period of time, the longest about three years plus and the least amount of the time was less than a full calendar year. All of the executives had transitioned out of the company involuntary, and one

executive is still involved in continued litigation with the company at the point of writing this dissertation. All, with the exception of one executive, had served on the board of directors on the AHQUAT Corporation. The one exception had however served on several subsidiary boards of the company. All had advanced academic credentials and were all over 40 years of age and all voluntarily claimed that the company was run in a very China Businessman way. The majority seemed very bitter about the way they were treated by the GMD, and all claimed that they were not given what they were promised in terms of compensation, authority and resources when they initially joined the company. Even in the cases where a contract existed, the contract terms were never honored. At first it seemed possible that I might have been chatting with disgruntled previous employees, but further homework revealed that within the last eight years, almost 60 senior managers had left the company (not including the seven leaders mentioned, all of whom had left suddenly).

Another interesting observation was that all candidates had felt they had tried strongly to suggest new management methods, new systems and techniques to advance the company. In several instances some of these new ideas were adopted philosophically including advising and implementing the 7 habits (Covey) with all company leaders and senior executives. However, within less than a year following intensive training sessions, all of the Covey practices were abandoned, despite the intensity of training and implementation efforts by external consultants.

Another example of the lack of commitment to a consistent code of practice was the adoption of the ISO 9000 practices and standards. Following ISO 9000 certification the entire quality system was abandoned, despite that the certification was achieved at a significant cost and the employment of significant intellectual resources including the creation and use of an independent quality assurance team from outside the company. Finally, all of these executives had known about each other. In almost all cases, they had worked with one

another at the company, or they were all aware of each other's track record, presence and reputation. All had felt that they were squeezed for their ideas during their tenure, and all were presently working somewhere elsewhere within the country. They were pleased not to be associated in any way with the AHQUAT Corporation presently and in fact may have revised their resumes to eliminate their participation within the company. It is difficult to say whether or not the AHQUAT Corporation is representative of the South East Asia region family owned and managed companies. One could safely say, however that this company is typical, in terms of the original founder, initially immigrating to South East Asia and succeeded at creating a company which eventually grew into a family business utilizing traditional Asian management methods. The analysis of this corporation and my role as advisor led me to truly appreciate how a Chinese led family owned enterprise functions. The AHQUAT Company is essentially, an ideal organization that illustrates how these networks of Chinese family and extended family are again tied together and have been bound over decades. The study of Family Managed Businesses, whether public or private is clearly a major component of the global economic system.

Some additional reflections and learnings about the AHQUAT Corporation are as follows:

- a. The AHQUAT Corporation seems to manage very definitively, but strategically for the longevity and prosperity of the family, essentially taking care of the family first through taking care of the business.
- b. The lack of business and management expertise, knowledge and skill can cause a family owned enterprise to falter, pause and limit its own growth.
- c. The family order is the chain of command in the business and adheres to patriarchy as elders before youth despite competencies of some of the junior family members.

- d. There is only one patriarch who is personally and absolutely responsible to his family and his ancestors for the continued prosperity of the family.
- e. The family keeps sensitive information entirely secret, despite being publicly listed giving employees minimal information, including disclosure of compensation and true holdings of family and friends in the company.
- f. Despite the GMD's attempts to adopt several management practices, eventually all of these practices were eventually abandoned. This is however inconsistent with the stated goals of the company espoused at their annual general meeting and through published goals in their annual report.
- g. The GMD demonstrates a narcissistic personality and is consumed with his own (family) profitability and not with growing the total shareholder value of the company.
- h. The GMD removed and replaced executives at random, if and when he perceived potential threats to his position, skills, competences or any sign shown by executives of visible leadership or innovative ideas that reflect visible competence.

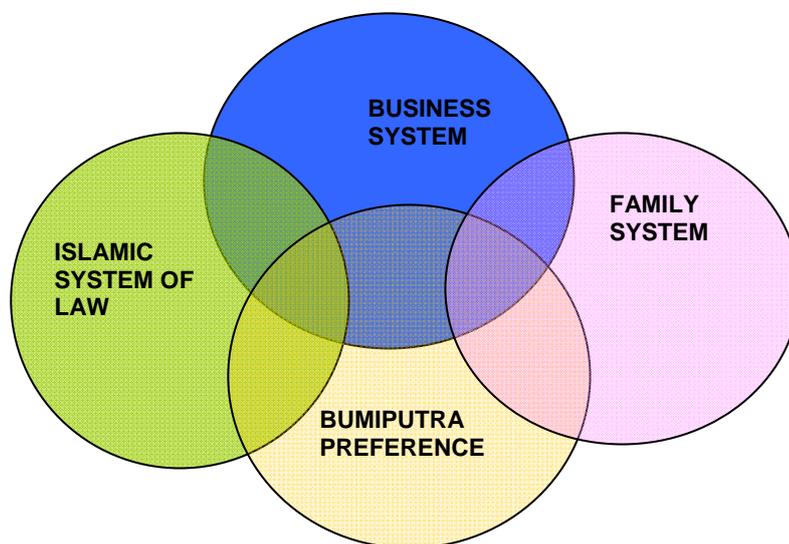
The following conclusions and challenges are presented in a very informal manner, more or less a continued dialogue on the main points in this chapter. Also presented will be subsequent observations and challenges that the case study prompted in my mind.

The AHQUAT Corporation clearly has had challenges and opportunities in the past decade or so in attempting to adopt various methods, systems and practices. With the rapid economic development within the region and the country, it is clear that the company might not enjoy its chosen autonomous management and operating style if it wants to attract growth capital in the future. The demand to advance shareholder value will more than ever become a priority for the company. Its past practice of retaining traditional Asian methods will, I feel only hinder its growth prospects and business opportunities going forward.

Family firms can be defined, I have learnt, as organizations whereby two social systems intersect, specifically, the family system and the business system. This clearly is the system which is employed at the AHQUAT Corporation. Handler (1991) suggests that the family system is able to influence the business system within the corporation because of its involvement in the ownership and management of the business. As such, the involvement of the family system within the AHQUAT Corporation will again compromise its organizational development potential going forward.

Firms that are resident in Malaysia it seems, work in a much more complex system deemed a four-plex system. Table 3 represents my perception and observation of how I view the complexity of managing a Chinese family managed company within Malaysia.

Figure 3: Four-plex Systems Operating in Malaysia



There exists an additional two burdens on family managed companies within these companies. In addition to the business system and the unique family system is the Islamic law

governing the country. The fourth area that complicates the management is the preference system of the local Malay's – the Bumiputra. Essentially, these four systems combined places restrictions and burdens on these companies not experienced by other companies in the same region.

Clearly these Bumiputra companies have a clever economic policy advantage within the country. The preferences for the Bumiputras amongst them are essentially their own version of Guanxi. Being that they control all government agencies at all levels, ethnic preference is entirely legal. There is no doubt that this had an effect on the way that other ethnic groups operate, manage and survive within the country, albeit that the Bumiputras have the largest population.

To survive and prosper in the environment would only reinforce guanxi among the Chinese and the extended Chinese networks. This situation, I would suspect would force these Chinese companies to be proactive to shift assets to other countries. The first priority would be to transfer family assets to overseas markets in the form of real estate holdings, offshore trusts, commercial investments and foreign deposits, thereby deliberately reducing assets within the country. These companies would further reduce the risk exposure for the family essentially then, protecting the family assets.

Given that, in some cases the organization outgrows the managerial capabilities of the company leader, in the case of AHQUAT Corporation, this appears to be the case. This is the reason why the GMD has created a revolving door of senior executives of the corporation. Clearly, the assumption of the leadership position requires preparation, skills and ability. In the case of AHQUAT, the company has performed relatively well considering the GMD assumed leadership responsibility without being prepared. The situations, mini cases and examples presented in the case study of the AHQUAT Company are merely a symptom of the lack of formal education, lack of ability, and lack of external work experience. In

addition, the GMD has an extreme narcissistic personality, probably as a function of paranoia. Despite my analysis, observations and study of the AHQUAT Corporation, the fundamentals that affect the company do not change. The company will need to prepare for the future by preparing for leadership succession, which will become critical within the next five years.

An interesting observation is in the study of the company's financials, which was not part of this case study. Over the last 14 years, a minimal increase of less than ten percent in shareholder value has been achieved. In the case of AHQUAT, leadership has focused on paying dividends to the shareholders (whom are mostly family members) not on capital reinvestment. Investment capital came from the institutional banks, not from the corporation's treasury. This meant that the GMD has and continues to focus on accumulating family wealth, not building shareholder value, which included rewarding the external deserving shareholders.

As with senior executives, the revolving door at AHQUAT also applies to the family's adoption of Western management methods. All of these failed attempts made the leadership of the company appear faddish to the internal employees as well as to the investors (local brokers and bankers). One of the areas of growth for any company I have learnt is innovation. Since the company has been managed by the current leadership, almost no innovative ideas have emerged. Any ideas have come singularly from external resources. Since the company does not value innovation, it is unlikely the company will maintain and sustain a respectable growth rate over the next several years.

Traditional Chinese culture believes that a successful business depends upon three external factors, which include luck, compatible environment and harmonious social relations (Guanxi). Following a study of the AHQUAT Corporation, the areas of guanxi has deeply been neglected. This was evident from the informal chats with previous senior executives,

whom all felt emotionally and intellectually neglected following the first recruitment lunch with the GMD. As seen, unless the GMD sincerely invests in building and advancing guanxi, it is unlikely that the GMD and the company can depend on previous historical renqing of ancestors or family members. With the exception of the new business methods introduced by the British Board Director which were implemented during 2001-2007, the internal ability to create new and innovative business models did not exist at the time of writing. I would argue that to come to terms with managing competition that the company must come to terms with managing change effectively, which it did not at the time of writing.

When change initiatives were introduced directors were essentially all cronies who had a vested interest as a board member. One such board member had a 12 year tenure and incidentally was the 30 percent Bumiputra partner in one of the subsidiary companies. Board meetings were typically a rubber stamp event. It is unlikely that any savvy overseas investment bank would invest in the company following a diligent review of board minutes and a probing interview with each board member. Essentially the board of directors was passive and as such, the future prospects for the existing board to increase its effectiveness are highly unlikely.

The AHQUAT Corporation had survived and somewhat prospered since the current GMD assumed control of the corporation despite limited Guanxi, renqing and encouraging cronyism. However, most of the achievements within the last five years had been dependent upon the quanxi on new executives within the company and not from members of the inner circle. The short-term prospects seemed fine, however, the medium term was somewhat more concerning as a lack of consideration and care was afforded to staff, executives, partners and suppliers. The attitude toward adopting Western management methods and various change initiatives by the company was poor, almost pathetic as with the introduction of positive change. The survey presented in the following chapter of this project dissertation clearly

indicates that the adoption and introduction of contemporary practices is and has been difficult for other organizations.

Also, who are family managed businesses? While this dissertation illustrated the clear co-operative advantages of overseas Chinese, perhaps given the patriarchal leadership style of the GMD at AHQUAT, it is foolish to consider whether or not the company could become a good candidate to adopt Western management methods and systems? Rather, the focus should be not only on the leadership style of the GMD but also on how best to merge the best of both Chinese traditional systems and Western management methods prior to orientation, preparation, adoption or implementation of any change. Identifying which practices truly engage a performance improvement or change initiative and ensuring sensible commitment from the GMD may perhaps help the process to succeed. My learnings suggest that the process can only be achieved by formally educating the GMD in Western management practices and through exposure to Western firms.

Future Considerations

In the words of Redding “creating and combining business systems is like cooking. You start with a set of ingredients, put them together at different times under different conditions and through an unfathomable process of trial an error, accident, or great culinary skill. The end result can be so good as to cause admiration and satisfaction to those able to enjoy them, and envy in these who cannot” (Redding, 1992, p. 50).

Despite differences between Western and Asian management systems, it seems that many Western managed companies may focus on work tasks and Asian companies led by families tend to focus on family interests and people. As mentioned earlier, I continue to believe that one of the more fundamental areas for concern is succession planning. Further, I would venture to propose that the future of new management systems will be created in Asia.

The economic growth in Asia and China specifically in the South East Asian nations is expected to continue to have explosive growth. As such, the demand for innovative management approaches and new systems and processes will only continue to grow.

Despite my observations and learning about the AHQUAT Corporation and its challenges in the past, the challenges that all companies face in Asia in the coming years will not excuse family managed companies from regional and global competitor threats. The challenges will continue to be people, productivity, innovation, branding and internationalization for all companies. Asian companies may need to pay close attention to these factors, whether they are family managed or not, as all companies globally require positive change in order to consistently meet the changing marketplace. This is one of the more important conclusions I have learnt from this analysis and Study Dissertation Project.

CHAPTER 3
THE COMPREHENSIVE SURVEY
AND QUESTIONNAIRE

*“By nature men are pretty much alive. It is their learning
And practices that distinguish them”.*

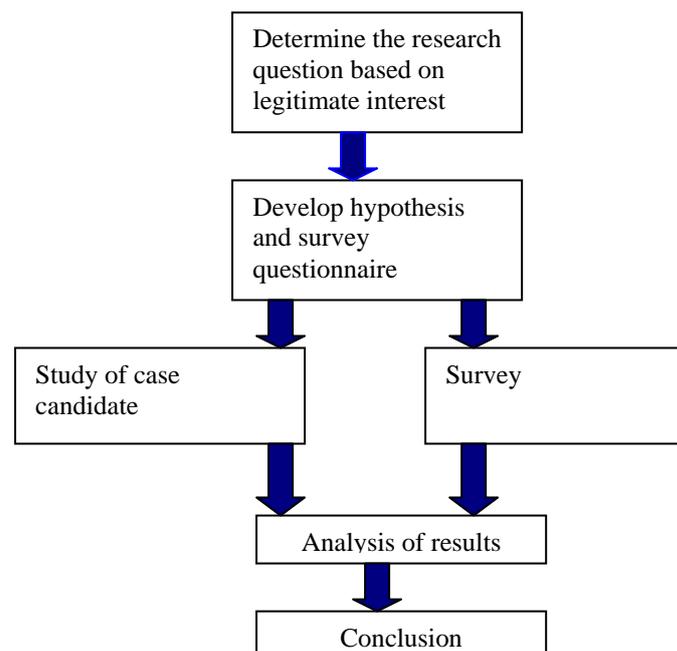
-Confucius

CHAPTER 3

THE COMPREHENSIVE SURVEY AND QUESTIONNAIRE

The research question states ‘Can a family managed Asian publicly listed company successfully adopt Western management methods’? Answering this question I discovered was not easy. I began the exploration of this question by studying a current operating company (AHQWAT) followed by an extensive review of the available literature and research. I then followed up with a survey of mid and senior managers in Asia, representing some 68 companies. The methodology that I chose to follow is illustrated below:

Figure 4: Survey Methodology



In this chapter, I will describe the research survey questionnaire and also explain the survey method. In addition, I will explain some reasons for the survey questions with definitions as well as the purpose. Finally, I will describe the survey results and how some of the findings confirm the hypothesis.

METHODOLOGY

Introduction

The purpose of the study is to: (a) understand how successful Chinese family managed companies have been in adopting Western management methods; (b) understand if present leaders of Chinese controlled or family corporations are fully educated and prepared to adopt Western management methods, and (c) look at some of the challenges to successful adoption of Western management methods.

Research Design

In the present study, a mixed methodology of a single case study and survey research was used to understand if Chinese family managed companies have been successful in adopting selected Western management methods. Mixed methods approaches are used when evidence from one method does not address the research questions sufficiently (Creswell, 2007). By using a combination of qualitative and quantitative approaches, researchers can validate and clarify findings to use in informing strategies and providing new knowledge.

Survey Research

A questionnaire was designed to elicit responses on the use of Western management methods and practices in Chinese owned or controlled firms. Berg (2007) advised that the review of topics and sub questions should be examined by individuals knowledgeable with the subject matter and methodology to ensure the questions are bias free and lead to discovery of the sought after information. The survey was reviewed by experts in Western management practices to refine the survey questions.

Demographic information was presented on the first page of the survey, to determine the region of ASIA, the type of corporation, position title and the industry segment. The

remainder of the survey was divided into three sections which include: (1) Western management systems and practices; (2) behavioral attributes of the managing director, and (3) the adoption of Western management practices. Section 1 is divided into subcategories of Western management systems and management practices. These subcategories are practical applications on what are commonly viewed to be Western management practices and systems. The systems and practices illustrated in this section are of the type one would expect to see in any mid-size to major corporation in the United States today. Data to support the figures for Western management systems and practices may be found in Appendix A.

Survey Section 1

Management Systems

Management by Objectives – A top down management activity process which basically is a system between the superiors and employee in which performance objectives are jointly determined, progress is periodically reviewed, results are evaluated, and rewards are allocated on progress.

ISO Quality Programs – A system of standards developed by the international organization for standardization, which basically defines, establishes and maintains standards and quality assurance systems for manufacturing and service industries.

Team Management Systems – Autonomous work groups in which workers are sometimes trained to do all or most of the jobs in a department or are working for a common purpose on projects for a period of time. Usually team management practices can include involvement, participation in decision making and change initiatives.

Performance Appraisal System – The system of assessment of individual performance and an opportunity for management to communicate with employees on performance feedback, future development opportunities and current challenges.

Balanced Score Card – Deliberate alignment of the organization's strategic and operational goals is the strategic map and balanced score card. The map illustrates the four key drivers of a firm's long term success. The skills of an organization and their ability to grow and learn, the effectiveness of its internal process, its ability to deliver value to customers and ultimately its ability to grow its financial assets.

Pay for Performance – A compensation system whereby pay is determined by the employee's performance. It is essentially an incentive system that is defined to encourage and motivate employees to be more productive. Pay for performance incentives may include additional benefits such as bonuses and additional pay increases.

Key Productivity Performance Indicators – Key performance indicators are quantifiable measurements that reflect the critical success factors of the organization. KPI's reflect the organization's goals and are key to organizational success. Simply, a KPI is a specific measure of an organization's performance in some area of its business.

Annual Strategic Planning Processes – The commonly used definition of strategic planning processes is to assist an organization to develop a tool, model and roadmap for presenting the projections for the desired future.

Formal Organizational Communication Systems – Formal communication systems include both internal and external systems that are directly linked to achieving the organization's goals and objectives.

Internal Promotion Systems – Promoting from within organizations. Does the company have a tendency to engage in activities designed to identify and capitalize successfully on opportunities for internal employees?

Management Practices

Management by Walking Around - The idea is to stay in touch with employees by walking around, talking, listening and building communication and trust.

Good Corporate Governance – The involvement of executive staff and the board of directors in such issues as determining strategy, executive selection, audit, compensation, board performance and overall organizational performance.

Sensitivity to Conflicts of Interests (COI) – Involves “diagnosis of and intervention in affective and substantive conflicts at the interpersonal, intra-group and inter-group levels and the styles (strategies) used to handle these conflicts. A diagnosis should indicate whether there is need for an intervention and the type of intervention needed. In general, an intervention is designed: (a) to attain and maintain a moderate amount of substantive conflict in non-routine tasks at various levels; (b) to reduce affective conflict at all levels, and (c) to enable the organizational members to select and use the appropriate styles of handling conflict so that various situations can be effectively dealt with” (Rahim, 2002, p. 206).

Proactive Human Resources Development Initiatives – The company’s plan, for human resource assets, which includes identifying development needs and ensuring that development plans are executed. Succession plans, technical, manufacturing and leadership needs are also identified and addressed.

Intrapreneurship Promoted Within – Does the organization have an entrepreneurial culture to launch new ventures, ideas and services? Typically, entrepreneurial orientation is determined often by five actions; independent action, innovation, risk taking, being proactive and aggressiveness.

Ethical Management Practices – An organization that has an ethical climate which in turn refers to the processes by which decisions are evaluated and made on the basis of right and

wrong. The system of ethical management practices involves the moral principles and standards that guide behavior within the organization.

Shared Decision Making – Involvement of employees in decision-making along with management members is typically seen in democratic management and leadership environments.

Employee Involvement Systems – Management empowers employees to be involved in many aspects of the company's management processes and operation. These aspects may include human resources, operation planning, innovation initiatives and problem solving.

Flexible Organization – Does and can the organization be responsive enough to changing conditions in the marketplace? Such as, will the company reorganize its divisions, functional groups; functional matrixes and networks to be quickly responsive to innovation, needs and markets for short or even long periods of time?

Competitive Analysis – Annual or even more frequent reviews and/or analysis of competitors' activities, advancements, weaknesses and environment. The analysis is then used to devise appropriate responses to the competitors and market place.

Strong Leadership at all levels with the Organization – Does the organization possess strong leadership at all levels of the organization?

Cronyism Not Practiced Within the Company – Does management promote and provide assignments based on skill as opposed to identifying close friends and relationships?

Survey Section 2 – Behavioral Attributes of the Managing Director

This section is comprised of twenty questions about the behavioral attributes of the managing director of the survey respondent's company.

QUESTION 1: He strives to be trustworthy and is trusted by you? – Trust and productivity go hand in hand. This question was proposed solely to determine if a climate of trust has been created within the organization.

QUESTION 2: He is able to articulate and communicate effectively? – The ability to communicate clearly and effectively is necessary for any managing director, including the communication of directions, tasks and culture.

QUESTION 3: He exercises a high level of humanism, which includes good faith, kindness and benevolence. - This question is intended to probe the extent that the employee views the managing director as being kind and benevolent. In Asia, managing directors are viewed very positively if they are benevolent.

QUESTION 4: He is strategic in his thinking and always supplies good strategies in leading the organization. The ability to strategize and differentiate strategic implications and consequences is necessary for any leader, particularly if the strategies employed are perceived as having high value.

QUESTION 5: He develops a strong vision, mission and corporate value to follow. Vision, mission and values are necessary for the organization in establishing culture and having a common view of the organization's future and path.

QUESTION 6: He walks his word and always keeps his promises. This is a very specific question about character and whether or not the leader is viewed as trustworthy and good for his word.

QUESTION 7: He believes in people and relationships. - This is a question on the leader's value and whether or not he values people, relationships and recognizes the importance of relationships and social networks in getting work done.

QUESTION 8: He demonstrates being a good role model and a good example for his people to follow. The appropriate role modeling is important for leaders to be viewed with respect and to be representative of someone who is viewed positively within the community.

QUESTION 9: The emphasis is on explaining the rationale and benefit of his action and change efforts. Communication as an ultimate sign or report for the employees and as a functional explanation of why change orders have been issued so that situational understanding is high.

QUESTION 10: He shows a high sense of honesty, integrity, reliability and sincerity. All of these characteristics are necessary for a leader to demonstrate in any environment.

QUESTION 11: He has a high tolerance for mistakes. To the extent that risk taking is encouraged within the company and mistakes are tolerated also describes that control is shared or centered around the leader and illustrates the culture as either having an environment which tolerates mistakes or not.

QUESTION 12: He exercises strict discipline but yet impartial (fairness). Discipline is necessary for an orderly organization, as is fairness, particularly in organizations that are perceived to have been managed by benevolent benefactors.

QUESTION 13: He makes use of communication as a tool to heighten this acceptance of difficult tasks. The effective use of communication to encourage and motivate employees to embrace difficult tasks.

QUESTION 14: He is action oriented. Essentially, is the leader a talker or doer? In the Asian context, doing is necessary to be followed and respected.

QUESTION 15: He creates a good learning and thinking environment in the organization.

The leader knows the value of creating a positive environment in the company in order for employees to participate, create and execute.

QUESTION 16: He is always sensitive to people's needs and careful in dealing with people.

This question probes the humanistic and sensitivity of the leader in dealing with employees and is clearly aimed at whether or not the leader is approachable.

QUESTION 17: He maintains good moral character. This was also posed as a question as the belief is that employees would like their leaders to have good moral character.

QUESTION 18: He dares to think or dream big. This question is aimed at determining if the organization has a growth appetite. In other words, is this company going to do anything or go places in the future?

QUESTION 19: He communicates high expectations to his followers. Setting and establishing expectations and standards among executives and managers in the company through communication.

QUESTION 20: He uses internal motivation to excite and stimulate employees. It is necessary in order to motivate, stimulate, encourage and excite entire organizations of employees.

Survey Section 3

The final section of the survey questionnaire has five questions related to seeking the opinion of the survey respondents to their opinions on the adoption of Western management practices in general. In this section a simple no-yes answer is specified. For questions four and five, the respondents were asked to explain why or why not to elicit further information.

QUESTION 1: Has your company overall, successfully adopted Western modern management methods techniques and systems in the company?

QUESTION 2: Would you say that your company is being managed in a patriarchal way?

QUESTION 3: Do you agree that your company is being managed in a “China Businessman” way?

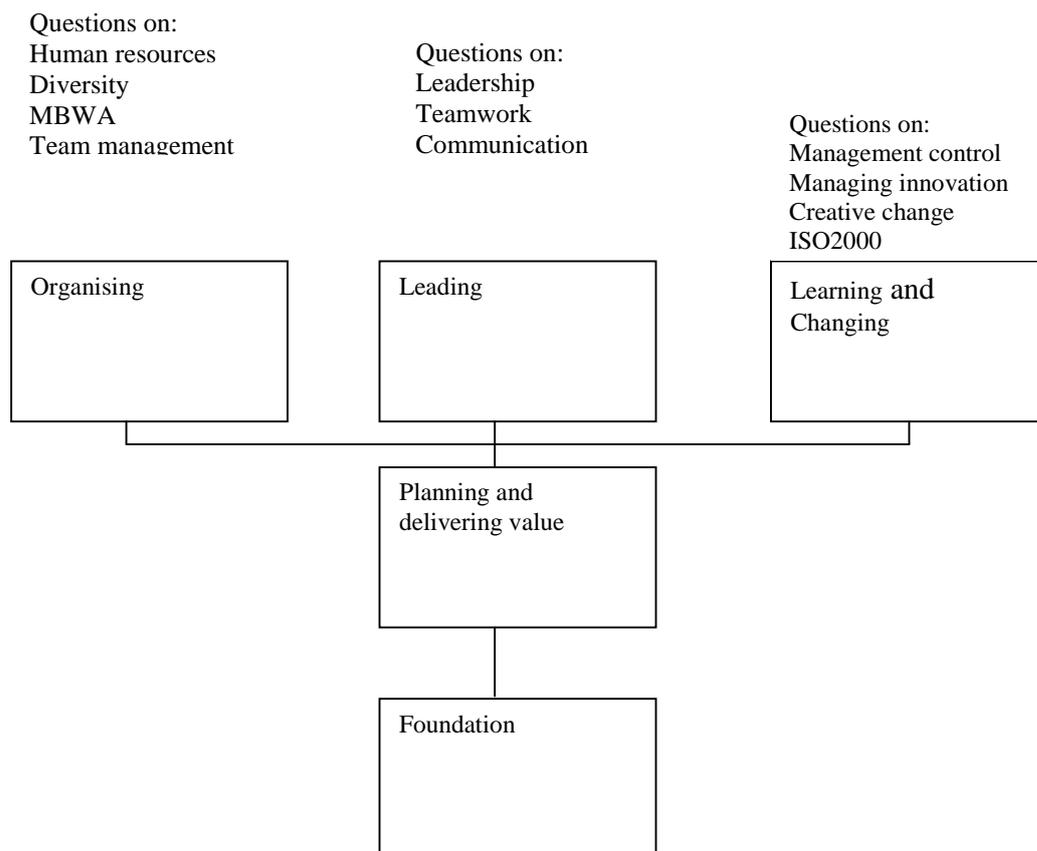
QUESTION 4: Do you feel the company adopts management practices simply because the practices are trendy?

QUESTION 5: Do you think that Asian management practices can be effectively complimented by Western management practices?

A Collage of Survey Questions

The survey questions were integrated in what might appear to be an illogical order. Figure 5 may assist in understanding well the approach that was taken in compiling the survey questions. While the organization of questions is not depicted in the following manner, the following diagram captures the broad spectrum of management and leadership areas that have been surveyed.

Figure 5: Management and Leadership Areas Surveyed



Sample and Data Collection

Survey research allows the researcher to collect data from a large number of people at one point in time. One hundred surveys (N=100) were sent out to an alumni group in Hong Kong of EMBA's with at least two university degrees and over several years of professional management experience in diverse industries. While every attempt was made to obtain a representative sample, the statistics on the number of Chinese owned business is scarce. The distribution of the surveys and collection was administrated by two university research assistants, both of whom have Master of Science degrees.

Validity

The term validity refers to the extent to which the measure adequately reflects the meaning of the concepts under consideration (Field, 2005). For the purpose of this study, validity pertains to the ability to truly measure the sub scales of management systems and management practices. Validity of the behavioral attributes pertains to the ability to truly measure trustworthiness, communications, humanism, strategic thinking, development of strong mission and vision, keeping promises, belief in people, demonstration of a good role model, ability to explain actions, expectations of honesty and reliability, tolerance for mistakes, display of tolerance, action oriented, creation of a good learning environment, sensitivity toward people, good moral character, ability to think big, communicates high expectations and use of internal motivation.

Reliability

Reliability is a matter of whether a particular technique, applied to the same object would yield the same result each time (Field, 2005). Reliability measures are used to

determine the degree to which an instrument measures what it purports to measure and does so each time the instrument is administered. In this study, reliability refers to the extent the sub categories measure management practices, management systems and behavioral attributes. It should be noted that reliability does not guarantee accuracy. The scale may report reliability every time it is administered but the results could be incorrect. As a result, Cronbach's Alpha is one of the most commonly used reliability coefficients and the most widely reported reliability statistic to determine internal consistency of a particular instrument (Mertens, 2005; Vogt, 2007).

Data Analysis

Both quantitative and qualitative methods were used in data analysis. Excel was used to run statistical analysis procedures. The following statistical techniques were used to analyze the data.

Cronbach Alpha Coefficient

Reliability refers to the consistency of measurement (Vogt, 2007). To ensure that the reliability of the survey responses is adequate the Cronbach alpha coefficient was used to analyze the sub categories of management systems, management practices and the behavioral attributes.

Descriptive Statistics

Descriptive statistics convert a set of numbers into indicators that describe the data (Vogt, 2007). In this study, descriptive statistics include the percentage, mean and standard deviation to provide a general description of the data collected.

Methodology in qualitative research is utilized to understand a phenomenon from the perspective of the participant (Leedy & Ormrod, 2005). Qualitative analysis was used to understand if Asian management practices can effectively be complemented by Western management practices and if a participant's company compares better than a competitor's company when it comes to Western Management practices. Analysis was completed by coding the responses into themes until saturation was reached.

Protection of Human Subjects

To ensure the protection of human subjects, the survey was anonymous in order to protect the privacy of the participants. Participation in the survey was strictly voluntary. Each participant received a verbal explanation of the study highlighting the importance of their answers to the study.

Analysis and Results

Survey Analysis and Results

The purpose of the survey analysis and results is to identify, describe and compare Western management practices, Western management systems and behavioral attributes within Chinese Family owned and/or controlled companies, Chinese private companies and Chinese publicly listed companies.

Sample

One hundred surveys (N = 100) were sent out to an alumni group in Hong Kong of EMBA's with at least two university degrees and over several years of professional management experience in diverse industries. Seventy six surveys were returned. Six of those surveys were not included in the analysis as respondents indicated that they did not work in

family owned, public or privately controlled corporations. A further two surveys were discarded that did not answer either section one, two or three. Therefore a 68 percent return rate was established (n=68).

Demographic Results

Figures 6 through 10 depict the demographic information of the participants. The age groups of the participants were 21 percent between the ages of 21-26, 54 percent between the ages of 27-35 and 22 percent between the ages of 35-50 with 3 percent unknown. These results suggest that 75 percent of EMBA graduates are between the age of 21 and 35. Six percent of the participants were from East Asia and Northern Asia while 85 percent were from Southeast Asia and 3 percent were unknown. The work positions held by the participants were divided 42 percent professionals, 16 percent senior professionals, 38 percent executives/managers and 4 percent managing directors. Industry segments of the participants included 70 percent in banking and finance, 15 percent in technology, 7 percent in trading, 4 percent in manufacturing and 4 percent in other industries. The corporation type that participants were employed at was combined into three areas that included Family Owned/Controlled (26%), Privately Held Companies (18%) and Publicly Listed Companies (56%). For the purposes of analysis of the survey, the results will be compared between Family Owner/Controlled Companies, Privately Held Companies and Publicly Listed Companies. However, it is interesting to note that more than 84 percent of Publicly Listed Companies on the Hong Kong Exchange are controlled by Asian Families.

Figure 6: Age of Participants

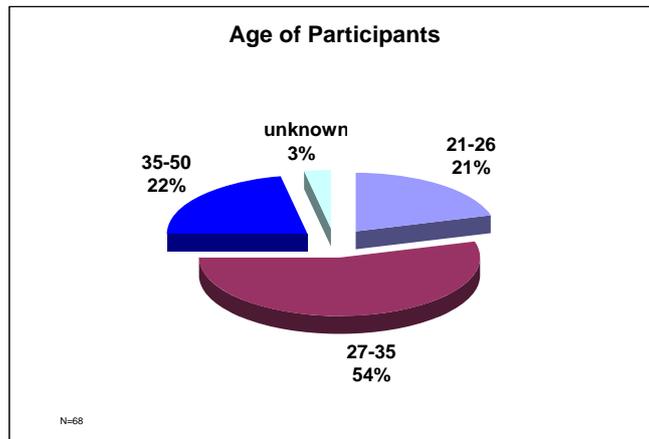


Figure 7: Participant Regions

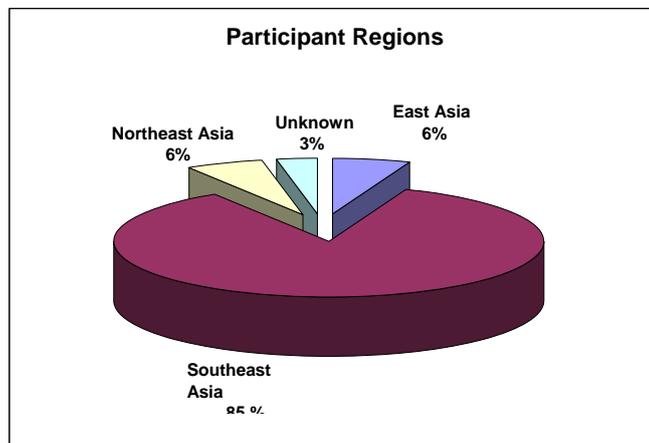


Figure 8: Position Title

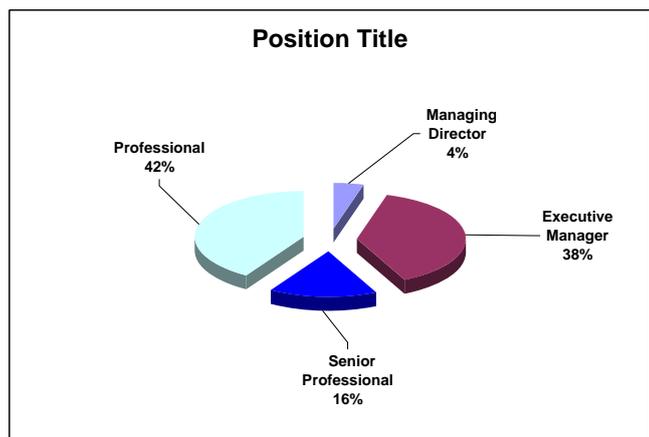
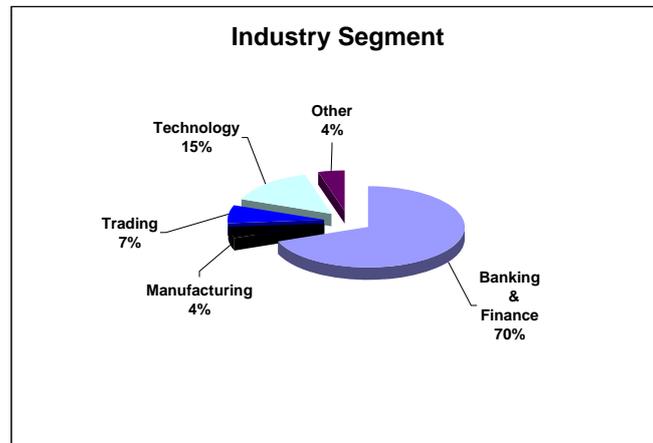
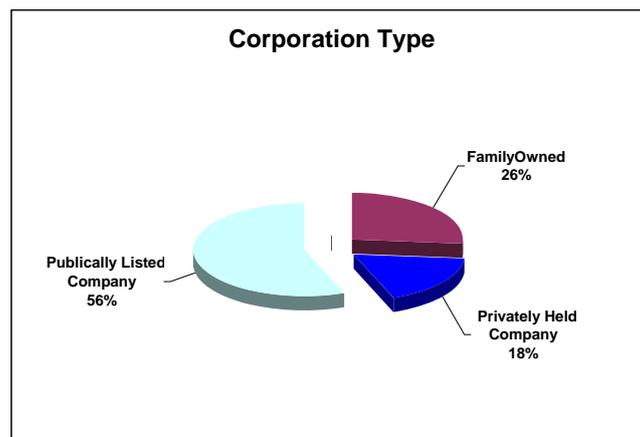


Figure 9: Industry Segment**Figure 10: Corporation Type**

Management Systems

Mertens (2005) advised that the review of survey questions should be examined by individuals knowledgeable with the subject matter and methodology to ensure the survey questions adequately reflects the meaning of the concepts under consideration. The sub-scale management systems survey was reviewed by management experts and it was determined

that the concepts adequately reflect the meaning of management systems confirming the content validity of the subscale.

Cronbach's Alpha coefficient was used to determine internal consistency to ensure that the sub-scale measured management systems. The alpha for management systems was .83, confirming the reliability of the sub-scale. Vogt (2007) suggests that a reliability coefficient over .70 is very satisfactory.

Table 9 Descriptive Analysis

Management Systems	Family Owned		Privately Held		Publicly Listed	
	Mean	Std. Dev	Mean	Std. Dev	Mean	Std Dev
Management by Objectives (MBO)	3.556	1.149	3.583	1.311	3.737	1.107
ISO 9000	2.889	1.530	2.333	1.557	3.105	1.085
Team Management System	3.222	1.003	3.583	1.165	3.658	0.745
Performance Appraisal System	3.333	1.085	3.583	1.240	4.237	0.943
Balanced Score Card System	2.556	1.247	2.500	1.567	3.263	1.309
Pay for Performance Systems	3.500	0.857	3.250	1.288	3.711	0.956
Key Performance Indicators (KPI's)	2.944	1.305	3.083	1.676	3.711	1.183
Annual Strategic Planning Processes	3.333	1.188	4.250	2.379	3.789	0.991
Formal Organizational Communication Systems	2.944	1.056	3.500	1.087	3.763	1.076
Internal Promotion Systems	2.889	1.132	3.417	1.165	3.526	1.084

Descriptive statistics in Table 9 indicates that there were differences between participants who worked in Family Owned, Privately Held and Publicly Listed enterprises. Significant differences occurred in ISO 9000, Performance Appraisal Systems, Balanced Score Card Systems, Key Performance indicators, Annual Strategic Planning and Internal Promotion Systems.

Figures 11, 12 and 13 provide survey results for the sub-group of Western management systems of: Management by Objectives (MBO), ISO 9000, Team Management Systems, Performance Appraisal Systems and Balanced Score Card System for Family Owned, Private and Publicly Listed enterprises. Of significance in the Management by Objectives category were the percentages showing the adoption of MBO by Publicly Listed

Companies at always (22%) and frequently (45%), Privately Held Companies at always (25%) and frequently (17%) and Family Owned Enterprises at always (22%) and frequently (33%). With the exception of Private Companies, over 50 percent of the responses for MBO for Publicly Listed and Family Owned Companies were in the “always” and “frequently” category.

Within the ISO 9000 category, significance was found in that Family Owned Companies used ISO 9000 always (28%) and rarely (39%), while Privately Owned Companies never used ISO 9000 50 percent of the time. The percentage was greater in this category for Family Owned Enterprises always (28%) while responses for both Private and Public Companies was (8%) for always. Perhaps for Family Owned Companies, the adoption of ISO 9000 centered not on family or individuals, but business processes that would assist in the success of the business.

Significant results for Team Management Systems, show Publicly Listed Companies scored 5 percent for always and 63 percent for frequently. Private Companies scored 25 percent for always and 33 percent frequently and Family Owned Companies scored 6 percent for always and 39 percent for frequently. Including the score of frequently, the adoption of Team Management Systems appears to be increasing in all types of companies but more frequently in Publicly Listed Companies.

The scores for Performance Appraisal System indicates that Family Owned Companies scored 6 percent for always and 50 for frequently whereas Private Companies are split 25 percent for always and frequently. The significant different is shown by Publicly Listed Companies where scores were 47 percent for always and 37 percent for frequently, for a combined total of 84 percent. While the adoption of Performance Appraisal Systems indicates that adoption is on the rise, the low score of 6 percent for always indicates a slower adoption for Family Owned Companies.

Balance Score Card System (BSCS) indicated Family Owned Companies responded always (6%), frequently (22%), occasionally (17%), rarely (33%) and never (22%).

Significantly different from Family Owned Companies were responses for Privately Owned Companies in frequently (33%) and never (42%). Balanced Score Card System responses from Publicly Listed Companies were more evenly distributed across the responses with the exception of frequently (39%).

Figure 11

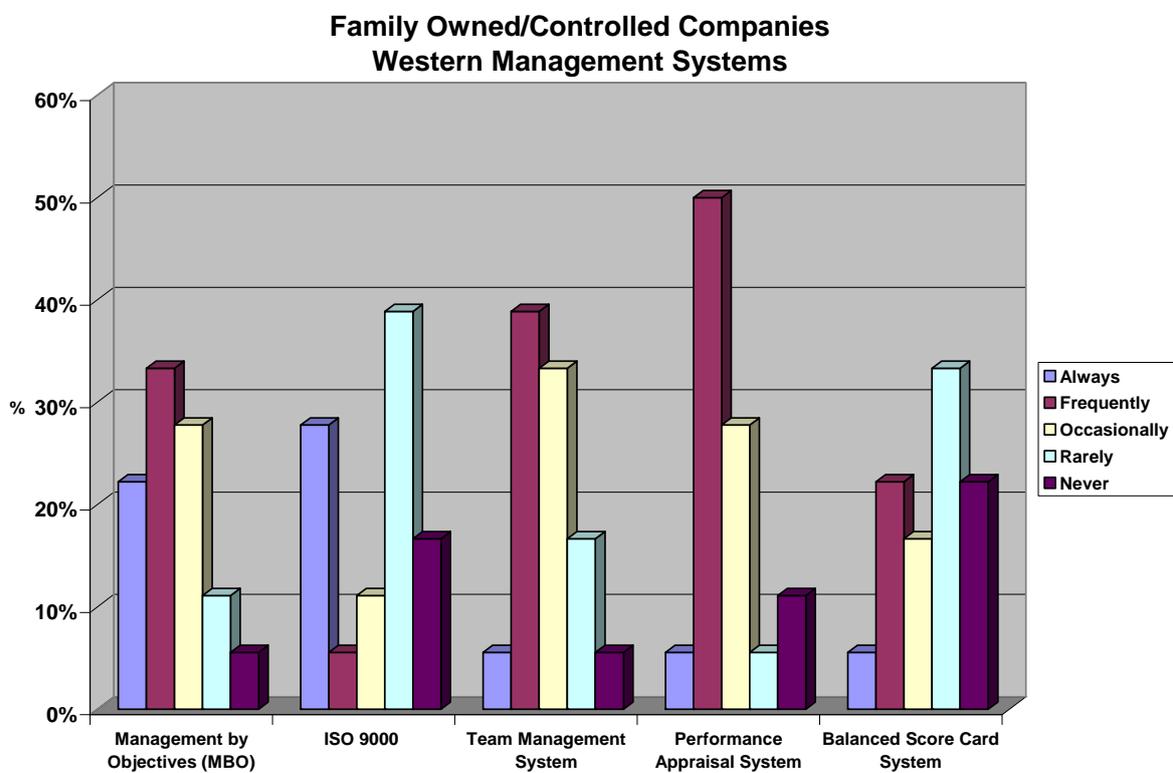


Figure 12

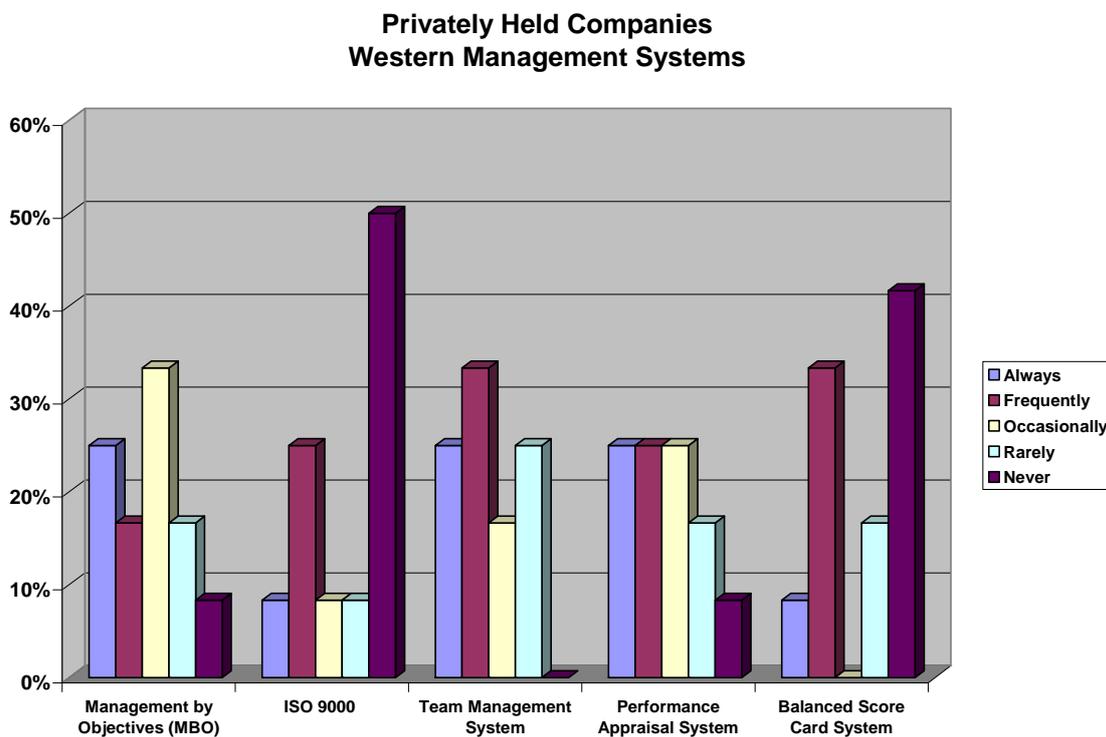
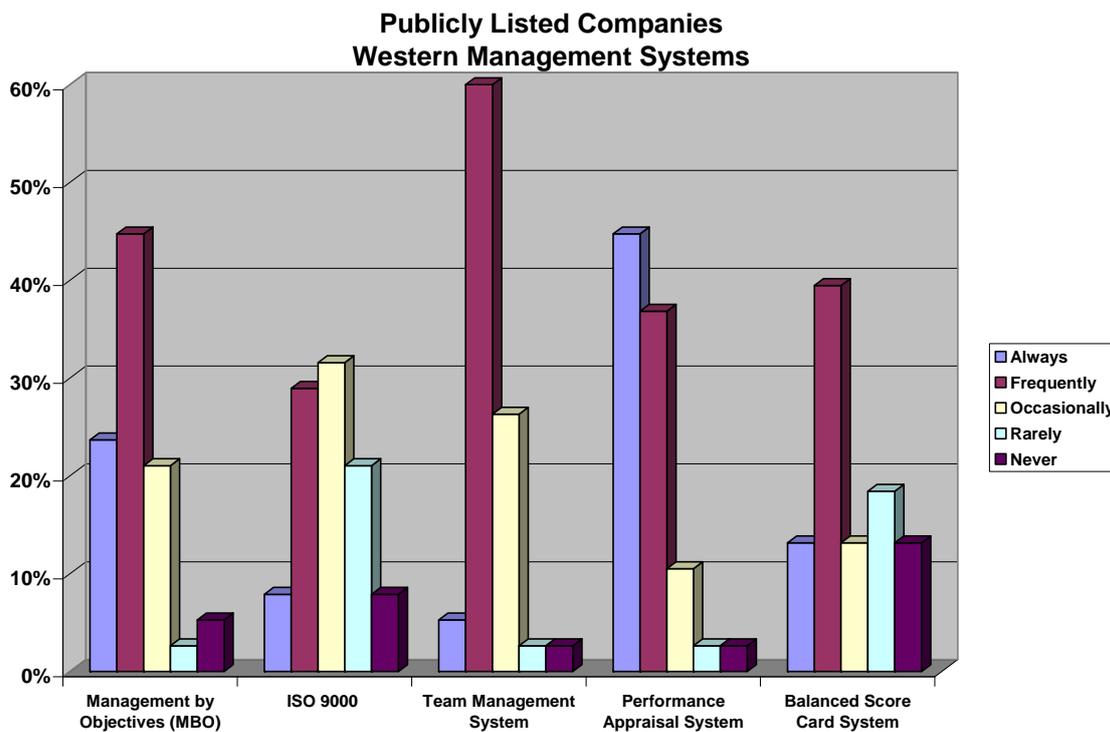


Figure 13



Figures 14, 15 and 16 provide survey results for the sub-group of management systems that include: Pay for Performance Systems, Key Performance Indicators, Annual Strategic Planning Processes, Formal Organizational Communication and Internal Promotion Systems for Family Owned, Private and Publicly Listed enterprises. Pay for Performance Systems scores indicated that both Family Owned and Privately Held Companies used Pay for Performance Systems (PPS) always (17%) and frequently (22% and 25% respectively). Scores showed that significant differences exist in Family Owned Enterprises where PPS is used occasionally only 56 percent of the time and Privately Held Companies occasionally 42 percent. Publicly Listed Companies on the other hand had over 50 percent use of PPS between always and frequently.

Key Performance Indicator Scores were used by all types of companies with Family Owned Companies scoring always (17%), frequently (11%) and occasionally (39%). Scores for Privately Owned Companies were 25 percent for both always and frequently and 17 percent for occasionally. Noteworthy, is the score of 33 percent for Privately Owned Companies who never used Key Performance Indicators. Publicly Listed Companies' scores indicated 29 percent for always, 34 percent for frequently and 24 percent for occasionally for a total of 87 percent.

Similarities existed in the responses for Annual Strategic Planning Processes for all three company types in the frequently used category: Family Owned Companies (44%), Private Companies (50%) and Publicly Listed Companies (45%). For Family Owned Enterprises, the balance of the scores was equally distributed at 11 percent with the exception of occasionally at 22 percent. Privately Owned Companies had an unequal distribution of 17 percent for always, and 33 percent for rarely used where occasionally and never scores

indicated 0. Publicly Listed Companies incurred more scores than the other types of companies in the always category (24%).

Formal Organizational Communications Systems were used more frequently in Publicly Listed Companies (always, 26%, frequently, 42%) than Family Owned (always 6%, frequently 22%), and Privately Held Companies (always 17%, frequently 33%). Both Family Owned and Privately Held Companies scored 44 percent and 42 percent in the occasional use of Formal Organizational Communications Systems respectively. It would appear that Family Owned Companies are slow to adopting Formal Organizational Communication Systems perhaps due to the flow of communication networks through familial networks that do not necessarily resemble that of the organization.

Family Owned Enterprises scored lower in the Internal Promotion Systems in the always (6%) and frequently (22%) categories. In the past, traditional Chinese family businesses handed down the business from generation to generation (Chen, 2001). The above results support Chen's (2001) findings that "succession is forcing businesses to adopt new and often foreign practices" (p.36). Private and Publicly Listed Companies have similar scores for always (17%; 14%) and frequently (33%; 38%) respectively. Both Family Owned and Private Companies had significant scores in occasional use of Internal Promotion Systems of (44% and 42%) respectively.

Overall, Publicly Listed Companies made greater use of the Western management systems than did Privately Held or Family Owned Companies. With the exception of ISO 9000 and Key Performance Indicators, Privately Held Companies adopted Western management systems more than Family Owned Enterprises. One reason for Family Owned Enterprises not strongly adopting Western management systems is the patriarchal system that is a stronghold within Family Owned Companies. Publicly Listed Companies on the other hand, may have influence from outside of Asian cultures and compete in global markets.

Figure 14

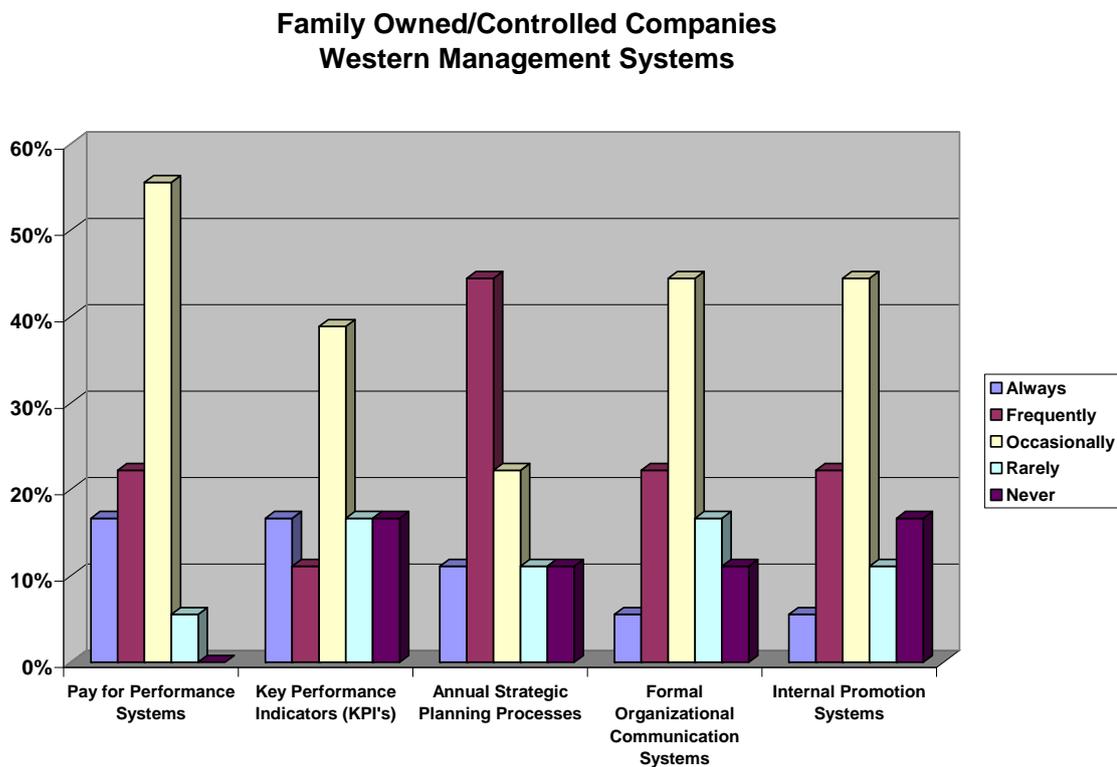


Figure 15

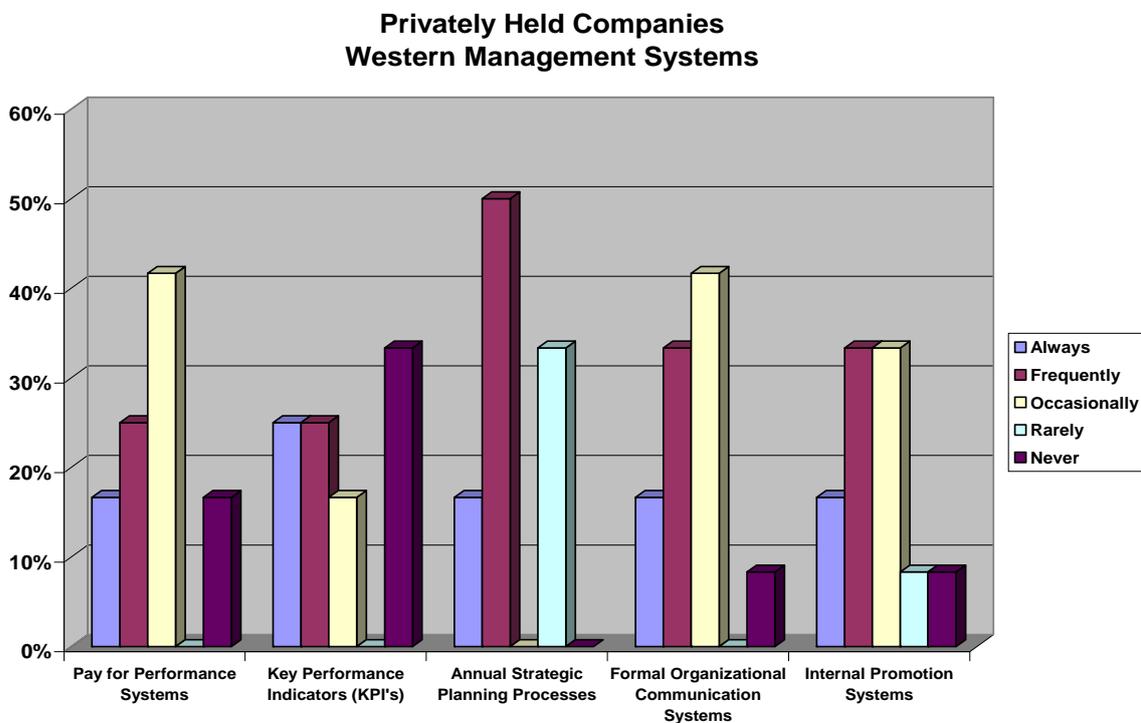
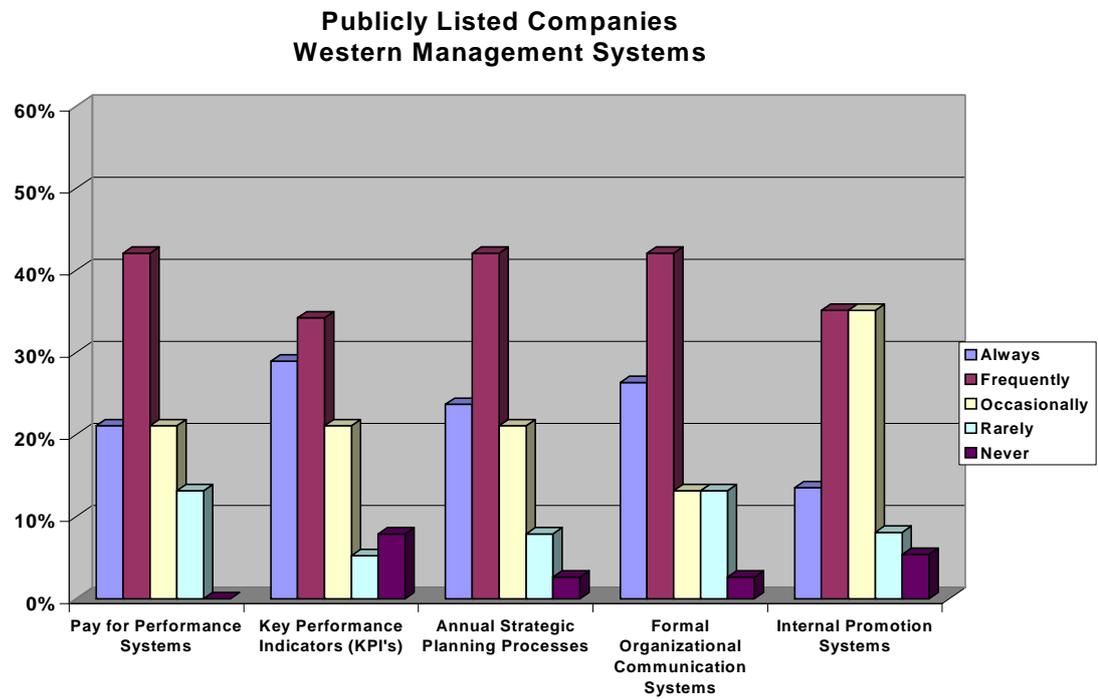


Figure 16



Management Practices

The sub-scale management practices survey was reviewed by management experts as advised by Mertens (2005) to ensure the survey questions adequately reflected the meaning of the concepts under consideration. It was determined that the concepts adequately reflected the meaning of management practices confirming the content validity of the subscale.

Cronbach's Alpha coefficient was used to determine internal consistency to ensure that the sub-scale measured management practices. The alpha for management practices was .87, confirming the reliability of the sub-scale. Vogt (2007) suggests that a reliability coefficient over .70 is very satisfactory.

Table 10 Descriptive Analysis

Management Practices	Family Owned		Privately Held		Publicly Listed	
	Mean	Std. Dev	Mean	Std. Dev	Mean	Std Dev
Management by Walking Around (MBWA)	2.556	1.247	3.667	0.651	2.921	1.100
Good Corporate Governance Practices	3.111	0.963	3.417	1.165	3.868	1.044
Sensitivity to conflicts of interest (CDI)	3.167	1.043	3.667	0.888	3.737	1.369
Proactive Human Resource Development	2.889	1.023	3.000	1.206	3.342	1.047
Intrapreneurship Promoted Within	2.778	1.166	2.417	1.084	3.158	1.175
Ethical Management Practices	3.500	1.098	3.417	1.084	3.632	1.025
Shared Decision Making	3.389	1.037	3.000	1.279	3.474	1.109
Flexible Organization	3.444	0.984	3.583	0.669	3.526	1.109
Strong Leadership at all levels within the Organizaiton	3.611	1.145	3.250	0.866	3.579	0.919
Cronyism not practiced within the company	2.833	1.383	3.167	0.718	3.053	0.985

Descriptive statistics in Table 10 indicate that there were differences between participants who worked in Family Owned, Privately Held and Publicly Listed Enterprises. Significant differences occurred in the categories of MBWA, Proactive Human Resource Development, Intrapreneurship Promoted Within, and Cronyism not practiced within the company.

Figures 17, 18 and 19 indicate the survey results for the sub scale of management practices that include: Management By Walking Around, Good Corporate Governance

Practices, Sensitivity to Conflicts of Interest, Proactive Human Resource Development and Intrapreneurship Promoted Within.

Results of both Family Owned and Publicly Listed Companies were similar for MBWA where percentages for always were low at (0, 5% respectively) and equally distributed across frequently, occasionally and rarely suggesting that MBWA was adopted in a hit and miss fashion. Privately Held Companies however, adopted MBWA 50 percent frequently and 42 percent occasionally and scores for rarely and never were 0, suggesting the use of MBWA was adopted more in Private than in Family Owned or Publicly Listed Companies.

The distribution of scores for Good Corporate Governance Practices was significantly different for each corporation type. Family Owned Companies scores were always (6%), frequently (28%), occasionally (44%), rarely (17%) and never (6%). Privately Held Companies scored slightly better on always (17%), but the same for frequently (33%) and occasionally (33%). Publicly Listed Companies scored better than either of the above in adopting Good Corporate Governance Practices with scores of always (26%) and frequently (50%).

Responses for Sensitivity to Conflicts of Interest were significantly different in the always category with Family Owned Companies at 6 percent, Privately Held Companies at 17 percent and Publicly Listed Companies at 37 percent. The scores for frequently and occasionally (Family, Privately and Publicly Listed Companies respectively) were frequently (33%, 42% and 29%) and occasionally (44%, 33% and 21%). A noteworthy comparison of responses in the never category found that Family Owned Enterprises scored 11 percent while Privately Held Companies scored 0%. Perhaps it is the strive toward “harmony” in the Family Owned Companies where family members are expected to manage themselves and are “expected to subordinate themselves to the good of the family” that accounts for the low

score for always in Sensitivity to Conflicts of Interests (Chen, 2001, p. 88). For Publicly Listed Companies, the high score for being sensitive to conflicts of interests could be explained by adopting Western management practices in this and other areas.

Scores in the category always for Proactive Human Resource Development were low for all company types. Fifty percent of the scores for Private Companies and Publicly Listed Companies fell in the frequently and occasionally category. However, 50 percent of the responses in Family Owned Companies were spread over occasionally and rarely. In fact, one-third of responses for Family Owned Companies were found in the “rarely” category for Proactive Human Resource Development, suggesting that Family Owned Companies have not adopted this management practice.

Over 50 percent of the scores for Intrapreneurship Promoted Within for all types of Companies were spread over the occasionally, rarely and never categories. Publicly Listed Companies scored higher than the other corporation types in always (13%) and frequently (26%) while Privately Held Companies scored lowest on always at (0%) and highest in the rarely category at (25%), an indication that promoting intrapreneurship was not a priority for any type of corporation.

Figure 17

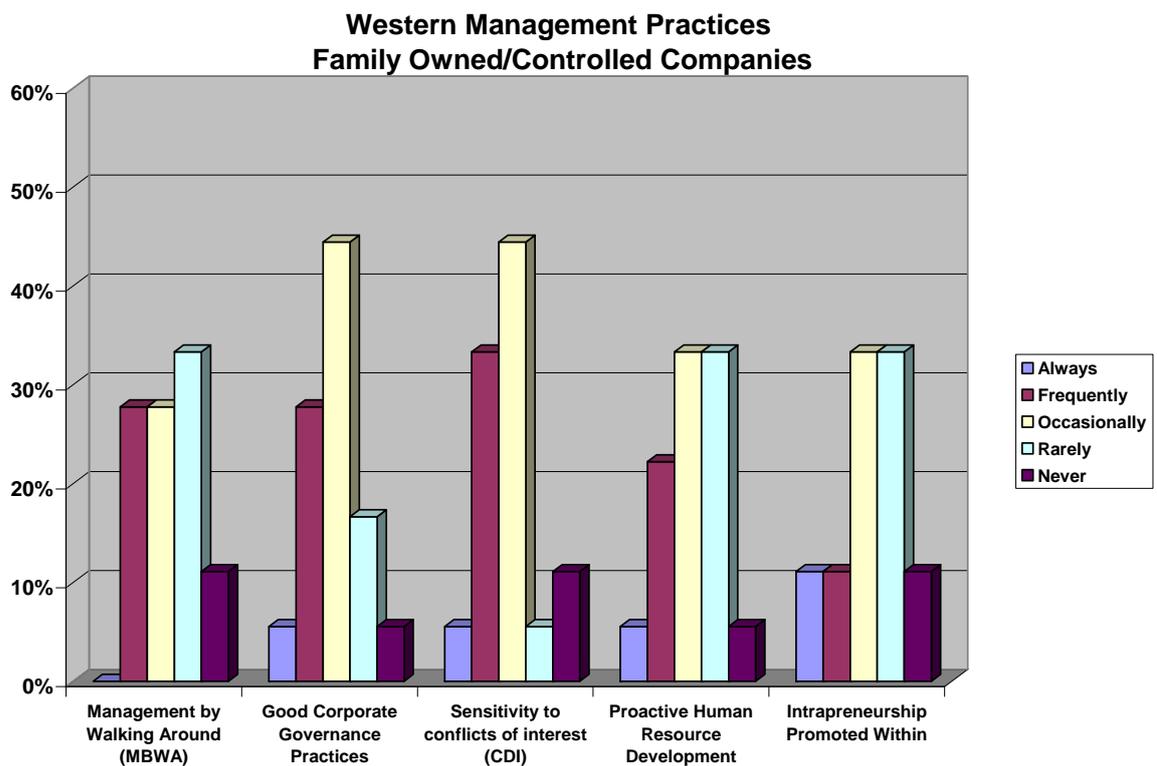


Figure 18

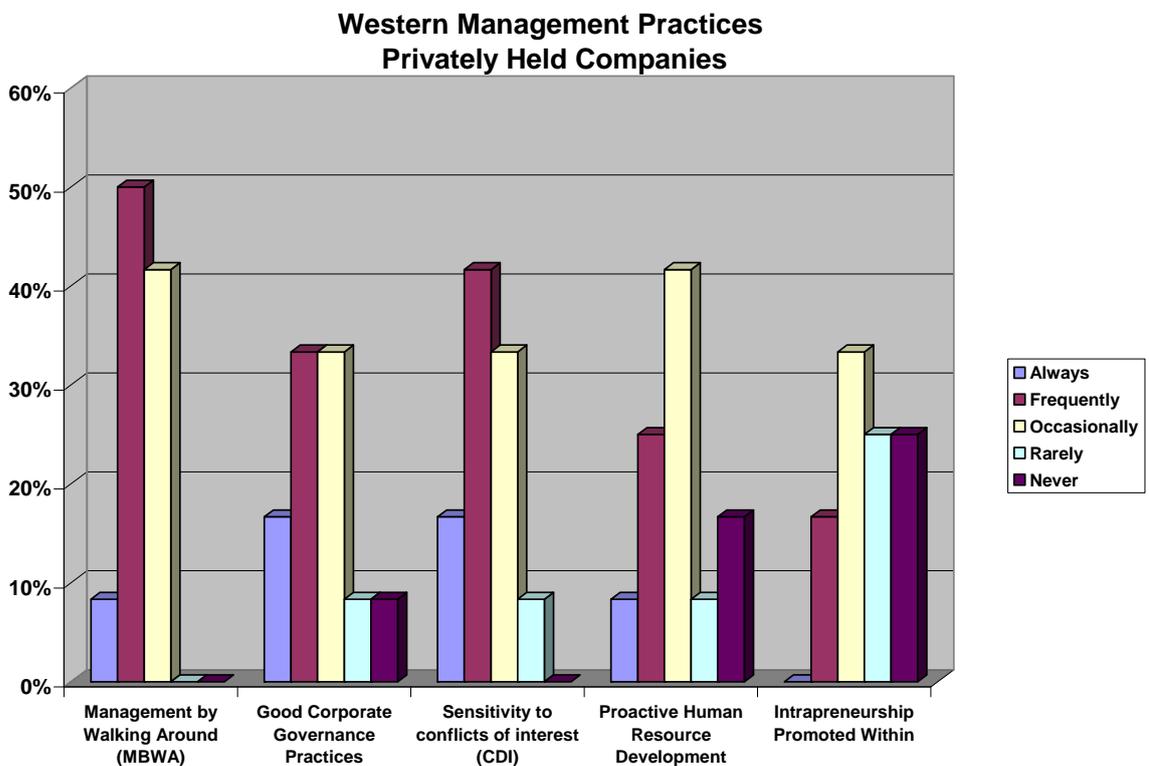
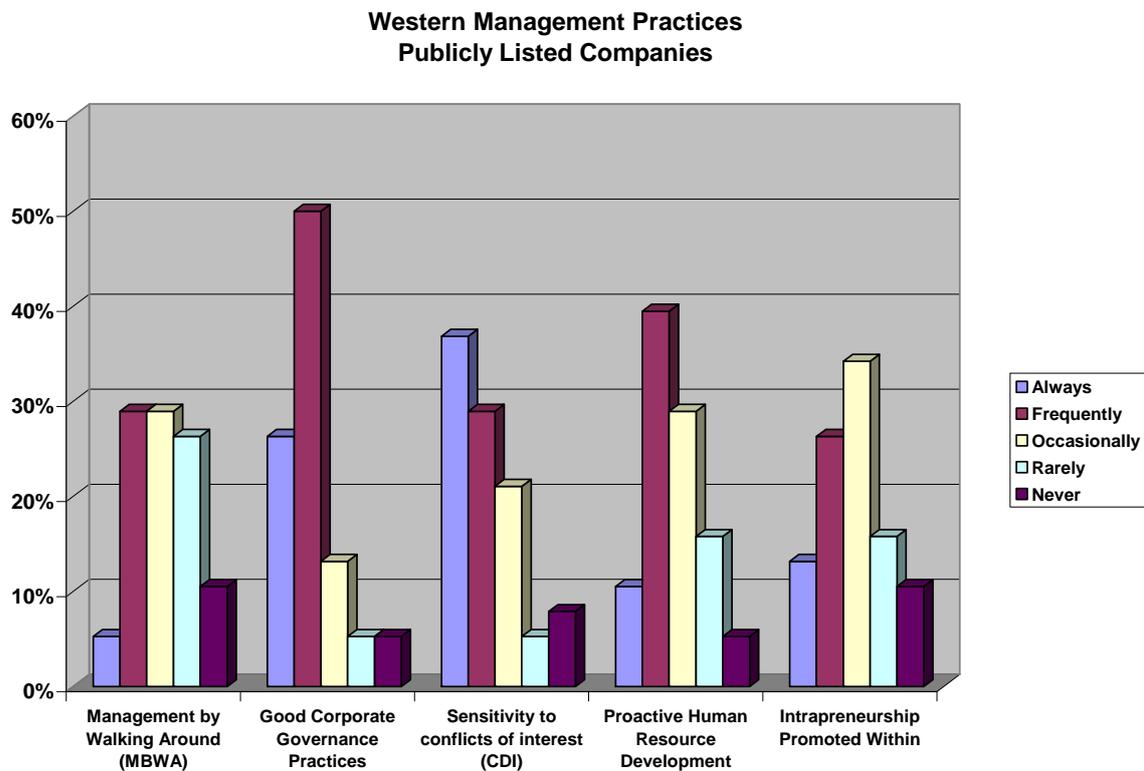


Figure 19



Figures 20, 21 and 22 indicate the survey results for the sub scale of management practices that include Ethical Management Practices, Shared Decision Making, Flexible Organization, Strong Leadership at all levels within the Organization and Cronyism not practiced within the company. Responses for Ethical Management Practices were greatest for all corporation types in the frequent category with Private Companies at 58 percent, Family Owned Enterprises at 39 percent and Publicly Listed Companies at 36 percent. Statistically significant was the response from Privately Held Companies of 58 percent for frequently compared with a zero percent response for occasionally.

Scores for Shared Decision making were similar for each organization type. Responses for Family Owned Companies ranged from always (11%), frequently (28%), occasionally (33%), rarely (11%) to never (6%). While no corporation type embraced the

practice of shared decision making, the largest percentage was found for each corporation type in the category of frequently.

Privately Held Corporation responses for Flexible Organization was distributed over frequently (67%), occasionally (25%) and rarely (8%), with 0 responses in the always and never category. The responses for Family Owned Corporations were distributed across the categories at always (11%), frequently (44%), occasionally and rarely (22%) with zero response in the never category. Publicly Listed Companies scored always (24%), frequently (26%), occasionally (32%), rarely (16%) and never (3%). All three types of corporations had over 50 percent responses in the combined scores for “always” and “frequently” suggesting there was an attempt to adopt Flexibility within Organizations.

The category of Strong Leadership at all levels within the Organization met with varied results from each organization type. The results were distributed somewhat evenly for Family Owned Companies at always (22%), frequently (28%), occasionally (28%) and rarely (22%) with zero results for never. Privately Held Companies had no results for always and never, however, 50 percent response for frequently, 25 percent for occasionally and 25 percent for rarely. Publicly Listed Companies scored highest in the frequently category at 39 percent. Responses from employees of all three company types indicated that strong leadership did not exist at all levels. Privately Held Companies had the greatest response of 50 percent in frequently for strong leadership at all levels. Of interest is that all three corporation types had zero percent in the never category.

The category of Cronyism not Practiced within the Company were similar for Privately Held and Publicly Listed Companies where the category for frequently was (33%, 22%) and occasionally (50%, 59%) respectively, suggesting that 50 percent of the time, cronyism was indeed practiced. In comparison, this distribution of scores for Family Owned Companies were always (12%), frequently (24%), occasionally (29%), rarely (24%) and

never (12%). Of interest is that the responses from Family Owned Corporations in the “always” and “frequently” category suggested that Family Owned Companies practiced more cronyism than the other types of corporations. This result suggests that Family Owned Companies chose close family members and friends over skills of the individual.

Of considerable interest are the similarities between cronyism, MBWA, proactive human resources and intrapreneurship within Family Owned Firms. It would appear that a relationship exists between these categories strongly suggesting that control has remained within the family and some trust exists. For example, while MBWA had percentages in occasionally and frequently, no percentage was found in always. One could surmise that there is some trust between family and friends, therefore there is no need for MBWA.

Figure 20

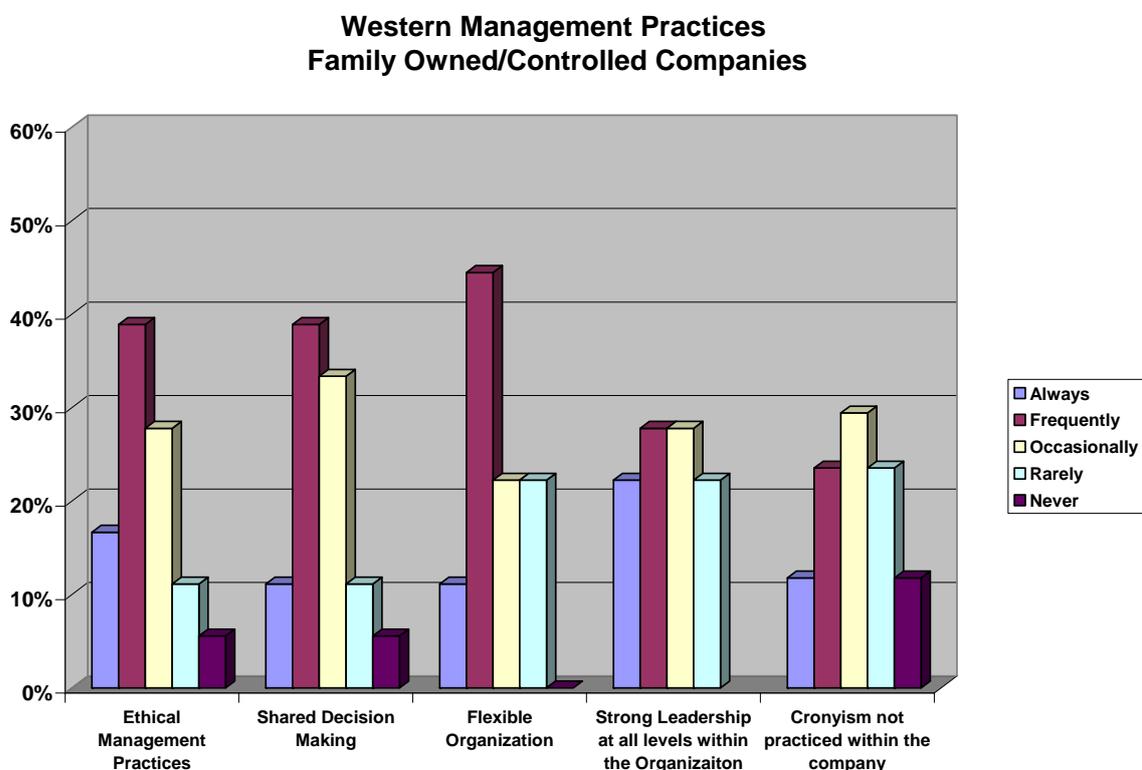


Figure 21

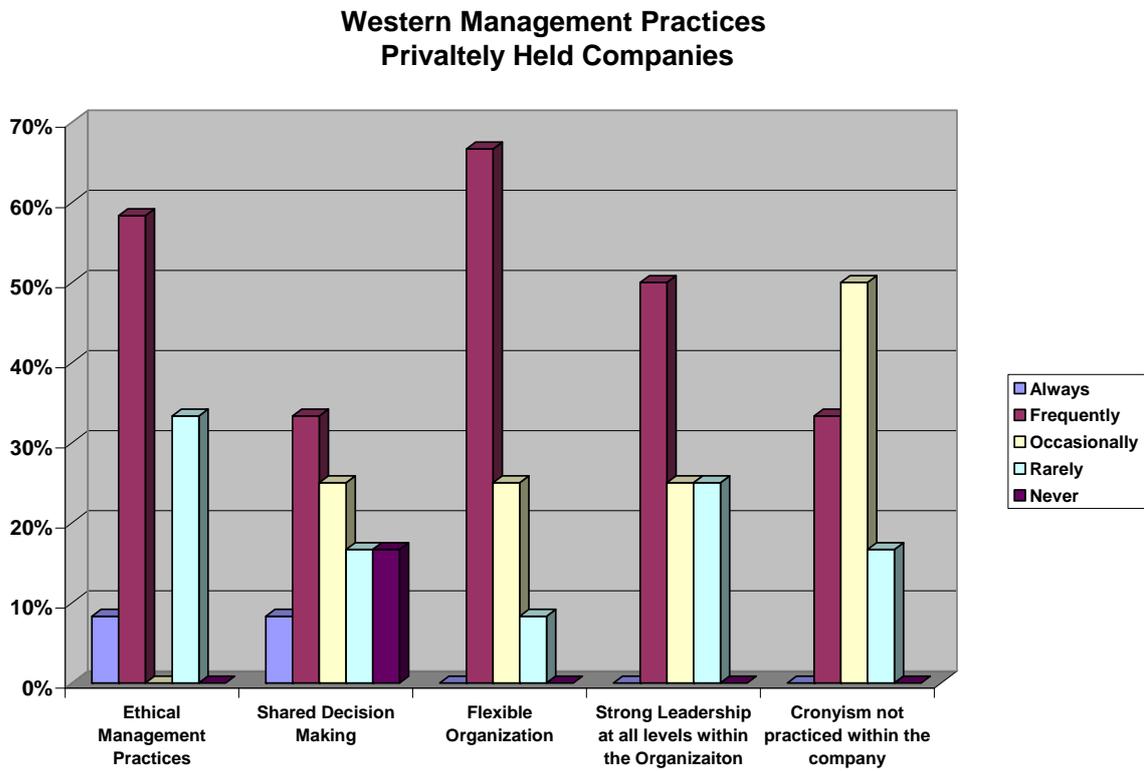
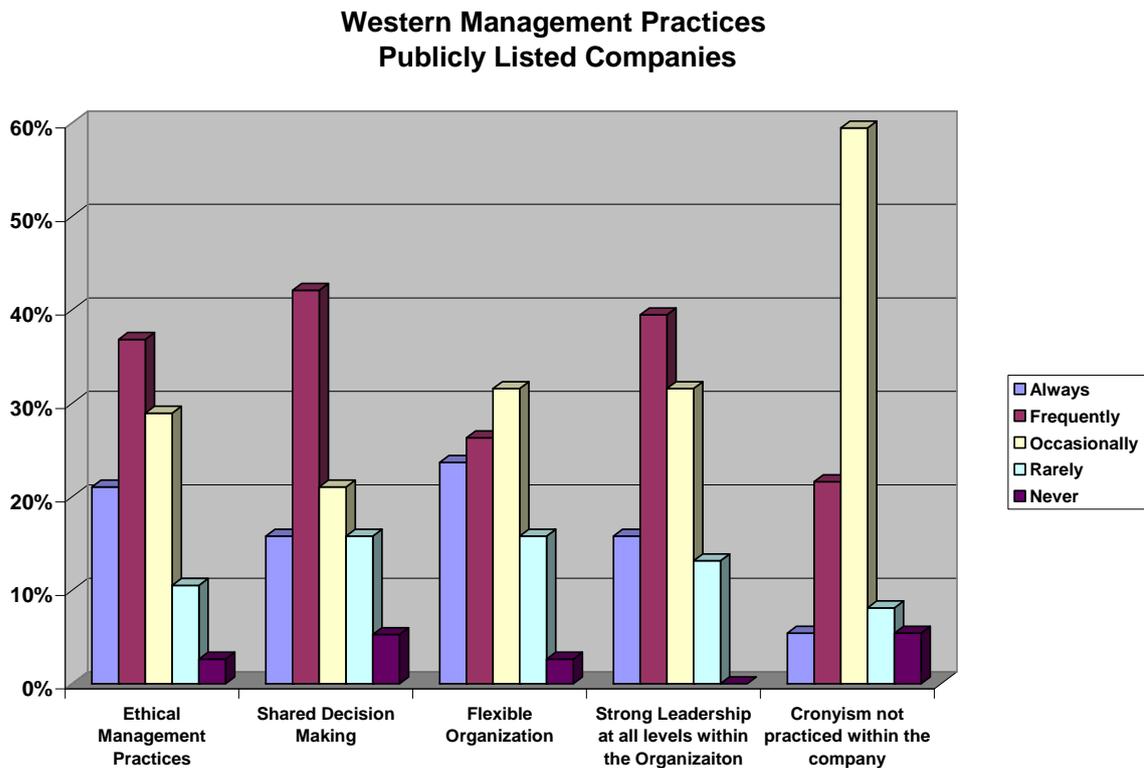


Figure 22



Section 2 - Behavioral Attributes and Effectiveness of Managing Director Results

The behavioral attributes section of the survey was reviewed by management experts as advised by Mertens (2007) to ensure the survey questions adequately reflected the meaning of the concepts under consideration. It was determined that the concepts adequately reflected the meaning of behavioral attributes confirming the content validity of the subscale.

Cronbach's Alpha coefficient was used to determine internal consistency to ensure that the scale measured behavioral attributes. The alpha for behavioral attributes was .92, confirming the reliability of the scale. A reliability coefficient over .70 is very satisfactory as according to Vogt (2007).

Table 11 Descriptive Statistics

	Behavioural Attributes and Effectiveness of Managing Director					
	Family Owned		Privately Held		Publicly Listed	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
He strives to be trustworthy and be trusted by you	3.667	0.840	3.417	0.900	3.605	0.887
He is able to articulate and communicate effectively	3.778	0.808	3.167	0.718	3.789	0.777
He exercises a high level of humanism	3.222	0.943	3.333	0.985	3.474	0.893
He is strategic in his thinking	3.389	1.037	3.417	0.669	3.842	0.789
He develops a strong vision, mission and corporate values	3.389	1.145	3.250	0.622	3.816	0.766
He walks his word and keeps promises	3.278	0.895	3.167	0.835	3.395	0.790
He believes in people and relationships	3.333	0.970	3.583	0.793	3.395	1.152
He is a good role model and provides good examples	3.056	1.211	3.250	0.965	3.526	0.893
He explains the rational and benefit of his actions	3.389	1.243	3.167	0.835	3.474	1.179
He shows and expects a high sense of honesty, integrity	3.667	0.767	3.583	0.793	3.737	0.950
He has high tolerance for mistakes	2.944	1.211	3.417	1.084	2.947	1.064
He exercises strict discipline but yet is impartial (fairness)	3.278	0.895	3.333	0.492	3.342	0.847
He makes use of communication as a tool in difficult tasks	3.222	0.943	3.333	0.651	3.474	1.033
He is action oriented	3.056	1.434	3.583	0.515	3.737	0.921
He creates a good learning and thinking environment	3.222	1.215	3.167	1.030	3.342	0.994
He is always sensitive to people's needs	3.111	1.132	3.000	1.044	3.368	0.970
He maintains good moral character	3.222	1.166	3.417	0.900	3.474	0.893
He dares to think or dream big	3.222	1.003	3.167	0.718	3.737	0.950
He communicates high expectations to his followers	3.333	1.188	3.750	0.965	4.079	0.784
He uses internal motivation to excite and stimulate people	3.167	1.150	3.250	0.866	3.500	1.007

Descriptive statistics in Table 11 indicate that there were significant differences in the way participants viewed Behavioral Attributes and the Effectiveness of their Managing Director for Family Owned, Privately Held and Publicly Listed Companies in the following areas: (a) He is strategic in his thinking; (b) He develops a strong vision, mission and

corporate values; (c) He believes in people and relationships; (d) He exercises strict discipline but yet is impartial (fairness); (e) He makes use of communication as a tool in difficult tasks, and (f) He is action oriented.

Table 12 outlines the results for Behavioral Attributes and Effectiveness of the participants' Managing Director. Results for the attribute of being trustworthy and be trusted by the participants were similar across all types of corporations with Publicly Listed Corporations scoring slightly higher in the seldom practiced category. In the category of being articulate and communicating effectively, similarities were seen in Family Owned and Publicly Listed Companies where practiced scores were (17%; 16%) and seldom practiced were (50%, 55%) respectively. The significant difference was seen in the responses for Privately Held Companies where no responses were given for practiced, 33 percent for seldom practiced and 50 percent for occasionally practiced. No responses were recorded in the never practiced category.

In the category of exercising a high level of humanism, Family Owned, Privately and Publicly Listed Companies scored similarly in practiced (6%; 8%; 8%) and seldom practiced (33%; 42%; 45% respectively). While all corporation types recorded responses in the practiced and seldom practiced categories, Family Owned and Privately Held Companies scored higher in the occasionally practiced at (50%;58%) respectively while Publicly Listed Companies had over 65 percent of the responses in the practiced and seldom practiced areas. Of note are the zero responses in the rarely practiced and never practiced for Privately Held Companies.

Of significance, Family Owned Companies revealed that strategic thinking was occasionally practiced 50 percent of the time while Privately Held Companies stated that strategic thinking was occasionally practiced 58 percent. It appears that Publicly Listed Companies practiced strategic thinking much more than both Family Owned and Privately

Held at 45 percent for seldom practiced, revealing the importance of strategic thinking in Publicly Listed Companies.

The category of developing a strong mission, vision and corporate values were significantly different between the types of corporations. Whilst Family Owned and Publicly Listed Company scored similarly in this category at 17 and 16 percent respectively on the practiced category, responses for seldom practiced indicated 33 and 55 percent respectively. Of significance was the zero response for practiced in Privately Held Companies and 58 percent for occasionally.

Responses for walks his word and keeps his promises were similar across corporation types. Responses for occasionally were 50, 50, and 55 percent for Family Owned, Privately Owned and Publicly Listed Companies.

The responses for the attribute of believing in people and relationships were similar in the seldom practiced category across all corporation types (50%, 42% and 46% respectively). For Family Owned and Privately Held Companies the remainder of the scores was spread over occasionally practiced and rarely practiced. Both Family Owned and Privately Held Companies had no response in the never category. Publicly Listed Companies however, had the remainder of the scores spread over occasionally, rarely and never practiced.

Publicly Listed Companies had the highest score (50%) in the seldom practiced category of good role model. All corporation types had low scores in the practiced category with Family Owned Enterprises scoring 17 percent in the never category.

Responses for explaining rationale and benefits of action of a Managing Director were highest in the seldom practiced area for all three types of corporations. Publicly Listed Companies scored 61 percent, Privately Held Companies scored 42 percent and Family Owned Companies scored 39 percent. Over 50 percent of the scores were spread over seldom and occasionally practiced for Family Owned and Privately Held Companies while three

quarters of the scores for Publicly Listed Companies were spread over seldom and occasionally practiced.

While all corporation types showed low scores for always practicing the attribute of honesty and integrity, all corporation types scored high in the seldom practiced area: Family Owned Companies, (50%), Privately Held Companies, (50%) and Publicly Listed Companies (61%). These responses suggested that Managing Directors not only expect but showed integrity and honesty more than they do not, which is encouraging.

Significant differences occurred in Managing Directors' high tolerance for mistakes. High tolerance for mistakes was highest in Privately Held Companies at practiced (17%), seldom practiced (42%) and occasionally (25%). High tolerance for mistakes was lowest in Publicly Listed Companies where responses scored 50 percent in the rarely practiced category. Scores for Family Owned Companies were more evenly spread throughout the categories however, over 50% of the time; there was little tolerance for mistakes. This may reflect the risk appetite for the more entrepreneurial Family Owned Companies and the necessity for Publicly Listed Companies to be accountable and responsible to shareholders.

The attribute of strict discipline and fairness was highest in the occasionally category for both Family Owned (50%) and Privately Held Companies (67%). Neither corporation type had scores in never practiced; however, Privately Held Companies had zero responses in practiced. The majority of the distribution of responses for Publicly Listed Companies was in the seldom practiced (39%), occasionally practiced (42%) and rarely practiced (33%). The data suggested Managing Directors practiced strict discipline and fairness sporadically.

Responses for Managing Directors using communication as a tool in difficult tasks found low responses in both Family Owned (6%) and Publicly Listed Companies (13%) for practiced and no scores were reported for Privately Held Companies. Both Publicly Listed and Privately Held scored 42 percent on seldom practiced while Family Owned scored 39

percent. Whilst Publicly Listed and Family Owned Companies scored (29%; 28%) respectively for occasionally practiced, Privately Held Companies scored 50 percent.

Significant results in the seldom practiced category were shown both in Privately Held and Publicly Listed Companies at 58 percent for the action oriented attribute. However, Privately Held Companies showed no scores for practiced where Publicly Held Companies showed 13 percent in the practiced category. Family Owned Company responses were more even distributed across the categories at practiced (17%), seldom practiced (28%), occasionally practiced (17%), rarely practiced (28%) and never practiced (6%).

Results indicated that creating a good learning environment was a challenge for Managing Directors. Results for both Family Owned and Publicly Listed Companies indicated low scores for practiced (6%; 13%) with increased scores for seldom practiced (39%; 42%) respectively. Privately Held Companies had zero responses for practiced, 42 percent for seldom practiced, however, responses for occasionally practiced were at a high of 50 percent.

Significant differences were found in the responses for all three corporation types for the attribute sensitive to people's needs. Responses for Family Owned Companies were greater in the occasionally practiced (44%) and rarely practiced (22%), whereas responses for Privately Owned Companies were seldom practiced (25%), occasionally practiced (25%) and rarely practiced (42%). Publicly Listed Companies on the other hand scored 47 percent for seldom practiced. It would appear that Publicly Listed Companies make more of an effort to be sensitive to employees' needs; however, this attribute is not a priority for Family Owned and Privately Owned Companies.

The attribute of practicing good moral character was similar across all corporation types. Over two-thirds of the response was scored in seldom practiced and occasionally practiced and each had responses in the rarely practiced category. Of note, Family Owned

and Publicly Listed Companies had responses in the never practiced (11%; 3%) respectively. While it appears there is an attempt to practice good moral character, Managing Directors have not ardently sought to practice this attribute.

Dreaming big was not an attribute that many Managing Directors embraced. Fifty-five percent of participants in Publicly Listed Companies identified this practice was seldom carried out and never carried out five percent of the time. Privately Held Companies had no responses for always practiced with responses spread over seldom, occasionally and rarely. Family Owned Companies had the greatest response in the occasionally practiced (50%), with responses also in practiced (17%) and rarely practiced (22%).

Communicating high expectations appeared to be of some concern in all of the corporation types. Privately Owned Companies had over three quarters of responses in practiced (32%) and seldom practiced (47%), where Privately Held and Family Owned Companies had fifty percent in practiced (25%; 17%) and seldom practiced (25%; 33%). Of note, Family Owned Companies had the only response for never practiced (6%).

Responses for using internal motivation to excite and stimulate people were highest in Publicly Listed Companies for seldom practiced (55%), next in Privately Listed Companies (42%) and then Family Owned Companies (33%). Both Publicly Listed and Family Owned Companies reported small numbers in practiced and never practiced. With the exception of Publicly Listed Companies, the practice of using internal motivation to excite and stimulate people is not a concern to managing directors.

	Family Owned Companies					Privately Held Companies				Publicly Owned Companies				
	Seldom	Occasionally	Rarely	Never	Practiced	Seldom	Occasionally	Rarely	Never	Practiced	Seldom	Occasionally	Rarely	Never
	Practiced	Practiced	Practiced	Practiced		Practiced	Practiced	Practiced	Practiced		Practiced	Practiced	Practiced	Practiced
He strives to be trustworthy and be trusted by you	17%	39%	39%	6%		17%	42%	25%	17%		16%	55%	24%	17%
He is able to articulate and communicate effectively	17%	50%	28%	6%		0%	33%	50%	17%		16%	53%	26%	17%
He exercises a high level of humanism	6%	33%	44%	11%	6%	8%	42%	25%	25%		8%	45%	39%	8%
He is strategic in his thinking	17%	22%	50%	6%	6%	8%	33%	58%			21%	45%	32%	8%
He develops a strong vision, mission and corporate values	17%	33%	28%	17%	6%	0%	33%	58%	8%		16%	55%	24%	17%
He walks his word and keeps promises	11%	22%	50%	17%		8%	17%	50%	25%		8%	32%	55%	8%
He believes in people and relationships	6%	50%	17%	28%		8%	42%	42%	8%		11%	46%	32%	3%
He is a good role model and provides good examples	11%	22%	44%	6%	17%	8%	33%	33%	25%		8%	50%	34%	8%
He explains the rational and benefit of his actions	17%	39%	22%	11%	11%	8%	42%	33%	17%		13%	61%	18%	17%
He shows and expects a high sense of honesty, integrity	11%	50%	33%	6%		8%	50%	33%	8%		13%	61%	18%	17%
He has high tolerance for mistakes	11%	28%	28%	22%	11%	17%	42%	25%	17%		3%	32%	37%	50%
He exercises strict discipline but yet is impartial (fairness)	11%	22%	50%	17%		0%	33%	67%			5%	39%	42%	33%
He makes use of communication as a tool in difficult tasks	6%	39%	28%	28%		0%	42%	50%	8%		13%	42%	29%	33%
He is action oriented	17%	28%	17%	28%	6%	0%	58%	42%			13%	58%	24%	8%
He creates a good learning and thinking environment	11%	39%	22%	17%	11%	8%	25%	33%	33%		5%	47%	32%	25%
He is always sensitive to people's needs	17%	11%	44%	22%	6%	8%	25%	25%	42%		5%	47%	34%	17%
He maintains good moral character	11%	33%	33%	11%	11%	8%	33%	33%	25%		8%	47%	32%	33%
He dares to think or dream big	17%	11%	50%	22%	0%	0%	33%	42%	25%		16%	55%	21%	8%
He communicates high expectations to his followers	17%	33%	22%	22%	6%	25%	25%	42%	8%		32%	47%	18%	8%
He uses internal motivation to excite and stimulate people	11%	33%	22%	28%	6%	0%	42%	33%	25%		8%	55%	24%	17%

Section 3 - The Adoption of Western Management Practices

Figures 23, 24 and 25 reveal the results of section three of the survey. Results indicate 68 percent of participants working in Family Owned Companies and 50 percent of participants working in Privately Owned Companies believe their companies have not adopted Western management practices. However, 69 percent of participants working for Publicly Listed Companies indicated their companies have adopted Western management practices. This I feel reflects the increasing demands for Publicly Listed Companies to increase their levels of corporate governance and professionalism.

When asked if their company was being managed in a patriarchal manner, 63 percent of participants in Family Owned Companies responded no whereas 67 percent of participants in Privately Held Companies and 69 percent of participants in Publicly Listed Companies stated yes. There appears to be a contradiction between the responses for adopting Western management practices and those that are managed in a patriarchal manner. Sixty-eight percent of participants in Family Owned Enterprises indicated that they thought their companies had not adopted Western management practices yet they also indicated that they were not being managed in a patriarchal manner (63%). Participants (69%) in Publicly Listed Companies responded that their companies adopted Western management practices yet they also responded (69%) that their companies were also being managed in a patriarchal manner. Adopting Western management practices and patriarchal management are in opposition to each other.

Responses to the question, “Would you agree that your company is being managed in a “China Businessman way”?” were varied. Family Owned Companies responded yes (56%) while Privately Held and Publicly Listed Companies responded no (83%; 69%) respectively. The responses to this question appear to have an association with the responses to the

question “Has your company successfully adopted Western modern management methods?” Family Owned Companies responded no to adopting Western modern management methods and yes to being managed in a China Businessman way. Publicly Listed Companies responded yes to adopting Western management practices and no to being managed in a China Businessman way. Privately Held Companies, however, were split fifty-fifty on adopting Western management practices however, 83 percent of participants answered their companies were not being managed in a China Businessman Way.

In response to the question, “Do you think that Asian management practices can be effectively complemented by Western management practices within your organization?” Family Owned Companies replied yes (69%) while Privately Held and Publicly Listed Companies responded no (58%; 51%).

Participants who worked for Family Owned Enterprises and replied yes to Asian management practices being effective in complementing Western management practices explained “because Western management practices provide a more transparent way in dealing with people and can motivate people to work hard and get more done”. Another respondent replied “Asian management practices focuses on sticking to the norms and rules, where in Western management practices, the key elements are thinking out of the box and doing things in a systematic way.” A third respondent answered “Western management practices are based on some rules and regulation or theory. Asian management practices are more about building relationships with people”. Participants, who answered no, suggested that many aspects of the two models are in conflict with each other and could not be successfully integrated.

For those participants from Privately Held Companies who replied that Asian management practices could not be complemented by Western management practices, few explanations were provided. One respondent replied that their company was well developed

around the world and was run by Western management practices. Participants, who responded that Asian management practices could be complemented by Western practices, replied that “it is understood that integration of Asian management practices is necessary to survive as a global company”. Another explanation put forth was the stress of Asian management practices on human relationships, which are not usually included in Western management practices and helps to build a closer and friendly atmosphere within the company.

Respondents for Publicly Listed Companies who indicated that Asian management practices could not be complemented by Western management practices remarked “Top management had to be educated on Western management practices which took a long time”. Another participant said that Western management practices were more effective and efficient than hierarchical structures put forth in the “China Businessman Way”, suggesting that Western management practices should replace Asian management practices as they are inflexible.

Participants who replied yes that Western management practices can complement Asian management practices suggested, “Western management practices would motivate people in a result-oriented manner and promotion counts on performance rather than relationships with your boss”. Other comments included “traditional Chinese adopt the social relationship while Western management would follow legal rules and principles”.

When asked if their company compared better than competitors when it comes to Western management practices, the responses were similar. Family Owned and Privately Held Companies were divided (50%, yes; 50% no) while Publicly Held Companies were divided (48%, no; 52%, yes) suggesting that other competitors had similar experiences in adopting Western management practices.

Participants from Family Owned Enterprises who responded that their company compared better when it comes to Western management practices explained that companies using Western management practices were more action oriented. Conversely, respondents who thought their company did not compare better than competitors on Western management practices thought that other companies had mixed practices and that mixed practices were necessary to survive.

Participants who worked for Privately Held Companies and advised their companies did not compare better on Western management practices explained that their companies lacked many aspects of Western management practices. For those respondents who replied their companies did compare better on Western management practices advised that their companies adopted flexible ways to manage that rapidly responded to market change and challenges.

Privately Owned Companies that responded their companies did not compare with competitors replied that their companies were not international and therefore did not develop Western management practices while other comments included that directors and senior management were traditional Chinese and retained Asian business practices. Employees who advised their companies compared better in Western management practices suggested “people are motivated and focused in providing synergies to what they are working on; and “Western management practices are more effective in managing the business”.

Figure 23

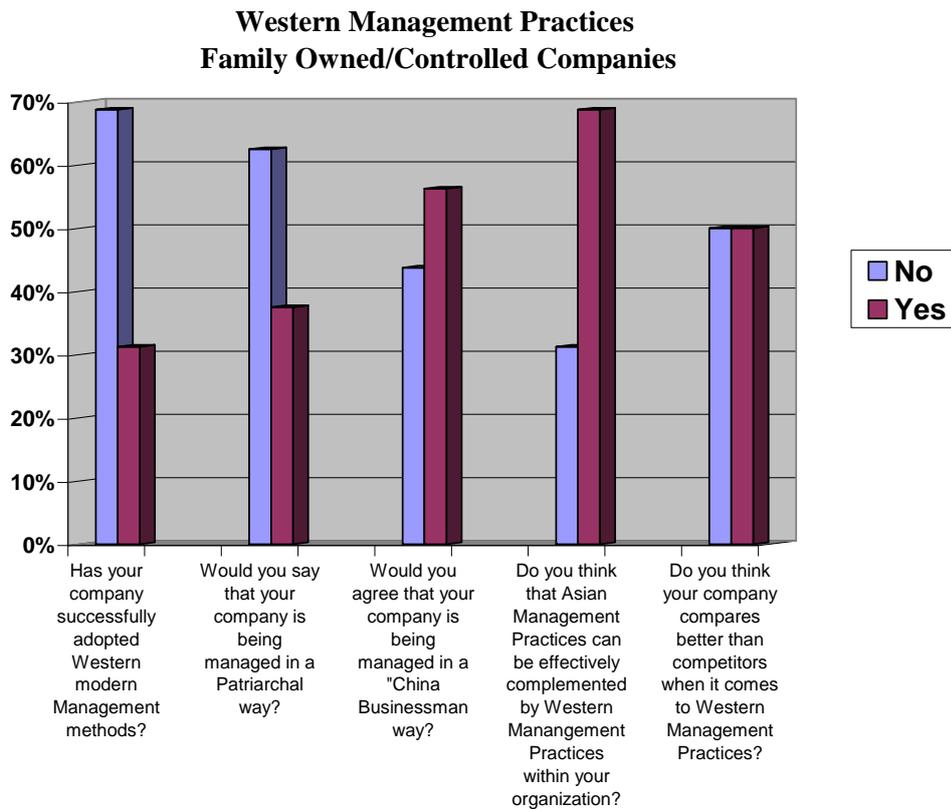


Figure 24

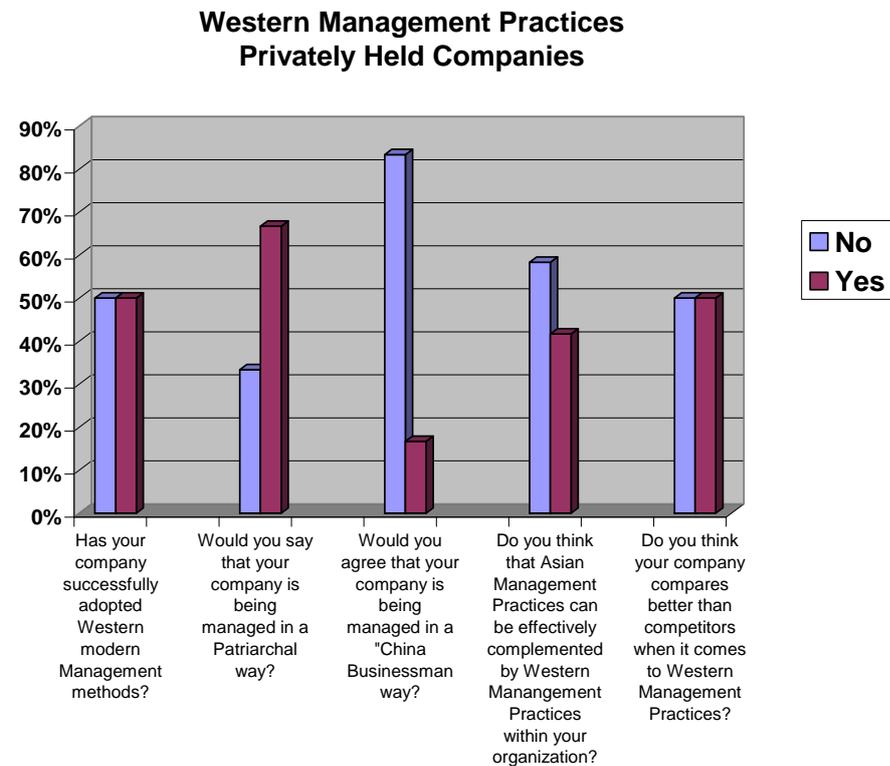
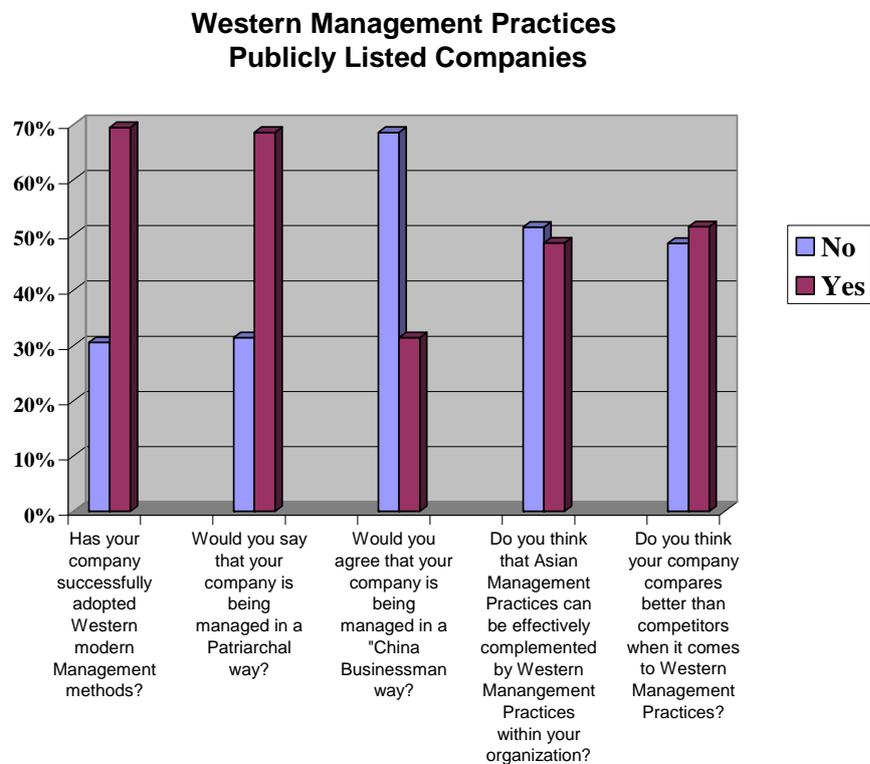


Figure 25



Limitations

The limitations of the study include language and the effect of age. Providing the survey in multiple languages may have garnered richer qualitative explanations around adopting Western management practices. While the study did not have any considerations for the age of the participants, age and experience may have been a factor in understanding Western management practices and systems.

Further research is needed on the effect of business for Family Owned Businesses and what success looks like for Family Owned Businesses that have successfully adopted Western management systems and practices in Asia.

Reflections and Personal Learning Outcomes

Overall, results reveal that Family Owned Enterprises use Western management systems frequently and occasionally and Western management practices frequently, occasionally and rarely providing evidence that Family Owned Companies limit the adoption of Western management practices. Privately Held Companies however, were more diverse in adopting Western management systems. They always and frequently adopted such systems as MBO, Team Management and Performance Appraisal Systems frequently but never adopted Balanced Score Card Systems. Privately Held Companies adopted Western management practices more than Family Owned and Publicly Listed providing evidence that Privately Held Companies are attempting to implement, yet were inconsistent in adopting Western management systems and practices.

Publicly Listed Companies adopted Western management systems more than Family Owned and Privately Owned Companies, however, as with Privately Owned Companies; they were inconsistent in adopting Western management systems. Publicly Listed Companies were similar in their responses in Western management practices to Family Owned Companies where responses in the frequently and occasionally categories were limited.

Of significance is the evidence showing limited adoption of Western management systems and practices within all three corporation types, nevertheless, when Western management systems and practices are adopted, they are adopted inconsistently. However, when participants were asked if the company they were employed by adopted Western management practices, 50 percent of Privately Held Companies and 69 percent of Publicly Listed Companies responded yes. Respondents for Family Owned Companies however, identified that the companies they worked for had not adopted Western management practices (69%). However, research suggests that Family Owned Companies have greater insight into the future by sending their offspring to overseas universities for an overseas education in

anticipation that the offspring will return with an open and receptive attitude towards Western management methods.

On the other hand, there was an inconsistency between answers concerning patriarchal management and the adoption of Western management practices. While employees of Family Owned Companies advised that their companies had not successfully adopted Western management practices, they responded that they were not being managed in a patriarchal manner. As such, perhaps there could be inconsistencies within these companies as to leadership style or the leadership style may in fact not be clear. This could also be explained by association of respondents with external consultants and non-family board members who practiced management in a non-patriarchal manner.

Conversely, employees from both Privately Held and Publicly Listed Companies responded that the companies they worked for were being managed in a patriarchal manner, yet advised that their companies had successfully adopted Western management practices (50%; 69%) respectively. This could be explained by situational leadership, meaning that these company leaders do in fact employ different leadership styles under different situations. In that Privately Owned Companies having adopted Western methods could be explained by returning second generation family members being educated at overseas institutions who are motivated to implement more modern systems, methods, techniques and management practices within their family firms. In the case of Publicly Listed Companies, the governance and reporting requirements required the adoption of selected Western management methods for reasons of transparency and compliance.

Both Privately Held (83%) and Publicly Listed Companies (69%) identified that they were not being managed in a “China Businessman way” yet responded that they were being managed in a patriarchal manner suggesting that patriarchal management was not synonymous with being managed in a “China Businessman way”. This inconsistency could

be explained by the evolving definition of the China Businessman way being that today's definition is somewhat different than the meaning employed prior to the communist revolution.

Results were mixed for the effectiveness of Western management practices complementing Asian business practices and whether companies fared better than competitors in Western management practices. On one hand, respondents advised that adopting Western management practices were time consuming, yet on the other, participants responded that within the global nature of business, combining both Western and Asian management practices was necessary and provided an edge for the company.

Whether competitors compared better in Western management practices depended on the global orientation of the company. Those organizations that were not globally focused had not adopted Western management practices I was to learn. Those companies that had adopted some Western management practices stated that it provided a competitive edge as Western management practices were more effective in managing and motivating employees.

Results indicated that Managing Directors in Publicly Listed Companies used attributes in Western management practices more than Privately Held and Family Owned Companies. Analysis of the results show that Managing Directors in Publicly Listed Companies were able to translate the attributes used in Western management practices into tangible systems and practices some of the time. Whereas, Managing Directors in Privately Held Companies were more sporadic in the use of behavioral attributes and were also inconsistent in translating the attributes into tangible systems and practices. Results indicated that Managing Directors in Family Owned Companies were less likely to adopt behavioral attributes attributed to Western management practices than Private or Publicly Listed Companies. These results are supported by the protocol of Chinese business values and ethics. Westwood (1997) states "the head is not required to display leadership qualities or

behaviors, in the Western sense, in order to achieve the required compliance from members” (p. 457). The limited use by Family Owned Companies of behavioral attributes used in Western management practices corresponds to the limited adoption of Western management systems and practices.

Overall Reflections and Learnings

In overall reflection, and having conducted this survey, I have learnt that in preparing the survey questionnaire to answer such a broad question as ‘Can Chinese Family Managed Companies Successfully Adopt Western Management Practices?’ has its challenges. Whilst the question is practical in nature, I realized that following the data analysis of the survey results, the challenge was not to simply research the answer but to be able to create organizational improvements and creative advantages for business advancements and growth. Another key learning was the insights that the survey illustrates in that in some areas such as ethics and communication, the results were in fact similar.

Publicly Listed Companies overall seem to have adopted Western management practices in the study. This is clearly a result of the increasing governance and regulatory demands on these Publicly Listed Companies. Perhaps the most valuable insights that the survey results highlighted were firstly those management practices in which the adoption has been limited and employed occasionally, and the areas which do not appear as being likely to succeed. Given an opportunity to further analyze these results could prove particularly helpful in not only demonstrating to potential clients whom are considering various Western management methods for adoption, but also valuable in marketing professional services to the same clients. These results will clearly benefit both myself in my professional practice in management consulting and advisory and will benefit further clients in that these results offer

particularly valuable insights for Asian clients who are considering adopting Western management practices and systems.

These valuable insights will allow me to change the way that I not only engage clients initially but also provide some immediate practical approaches to solution giving to clients also. Albeit the survey results also offers a significant increase in the strategies that I can employ in my rapport of potentially more effective ideas, strategies and methods in creating alternatives for client engagement, development and advancement.

CHAPTER 4
THE LITERATURE REVIEW

Knowing others is intelligence, knowing yourself is true

Wisdom, mastering others is strength, mastering

Yourself is the power.

-Lao Tzu

CHAPTER 4

LITERATURE REVIEW

The enormous amount of research and authors researching and writing how Chinese Family Enterprises differ from Western Corporations is in fact significant (Fukuyama, 1995; Lim, 1996; Redding, 1990). Tsui-Auch (2004) describes the Chinese Family Corporation as a clone of essentially the structure of the traditional Chinese family where the patriarch of the family is the head of the family firm and enterprise, and has "unquestioned authority" and exclusively manages the firm with a small group of close and trusted circle of family members and friends (p. 695). At the time of founding the business, the patriarch controls the business tightly, usually up until the enterprise matures and then redistributes control at the point that sons are assigned to manage individual business or business units (Tsui-Auch, 2004). Ownership of the company typically stays within the family, as shares are not usually sold to outside members, except in the cases where the family seeks external capital through an initial public offering or seeks financing through an affiliated bank, financial company, venture capital or holding company (Fukuyama, 1995). Chinese family businesses rarely survive longer than three generations because the successors take their wealth for granted and lack the motivation to sustain the inherited business (Wong, 1985). This known fact about the survivability of Chinese family firms is echoed by the INSEAD (2006) research on the emotional aspects of wealth transfer and inheritance in Asian families. The persistence of family control and management in ethnic Chinese business is, according to Bond and Hwang (1986), attributed to Confucian values such that "Confucianism defines an ethical order in which people are born (not with rights) but with obligations to hierarchically arranged authorities, starting with the family" (Tsui-Auch, 2004, p. 695). This obligation and duty to the overall family is therefore more important than one's individual needs or wants (Tsui-Auch, 2004).

In traditional Chinese families the family members, specifically the male members, are obligated to be loyal to the father and continue managing the business ensuring the continuation of the business. This of course ensures that Chinese cultural values are sustained and continue to maintain influence in the family, company, community and society despite the technological and economic developments and changes (Redding, 1990). As such, the management and operation of Chinese family enterprises is different than Western managed companies.

The research that examines the question as to whether or not Chinese family companies have been successful in adopting Western methods applies as previously mentioned even in the recruitment of professional managers ultimately relying upon them for operational management. Strategic management of the company it seems still is resident upon family members and a few trusted advisors. My intuition and observation suggests that this is a function of the fiscal implications of the corporate strategy and growth plans of the family enterprise. Functionally by involving non-family members in the strategic planning process would typically mean that the financial statements would have to be made available to non-family members for budgeting purposes. As such, treasury functions are typically limited to those most trusted by the family and are always managed discretely.

When professional management exists within a company, Tsui-Auch (2004) suggests that systems and practices take on a more formal approach. One could safely assume that a strong indicator for companies moving towards the practice of professional management is a reliance on professionally trained management.

In contrast to examining theories that depict family managed businesses being managed by family members in a narrow sense to those family owned companies that have recruited professional managers, others such as Abegglen (1994) contends that professional management comes into play when heirs to family businesses have received higher

education, mostly at overseas universities and colleges and then return to the family business. In North America and Europe, this perception is also common. A survey cited in *Business Times* (2000) studying educational levels of generations and generations of 19 business owners illustrated that lowly educated founders professionalized their management just as much as the highly educated second generation heirs.

Within the Chinese framework, management is considered a somewhat lower level activity, involving the day to day operation and management of the family business. What might be described as authentic power exists with the family members and the core of trusted non-family members. However, power is typically resident with those who hold positions such as Managing Director, President, Chief Executive Officer or Chairman (Claessens, Djankov, & Lang, 1999). For recruitment, professional training and higher education are fundamentally necessary for non-family members to obtain positions in the family business. However, this is not the case for those who are family related members who rely on family network connections for admittance to the family business.

Over the last decade or so, we have witnessed a deinstitutionalization of patriarchal management in some South East Asian family companies in Malaysia, Singapore, Indonesia, Philippines and Thailand. For example, both the Yeo's (Yeo Hiap Seng Lo – Singapore) and the Lee's (The OCBC – Overseas Chinese Banking Corporation in Singapore) always trusted family members over outsiders, forever suspecting that outsiders would not protect the family interest over the founding family. This is illustrated by Alan Yeo's rapid acceleration of his son, who was educated in the West. For the son, who chose modernization for the company, his strategies was not entirely distanced from their traditional values and norms (Chan & Chiang, 1994), as the company elders emphasized the continuity of the family and of course their family obligations. In the same case, the second generation heirs of Yeo Hiap Seng did not allow outsiders to exercise corporate rule. Some of the third generation offspring

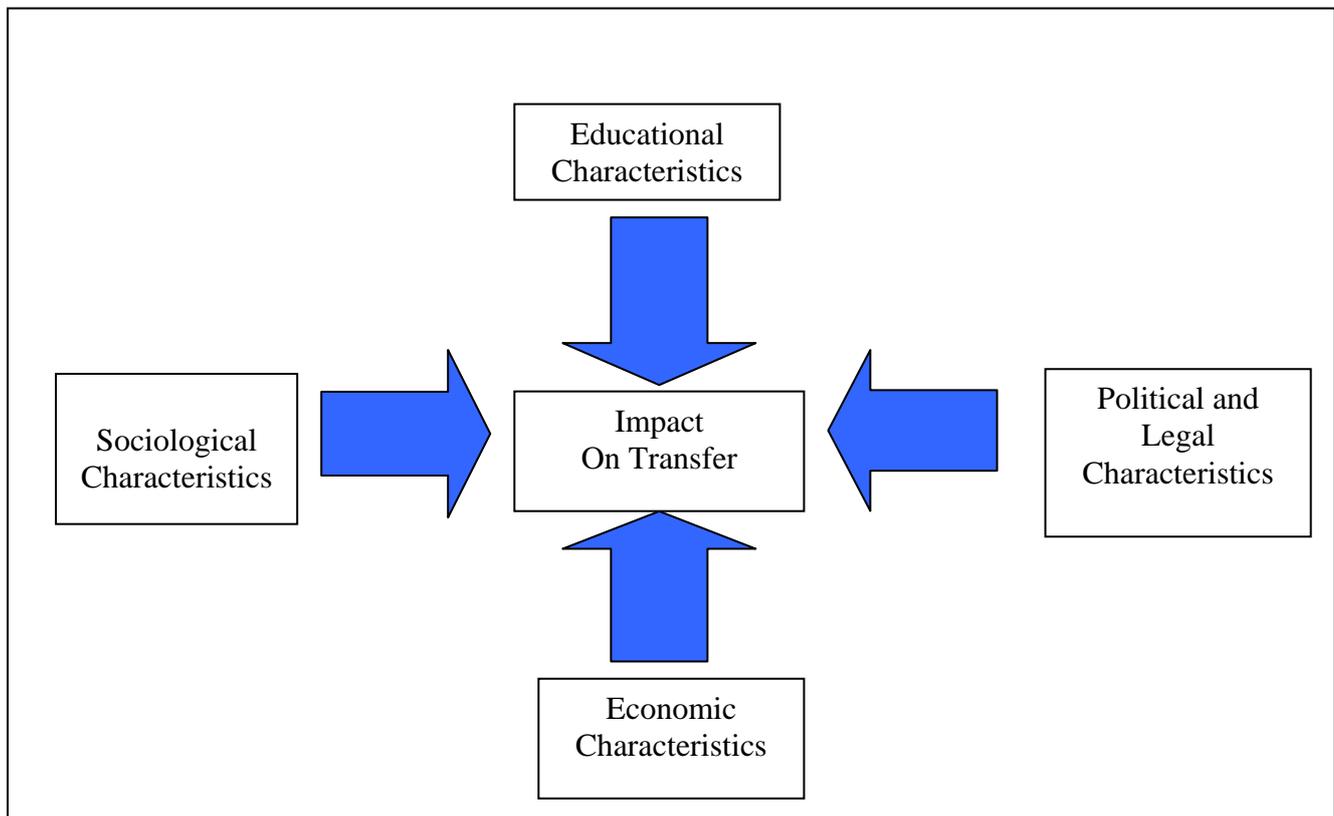
perceived Alan Yeo's idea to bring in a major non-family-shareholder as a complete betrayal to the founder. This suggests that many of these family owned companies are still anchored in the traditional Chinese methods of management. Whilst deinstitutionalization and transformation continues among Chinese family managed businesses, it is clear from the case study of Yeo Hiap Seng that the ongoing modernization of these family owned enterprises will not always experience a smooth transition. In the Lee family, for example, all three sons returned from studies in North America to serve in the family business and as such the probability of successful adoption of Western management methods is particularly favorable.

A major turning point in the history of China occurred in 1979 as China embarked on a transition of transforming its economy from a centrally planned system to a market one. Following this major economic reform has been the advancement of and transfer of management and business know how, methods and systems primarily from the West (Fan, 1998). It would appear that the discussion concerning whether or not management and business knowledge and experience is universal or culturally bounded continues yet the research on the cross cultural transfer of management has been growing since the sixties. Fan, through his studies suggested that research in the field can be classified into two types: "the applicability and transferability of Western management methods" (p. 201).

One of the first set of authors to study the universality of business knowledge universalism was Gonzales and McMillan who found that management methods are culturally bound and the North American belief, values, attitudes and knowledge of management cannot be applied everywhere (Fan, 1998). Further research in this area of studying the cultural differences in the transfer of methods are also highlighted by Farmer and Richman (1964) who emphasize the importance of external environmental factors "that directly influence the activities and effectiveness of firm management" or managerial

efficiency (p. 58). Their module, shown in Figure 26, indicates the four important external considerations that affect the transfer of management know-how and methods.

Figure 26: External Environmental Factors that Impact Transfer of Management Methods (Farmer & Richman, 1964)



Authors Lindsay and Dempsey (1985) found the merger of traditional Chinese culture and modern socialist development created distinctive forms of management and behavior which do not resemble Western management models. Livingstone (1987) counsels against superficial application of Western marketing techniques and emphasizes that in any non-western developing country “marketing techniques are not a textbook formula or cookbook recipe which could be applied indiscriminately to conditions anywhere.”

Whether studying the four major impediments of Von Glinow and Teagarden (1988) (Figure 27) or studying the work of Chan (1989) and his five critical barriers against applying marketing concepts (Figure 28), attention needs to be paid to both of these models in the

potential engagement of change processes in Chinese family managed enterprises. Clearly, not one model is all encompassing or complete in helping one understand the external challenges and internal processes of any one family managed enterprise.

Figure 27: Impediment Forces (Von Glinow and Teagarden, 1988)

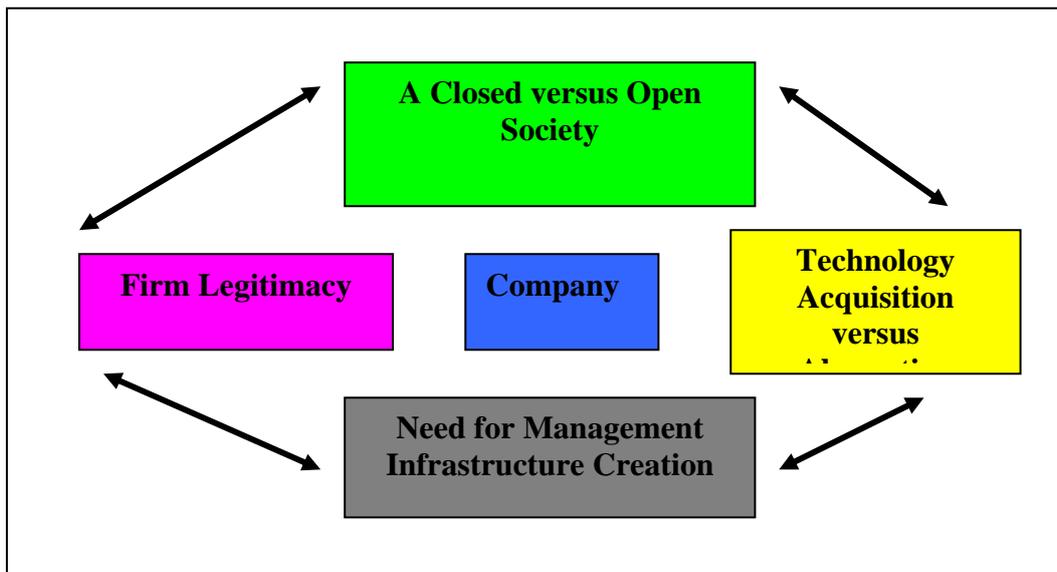


Figure 28: Five Critical Barriers Against Applying Marketing Concepts (Chan, 1989)

1. BUREAUCRATIC SETTING
2. MANAGEMENT LACK OF FAMILIARITY WITH INFORMATION
3. INADEQUATE MARKET INFORMATION
4. SOCIALIST ORIENTATION
5. CENTRALLY PLANNED ECONOMY

In a 2001 article on the changing management style of state owned enterprises (SOEs) in China, author Su Yi from the school of management at Zheng Shan University recalls that in 1996/7 the then Premier Zhu Rong-Ji's claimed that "SOEs must undergo a fundamental

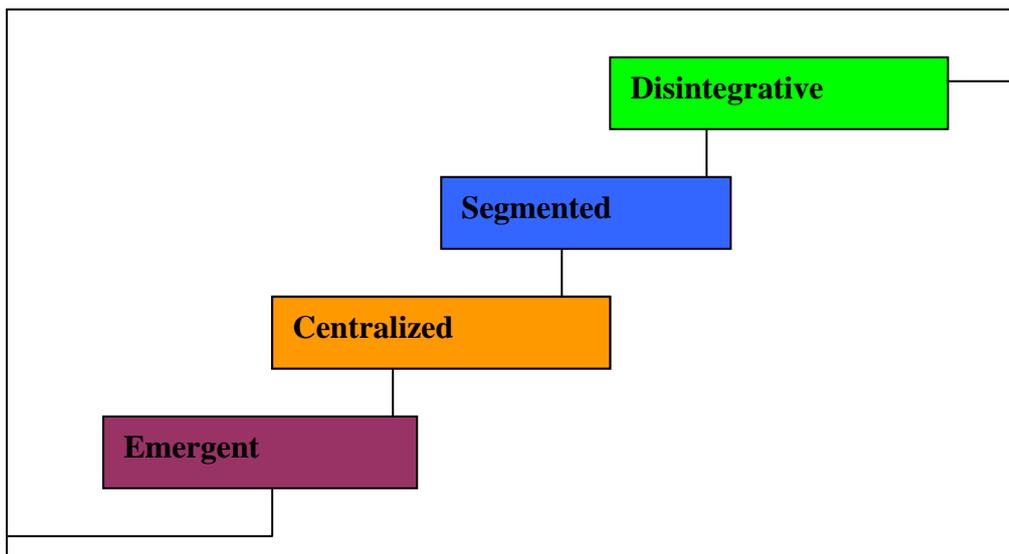
change during the following three years” (Yi, 2001, p. 1). This work by Su Yi proposed that in order to look at the future, one need understand the past and present and then by studying the traditional Chinese family enterprise and Western management practices one can look forward to the future as to what management practices will be required (Yi, 2001). In short, the author proposes that the focus on differences within management will slowly disappear and that history will demonstrate that “there are only two styles of management namely “good management” and “bad management” (p. 1). The same author suggests that human resource management, for example in SOEs, is directed toward the Western style and that more consideration is being given to the skills and education of employees rather than relationships and familial associations.

This research on SOEs may be contrasted to a British case of an ethnic business firm in a 2006 study by Bhalla (Cass Business School) and Henderson and Watkins (Southampton Business School). The case study revolves around a UK company, which has existed for over 35 years, and has grown to a medium sized family firm but is controlled by a South East Asian family firm specializing in the wholesale distribution of ethnic foods and drinks. The firm has been successful over the past 35 years, yet management claim a strategy has never been in place (Bhalla, Henderson, & Watkins, 2006). This claim raises an important opportunity for further study as Bhalla, Henderson and Watkins state that decisions of strategy in family firms are based on values, goals and visions of the patriarch and are rarely made completely on economic grounds. The authors found that even though a lack of strategic planning exists, family meetings held every six weeks where the impetus for decisions came from sources of market demand and previous experience. However, it was important for the company to having personal contact with customers as part of its efforts to market in England (Bhalla, Henderson & Watkins). Despite the country of origin of a firm, developing relationships with customers is necessary to understand the needs of the customer.

Given that this family firm is located in East London, the exact same business and social networks and relationships exists to advance family business interests either in the UK or in South East Asia.

One of the most practical models researched for this project is the Chinese Family Firm, a model authored by Siu-Lun Wong (1985), who suggests that family firms behave differently at various stages of their developmental cycle. The author suggests that there are four phases of developments for the family firm:

Figure 29: Four Development Phases for Family Firms (Wong, 1985, p.69)



Whether one supports the four phases of family firm development, one cannot ignore the fact that two to three generations of family run business do in fact precede to an eventual disintegrative state. Of high interest in this model is the high probability of family firms eventually becoming disintegrative, more so according to the author if the company is a Filipino firm rather than a Chinese firm (Wong, 1985). This may however, be a partial explanation of the strength of the Chinese family firm compared with its Filipino counterpart and the treatment of kin. According to Wong, Filipino families provide and receive help from

a larger kinship base than do Chinese, resulting in countless successors, who have allegiances to other groups with the family. Chinese family firms, however, work under the lineage of the male patriarch, for support and succession (Wong, 1985). Perhaps this raises a fundamental question as to whether or not there are differences in cultural values and productivity variances within the context of Asian Management?

According to Hofstede (2007), “culture is the collective programming of the mind which distinguished the members of one group or category of people from another” (p. 413). The cultural values in the Philippines are somewhat different from those of Chinese family owned firms in other Asian countries such as Singapore, Malaysia and Thailand. Perhaps this is a function of the cultural heritage of the Philippines with the occupation of the Spanish in the region for over 300 years. Looking at values, it seems that the core of all culture is the values of community, the country or region. As such, “management and [business practices] are subject to cultural values” and therefore cultural values differ among the various societies (p. 413). The following chart by Hofstede (2007) clearly illustrates the significant differences in goals between various cultures in China, India, Denmark and the USA.

Table 13: Country Cultural Differences with Management (Hofstede, 2007).

China (1999)	India (1999)	Denmark (2004)	USA (1999)
<i>Most important</i>	<i>Most important</i>	<i>Most important</i>	<i>Most important</i>
Respecting ethical Norms	Family interests	Creating something new	Growth of the business
Patriotism, national Pride	Continuity of the business	Profits 10 years from now	Personal wealth
Power	Personal wealth	Honor, face, reputation	This year's profit
Honor, face, reputation	Patriotism, national pride	Staying within the law	Power
Responsibility towards Society	Power	Responsibility towards employees	Staying within the law
Least important	Least important	Least important	Least important
Creating something New	Staying within the law	Family interests	Profits 10 years from now
Game and gambling Spirit	Creating something new	Power	Responsibility towards employees
This year's profits	Responsibility towards employees	Responsibility towards society	Family interests
Personal wealth	Respecting ethical norms	Personal Wealth	Continuity of the business
Staying within the Law	Game and gambling spirit	Continuity of the business	Creating something new

The adoption of professional management in Chinese family business is a major concern in the available literature in management, entrepreneurship and governance (Chandler, 1977; 1990 as cited in Zhang & Ma, 2009). In my research so far, most if not all of the theoretical and empirical research in this area has focused primarily on the Western styles of management, business and on the Western context. Now that China's transition towards being a market oriented economy is well underway (Post World Trade Organization) Chinese family businesses will follow both mainland China and offshore overseas ethnic Chinese and continue to be a major force in the development of the Asia economy (Whyte, 1995). However, efforts to professionalize management have tested numerous businesses in the Chinese community resulting in unsuccessful business ventures and problems within existing Chinese firms (Zhang & Ma, 2009).

While mainland China and overseas Chinese families share many cultural traditions, and have many common characteristics, there are some fundamental differences. For example, family firms in China have a market advantage as a function of the market size domestically in mainland China (Zhang & Ma, 2009). As such, the market potential, the scale and nature of the market that can be exploited is different. This fundamental difference is important to note as is the communist influence on mainland firms together with the family planning policy (1 child) which has changed the family makeup radically in China. As a result, it would be difficult to locate families with multiple heirs in China today. Therefore, the lineage of family members would be in short supply and influence the family business operations and eventual succession (Zhang & Ma, 2009). With the influence and direction of governmental agencies, family planning policies, and the market economy gaining further ground, Chinese mainland firms will experience more demands to professionalize than those Chinese family firms offshore in other Asian countries unless they are publicly listed.

Chinese family businesses, it appears, are limited, by opposing forces. These three forces include “environment, firm and owner” (Zhang & Ma, 2009, p. 124). The author argues that the decision to professionalize management practices is dependent upon the relationship between these forces. For example, environmental variables focus on the “market, cultural and institutional environment” in which these family firms strategize, plan, operate and compete (p. 125). At the firm or business level, these variables include the size of the company, the market, scope, organizational structure, firm abilities, competencies, products and services. At the individual level or at the patriarch level, the variables would be the motivation, objectives, the needs of the family as a group, level of trust between individuals and the local community attributes of these business owners and operators (Zhang & Ma, 2009). Table 14 illustrates the drivers that may force family business owners to implement professional management practices. The opposing forces or drivers by Zhang and Ma (2009) are also illustrated in Table 14, which prevent professionalization of management. While somewhat simplified, it does however illustrate some of the common impetuses and impediments in the professionalization of family business.

Table 14: Integrated Framework on the Professionalization of Family Business

	Environmental	Firm	Individual
Impetuses	Market imperatives Industry context	Size Market scope	Need of achievement prior managerial experience
Impediments	Cultural tradition Institutional force	High centralization Low formalization	Familism Lack of social trust

The hypercompetitive markets today primarily in Asia and North America have to compete in regional dynamic markets. With the emerging competitive South American and Eastern European markets and entry into the World Trade Organization, the potential for

family firms to seriously compete intensifies with increasing amounts of foreign investment. This present situation requires that family firms must learn to make rapid strategic and organizational changes as the environment changes. As such adaptation takes place, the demand for much more highly trained and specialized management resources is required (Zhang & Ma, 2009). Since most families have limited qualified resources, the demands for external professional managers increase as does the introduction of Western and professional management practices.

Reflections and Personal Outcomes

The review of literature has been extensive. I have reviewed over one hundred and fifty papers, journals and abstracts on the study of Chinese and Asian family businesses toward the adoption of Western management methods by both publicly listed firms and family managed enterprises. Significant amounts of the research points to the cultural barriers and challenges faced by companies who have adopted various Western practices. In reflection, it would have been more prudent for me to have undergone a deep literature review of the existing experience and knowledge prior to the engagements of client change and growth projects. This would have saved considerable resources in terms of time and financial investment that occurred in these projects. I have made the decision to adopt this critical step of literature research in all client engagements prior to the formulation of strategy and change initiatives. What I have learnt in my review of literature is the value and importance of the experience factor in the work of other researchers and practitioners.

The impact of culture has also been a surprising element in my research. In my professional work I had not realized the importance that culture has on behavior, methodology and decision making. I continue to reflect on past and present challenges and contemplate the effect and influence that Buddhism, Confucianism and Taoism has had on all

of my clients who are of Chinese or whom are of Chinese decent. I contrast this to the background and environment that I was accustomed to which was prevalent in Western societies, that is the influence of culture in Judaism and Christianity. In the last eight years, I have had to learn the various cultures in South East Asia which included working in Islamic dominated countries and regions.

I am forced to impose rigor on my own behavior and critical thinking in this period. I would have to conclude that I have possessed a rather large ignorance factor, which is to say I have been ignorant of various cultures, practices, languages, rituals and methods. A significant reflection and learning was the realization that my approach to people, groups and organizations may have been destructive in the past because the traditional Chinese way of thinking and expression is based on different values. More specifically, as an example when I playback business conversations that I have had in the past with Chinese business leaders, I did not appreciate that Chinese behavior was mostly driven by customs and philosophical beliefs.

Evidenced also in much of the literature is the concept of time. In the West and in my own belief, time basically passes in a straight line or in more or less a linear way. The Chinese I have learnt think in more of a circular way, with the present always being connected to what happened in the past, as in events and milestones. This concept of time and events is something then that insists on the past not being ignored. This significant difference has had an effect on some of my past relationships in Asia and may have been the source of misunderstanding and conflict. The way I have reacted in the past has also been contemplated following the literature review. Recently, I realized that my being conspicuous was very different to the obvious subtle manner of the Chinese.

Another key reflection has been the importance of emotional intelligence among the Chinese, Japanese and Pinoys in working together and dealing with Westerners. This in

reflection is a strategic advantage for Asians, whom are able to combine Confucianism with both emotional and factual intelligence in business. I clearly have been disadvantaged, or more directly said, I have disadvantaged myself by not learning the nuances, practices, and cultural differences earlier. The literature available, including massive amounts of text books on the Chinese family owned business and doing business in Asia continues to proliferate the shelves of bookstores. On reflection of the literature review, I have observed that I also need not only understand and appreciate the China before 1976 (prior to the market economy introduction) but the period of rapid growth of capitalism and consumerism since them. Prior to the modernization, there was at least 3,000 years of suppressed need and aspirations with the blended culture that will obviously emerge in not only China, but throughout Asia. The transformation from more traditional customs, practices and concepts to a more Western culture is inevitable over time as trade and commerce increases between North America and Asia. Literature and book reviews must become an internal part of the fabric in my professional work. I can no longer afford to be naïve, ignorant or arrogant about working in Asia, and working with family managed businesses. China and overseas owned and managed business throughout Asia will continue to have a profound economic impact, and China's rise to global economic leadership clearly signals the end of the global dominance of the Western world. I need to prepare to embrace, contribute and participate in this transformation of the rise of China and the rest of Asia to global dominance.

CHAPTER 5
CONCLUSION AND REFLECTIONS

*All scholarship, like all science, is an ongoing, open-ended discussion
in which all conclusions are tentative forever,
the principal value and charm of the game
being the discovery of the totally unexpected.*

Hugh W. Nibley

CHAPTER 5

CONCLUSIONS AND REFLECTIONS

Conclusions

At the outset of this entire program in professional studies, I have been heavily motivated to invest in the continuing study of China, Asia, family business challenges and opportunities. This long standing motivation has been deeply rooted in my own background as an ethnic Chinese, having grown up in an entrepreneurial but modest setting. The focus of my project was to determine whether or not Chinese family managed companies have been successful in adopting Western management methods. The project methodology had three major components.

- A. A comprehensive survey questionnaire
- B. A case study with interviews
- C. A literature review

The triangulation approach was chosen as it offered an opportunity to combine the research, academic, practical and experiential considerations and to assist in answering key questions and drawing meaningful conclusions about the questions and observations and learnings on successful management practices. The approach I felt would offer also a more thorough and thoughtful approach to the project.

The following summary chart provides an ‘at a glance’ brief sketch of the key management variables employed in the survey (blended results) compared to the case study of AHQUAT, the findings in the literature review and my own professional observations and experiences with these management systems and management practices.

Management Practices	AHQAT	Blended Survey	Literature Review	Own Experience
MBO	Practiced in Concept	Ltd practices	High success	High success
ISO	Lasted only a few years	Yes but ltd	Yes	Competitive
Team	Project teams only	Ltd practices	Yes	Advantage in productivity
Appraisals	Annually	Yes annually	Yes	Effective feedback
Balanced Score Card	Attempted and failed	Very limited	No results	Mostly failed
Performance Pay	Practiced with bias	Limited practice	Partial implementation	Motivational
KPI	Attempted and failed	Very limited implementation	Partial implementation	Ltd success
Annual strategy	Annual meetings controller	Yes	Yes	High success
Communication Systems	Formal	Ltd implementation	Yes	High success
Internal Promotion	Yes	Yes in the lower levels	Mixes results	High success
MBWA	Yes	Ltd ability	Limited ability	High success
Col	Yes	No	No	Very ltd
Corporate Governance	Limited	Ltd implementation	Yes	Mostly good
HRD	Personnel admin not HRD	Ltd function	Yes	High success
Intrapreneurship	No	Very limited opportunities	Limited	High success
Ethical Management	Limited	Ltd and sporadic	Limited	Emerging practices
Shares Decision Making	Limited	Ltd implementation	Limited	Emerging
Employee Involvement	Very limited	Very ltd implementation	Limited	Emerging and successful
Flexible Organisation	On demand	Ltd practice	Limited	Practiced with success
Competitive Analysis	No	Ltd analysis	Yes	High success
Strong Leadership	Command and control	Yes both positive and negative	Mixes results	High success
Cronyism	Yes	Yes with family members	Yes	Very limited

The questionnaire data results for the project raised for me even more questions than the comprehensive survey itself. Having “set out” to seek answers at the completion of the data analysis phase I concluded the following more fundamental observations about the project.

Conclusion 1

Institutional forces provide direct and rigorous constraints that can affect the possibility and feasibility of the adoption of Western management methods and practices.

Conclusion 2

The triangulation approach employed in this project dissertation on Chinese business and management was both functional and insightful in that the results of the survey questionnaire and data analysis fully support the conclusion in both the literature review and in the case study. Given this conclusion that Western management adoption results are often mixed, this is particularly valuable to those companies and leaders whom are contemplating the adoption of selected Western business and management methods.

Conclusion 3

The confirmed rise of China and Southeast Asia will continue to fuel the market imperative for the professionalism of family owned business in China and in the Southeast Asia region. The continued growth of companies in Asia will also require continued innovations in management development to respond to the intensive market competition and technological progress.

Conclusion 4

The prevalence of family business in Chinese communities has roots in generations of economic and political uncertainty. As the speed of the economy continues to hasten following the present recession of recent years, the demand for professional management practices will only increase. Constant review and evaluation of new management and business projects, methods, and techniques will become necessary.

Conclusion 5

Familism and continued low trust towards outsiders may continue in many Chinese family businesses particularly the smaller and medium size enterprises. The social relationships and arrangements may produce difficulties in Chinese family businesses to advance their companies in the future.

Conclusion 6

Despite economic changes and forces, it appears that Chinese family firms will have four major challenges going forward. Those challenges include: the environment (including the economy), the firm or company capitalization and competencies, the owners themselves, and succession challenges which will ultimately affect all families.

Conclusion 7

Chinese family firms will need to become even more adaptive in the future. As competition intensifies; these companies will require and demand more complex tasks and thus the demand for specialization and highly trained professionals. Most families have limited management training, and as such, most cannot meet these requirements and will need to recruit external professionals with management experience.

Conclusion 8

The size of the company seems to be one of the determining factors from the family business transition to professional management. The size of the firm influences the extent to which the firm can still be effectively both managed and controlled by the family. It appears that medium sized enterprises are challenged more to consider adoption of Western management practices.

Conclusion 9

As the family firm grows, the market scope also may grow, thus affecting the business complexity and administrative and operation demands. These together with the aspirations and motivation of the company patriarch to explore business opportunities and market expansion will demand the adoption of Western management or some variation of Western management methods.

Conclusion 10

Given the present economic challenges of early 2010, the demand for the adoption of Western management methods should theoretically increase. However, given the below nine percent GDP the last two years (average throughout Southeast Asia) there will be an impatient mentality among family companies to “make-up” for lost time, and this will be relevant to focus on the adoption of management methods and the recruitment of professional managers.

Conclusion 11

The maturing of the majority of the legal infrastructure in parts of Southeast Asia,

together with the weak protection of intellectual property, will also be a challenge to the adoption of Western business methods. The lack of professionalism may act as a deterrent to professional managers who are considering joining family managed enterprises.

Conclusion 12

The proliferation of laws, regulations, compliance and transparency demands has begun to foster the separation of ownership and control.

Conclusion 13

With the globalization of Chinese interests throughout the world, it is likely that we will see the emergence of Chinese brands in the coming years (Haier, Lenovo, Focus Media) in the west. Successful Chinese entrepreneurs and business leaders have become the new aristocrats. These modern day mandarins are the nouveau riche and are particularly wealthy. Much of their success is based on their ability to combine Western technology and management practices with elements of Chinese culture, employing Chinese social networks (Guanxi) with international connections. By combining the best business and management practices of the West and Chinese culture, this new class of entrepreneurial mandarins will have a profound impact on the mindset and values of virtually of all Asia and eventually a growing impact on the rest of the world.

Realization of Research Aim

Through the rigor of the selected methodology for this project dissertation, I have truly realized my project objective and aim. The case study segment of the process was to study a current family owned and operated company where decisions about investments and management were influenced by the family. This phase, which was the practical side, was

particularly rigorous in that the interpretation of the project results required careful analysis. The challenge was not for me to predetermine conclusions prior to the interviews. The project aim was also to complete a literature research on the same subject of the selection of Western adoption methods by Asian family owned and managed businesses. The research available is significant in terms of comparative analysis between various management practices, but few solutions and recommendations are available. The questionnaire segment of this project achieved my research aim which was to look across a large body of companies to determine the reality as far as present practices and the success in the adoption of methods and management practices.

Concluding Remarks and Research Implications

The professional impact to me is significant following completion of this comprehensive course of study. The culmination of this project and dissertation has impacted my mindset, assumptions and biases in terms of how I approach and undertake significant organizational development and growth initiatives in the future within Asia. Ultimately, this has also caused me to become a more diligent, sensitive, informed and culturally aware student and advisor of Chinese business and management methods throughout Asia.

This project dissertation, including research findings and conclusions will contribute to management and practice. On the academic side it is presented through the questionnaire and data results and a summary of the project perspective of the attitudes and management practices of family firms. In addition, the selected adoptions of Western management practices and the success of their adoptions, which is essentially the extent that family business has had to professionalize is also examined. For practitioners, the analyses and findings offer insights into the combination of culture and institutional influence. In the coming years, the firms and the owners together with the macro-environment changes in

Southeast Asia will help us to capture, appreciate and respect the evolution of Chinese family businesses. These developments and their potential success employing selected management methods will be critical for continued business continuity and growth. Further, it is hoped this work contributes to the literature of family business development and transition.

The implications for future research are multi-fold. Future research should study the implications of individual leadership, behavioral attributes, style and individual aspirations and the role they play in enterprise governance and business performance. These key variables have significant potential implications on business performance and create research opportunities which could be accommodated in our theoretical and empirical work to help us offer a more appreciative understanding of the evolution of the Chinese family managed enterprise.

References

- Abernathy, D.J., (1999). A chat with Chris Argyis. *Training and Development*, May, 80-84.
- Abegglen, J. C. (1994). *Networks, groups and growth, sea change: Pacific Asia as the new world industrial center*. New York: Free Press.
- Abdullah, A. (1996). *Going Global*. Malaysian Institute of Management, Kuala Lumpur.
- Argyris, C. (1985). *Strategy, change and defensive routines*. Boston, MA: Pitman.
- Arendt, H. (1973). *Origins of totalitarianism*. San Diego, CA: Harcourt.
- Avolio, B., & Ong, P. (n.d.). Accelerating the growth of the Asian leader. Presented at the Singapore Human Capital Summit. Retrieved from http://www.singaporehcs Summit.com/files/Resource_Asian_Leadership_Report_Gallup.pdf.
- Bhalla, A., Henderson, S., & Watkins, (2006). A multiparadigmatic perspective of strategy. *International Small Business Journal*, 24(5), 515-537.
- Bass, B.M., & Stodgill, R.M. (1990). *Bass & Stodgill's handbook of leadership: theory, research and managerial applications* (3rd Ed.). New York: The Free Press.
- Bateman, T.S., & Snell, S. (2007). *Management leading and collaborating in a competitive world*, (7th Ed). New York: McGraw Hill.
- Berg, L. B. (2007). *Qualitative research methods for the social sciences* (6th ed.). Boston, MA: Pearson.
- Berger, P. (1994). Rethinking economics: The gross national product and the gods. *Mckinsey Quarterly*, 1, 97-110.
- Bichard, M. (2000). Creativity, leadership and change. *Public Money and Management*, 20(2), 41-46.
- Birley, S. (1991). Succession in the family firm: The inheritor's view. *Journal of Small Business Management*, July, 36-43.

- Bond, M.H., & Hwang, K.K. (1986). The Social psychology of Chinese people. In M.H. Bond, M.H. (Ed.), *The psychology of the Chinese people* (pp. 213-266). Hong Kong: Oxford University Press.
- Brubakk, B., Wilkinson, A. (1996). Agents of change? Bank branch managers and the management of corporate culture change. *International Journal of Service Industry Management*, 7(2). 21-43.
- Burke, M.J., & Day, R.R. (1986). A commutative study into the effectiveness of managerial training. *Journal of Applied Psychology*, 71(2), 232-45.
- Business Times (2000). 'Lessons from the Thai debacle'. 8 December. Retrieved from <http://web3.asial.com.sg/archive/5/print/focus21/>.
- Chan, T. S. (1989). Teaching marketing in China: Implications for effective marketing education. *Journal of Teaching in International Business*, 1(1), 33-46.
- Chan, K., & Chiang, C. (1994). *Stepping out: The making of Chinese entrepreneurs*. Singapore: Prentice Hall.
- Chen, M. (2001). *Inside Chinese business: A guide for managers worldwide*. Boston, MA: Harvard Business School Press.
- Chen, M. (2004). *Asian management systems* (2nd ed.). London: Thompson.
- Claessens, S., & Djankov, S. (1999). Who controls East Asian corporations? (November 30, 1999). World Bank Policy Research Working Paper No. 2054. Available at SSRN: <http://ssrn.com/abstract=597191>.
- Claessens, S., Djankov, S., & Lang L. H. P. (1999). East Asian corporations: Heroes or villains? *World Bank Discussion Paper*, 409, 1-33.
- Collins, J.C., & Porras, J. I. (1996). Building your company's vision. *Harvard Business Review*, September-October, 68-68.

- Coopers & Lybrand. (1985). *A Challenge to Complacency – Changing Attitudes to Training*, MSC/NEDO, London.
- Creswell, J.W., & Plano Clark, V.L. (2007). *Designing and conducting mixed methods research*. Thousand Oaks, CA: Sage Publications.
- Davis, B., Skube, C., Hellervik, L., Gebelein, S., & Sheard, J. (1996). *Successful manager's handbook*. Minneapolis, MN: Personnel Decision International.
- Deal, T. E., & Kennedy, A. A. (1982). *Corporate cultures: The rites and rituals of corporate life*. Menlo Park, CA: Harmondsworth, Penguin Books.
- Denhardt, R. (1981). Towards a critical theory of public administration. *Public Administration Review*, 41(6), 682-635.
- Dunphy, D., & Stace, D. (1993). The strategic management of corporate change. *Human Relations*, 46(8), 905-920.
- Fan, Y. (1998). The transfer of western management to China: Context, content and constraints. *Management Learning*, 29(2), 201-221.
- Farmer, R.N., & Richman, B.M. (1964). A model for research in comparative management. *California Management Review* (Winter), 55-68.
- Farris, P.W., Haskins, M.E., & Yemen, G. (2003). Executive education programs to back to school. *Journal of Management Development*, 22(9), 785-795.
- Field, A.P. (2005). *Discovering statistics using SPSS* (2nd ed.). London, Sage.
- Fraar, L. (1994). The overseas Chinese: Lessons from the world's most dynamic capitalists. *Fortune*, (31), 91-114.
- Fukuyama, F. (1995). *The social virtues and the creation of prosperity*. Harmondsworth, Middlesex, England: Hamish Hamilton/Penguin.
- Goleman, D. (1995). *Emotional Intelligence: Why it can matter more than IQ*. New York: Bantam.

- Grubbs, J.W. (2000). Cultural Imperialism: A critical theory of inter-organizational change. *Journal of Organizational Change Management*, 13(3), 221-234.
- Hamel, G., & Prahalad, C.K. (1994a). *Competing for the future*. Boston, MA: Harvard Business School Press.
- Handler, W.C. (1991). Methodological issues and considerations in studying family businesses. *Family Business Review*, 2, 257-76.
- Haley, G.T., Tan, C.T., & Haley, U.C.V. (1998). *New Asian emperors: The overseas Chinese, their strategies and competitive advantages*. Oxford: Butterworth-Heinemann.
- Hofstede, G. (2007). Asian management in the 21st century. *Asian Pacific Journal of Management*, 24, 411-420.
- Hofstede, G., & Bond, M. (1988). The Confucius connection: From cultural roots to economic growth. *Organizational Dynamics* 16(4), 5-21.
- Horkheimer, M (1995a). "The end of reason". In Arato, A., Gebhardt, E. (Eds), *The Essential Frankfurt School Reader* (pp. 26-48). New York: Continuum.
- Hu, H.C. (1994). The Chinese concepts of face. *American Anthropologist*, 46 (1, part 1), 45-64.
- Huang, G. (1989). On the modernization of Chinese family business. In J. Yi-wei & M. Jian-shu (Eds.), *Ancient management thinking and Chinese-style management* (English translation, pp. 122-134). Beijing: Economic Management Press.
- Hunt, J.W., & Baruch, U. (2003). Developing top managers: The impact of interpersonal skills training. *Journal of Management Development*, 22(8), 729-752.
- Hunt, J., & Handler, W. (1999). The practices of effective family firm leaders. *Journal of Developmental Entrepreneurship*, 4 (2), 135-151.

- INSEAD, (2006). Asian families: Emotional aspects of wealth transfer and inheritance. Commissioned by ABN AMRO Private Banking. Retrieved from http://www.abnamroprivatebanking.com/global/asian_families__emotional_aspects_of_wealth_transfer_and_inheritance.pdf-link.
- Kets De Vries, M. (1993). The dynamics of family controlled firms: The good and the bad news. *Organizational Dynamics*, 21(3), 59-71.
- Kao, J. (1993). The worldwide web of Chinese business. *Harvard Business Review*, 7(2), 24-36.
- Koon, H.P. (1997). The new economic policy and the Chinese community in peninsular Malaysia. *The Developing Economies*, XXXV3, 262-292.
- Kotter, J.P., Heskett, J.L. (1992). *Corporate Culture and Performance*, The Free Press, New York, NY.
- Kotter, J.P. (1995). Leading change: Why transformation efforts fail. *Harvard Business Review*, March-April, 59-67.
- Lakomski, G. (2001). Organizational change, leadership and learning: culture as cognitive process. *The International Journal of Educational Management*, 15(2), 68-77.
- Lee, R. M. (2003). Do ethnic identity and other-group orientation protect against discrimination for Asian Americans? *Journal of Counseling Psychology*, 50(2), 133–141.
- Leedy, P. D., & Ormrod, J. E. (2005). *Practical research: Planning and design* (8th ed.). Upper Saddle River, NJ: Pearson Prentice.
- Lim, L. (1996). 'Southeast Asian business systems: the dynamics of diversity'. In Safarian, A. E. and Dobson, W. (Eds.). *East Asian Capitalism: Diversity and Dynamism*. Toronto, Buffalo: University of Toronto Press, 91–118.
- Limerick, D., Passfield, R., & Cunnington, B. (1994). Transformational change: Towards an action learning organization. *The Learning Organization*, 1(2), 29-40.

- Limlingan, V.S. (1986). *The overseas Chinese in Asia: Business strategies and management practice*, Manila: Vita Development Corporation.
- Lindsay, C. P., & Dempsey, B. L. (1985). Experiences in training Chinese business people to use U.S. management techniques' *Journal of Applied Behavioral Science*, 21(1), 65-78.
- Livingstone, J. M. (1987). The marketing concept in China - A qualified acceptance. In M. Warner, (Ed.). *Management Reforms in China*. London: Frances Pinter.
- Mertens, D. M. (2007). *Research and evaluation in education and psychology: Integrating diversity with quantitative, qualitative, and mixed methods* (2nd ed.). Thousand Oaks, CA: Sage Publications.
- Morrow, R. (1994). *Critical theory and methodology*. Thousand Oaks, CA: Sage Publications.
- Piasecka, A. (2000). Not "Leadership" but "leadership". *Industrial and Commercial Training*, 32 (7), 253-255.
- Poston, D.L., & Yu, M. (1990). The distribution of overseas Chinese in the contemporary world. *International Migration Review*, XXIV (3), 480-508.
- Puffer, S. (1992). *The Russian management revolution: Preparing managers for the market economy*, (Ed.). Armonk, NY: M. E. Sharpe.
- Rahim, M. A. (2002). Toward a theory of managing organizational conflict. *International Journal of Conflict Management*, 13,(3). DOI: 10.2139/ssrn.437684.
- Redding, S.G. (1990). *The spirit of Chinese capitalism*. New York: De Gruyter.
- Redding, S.G. (1991). Capitalist cooking lessons. *Asian Business*, 28(11), 50-52.
- Robbins, S.P. (1996). *Organizational behavior* (7th ed.). New Jersey: Prentice Hall
- Said, E. (1994). *Culture and imperialism*. New York: Vintage.
- Schein, E.H. (1992). *Organizational culture and leadership* (2nd ed.). San Francisco, CA: Josey-Bass.

- Schein, E.H. (1996). Three cultures of management: The key to organizational learning. *Sloan Management Review*, Fall 1996, 9-20.
- Schon, D. (1983). *The reflective practitioner*. USA: Basic Books.
- Shenkar, O. (2005). *The Chinese century: The rising Chinese economy and its impact on the global economy, the balance of power and your job*. PENN: Wharton School of Publishing.
- Spaeth, A. (2004). Clans on the Run. *Time Asia Magazine*, February, 2004.
- Smith, M.E. (2003). Changing an organization's culture: correlates of success and failure. *Leadership & Organization Development Journal*, 24(5), 249-261.
- Tannenbaum, R., & Schmidt, W.H. (1973). How to choose a leadership pattern. *Harvard Business Review*, 51, 162-180.
- The Slaughter of Sacred Cows. (2003). *The Economist*, April 2003.
- Thompson, J.L. (1996). Strategic effectiveness and success: the learning challenge. *Management Decision*, 34(7), 14-22.
- Tsui-Auch, L. S. (2004). The professionally managed family-ruled enterprise: Ethnic Chinese business in Singapore. *Journal of Management Studies*, 41(4), 693-723.
- Vogt, P.W. (2007). *Quantitative Research Methods for Professionals*. Boston, MA: Pearson.
- Von Glinow, M., & Teagarden, M. (1988). The transfer of human resource management technology in Sino-US cooperative ventures: problems and solutions. *Human Resource Management*, 27, 201-29.
- Weidenbaum, M. (1996). The Chinese family business enterprise. *California Management Review*, 38 (4), 59-72.
- Williamson, P.J. (2004). *Winning in Asia: Strategies for competing in the new millennium*. Boston, MA: Harvard Business School Press.

- Westwood, R. (1997). Harmony and patriarchy: The cultural basis for 'paternalistic headship' among the overseas Chinese. *Organization Studies* 18, 445-480.
- Whyte, M. K. (1995). The social roots of China's economic development. *The China Quarterly*, 144, 999-1019.
- Wong, S. (1985). The Chinese family firm: A model. *The British Journal of Sociology*, Volume XXXVI (1), 58-72.
- Wu, Y. L. & Wu, C. H. (1980). *Economic development in Southeast Asia: The Chinese dimension*, Stanford: CA, Hoover Institution Press.
- Yi, S. (2001). The changing management style for SOEs in China. *China & World Economy* 4, 1-6.
- Zhang, J., & Ma, H. (2009). Adoption of professional management in Chinese family business: A multilevel analysis of impetuses and impediments. *Asian Pacific Journal of Management*, 26, 119-139.

Appendix A

Survey data for Western Management Systems and Practices

Western Management Systems Family Owned/Controlled Companies					
	Always	Frequently	Occasionally	Rarely	Never
Management by Objectives (MBO)	22%	33%	28%	11%	6%
ISO 9000	28%	6%	11%	39%	17%
Team Management System	6%	39%	33%	17%	6%
Performance Appraisal System	6%	50%	28%	6%	11%
Balanced Score Card System	6%	22%	17%	33%	22%
Pay for Performance Systems	17%	22%	56%	6%	0%
Key Performance Indicators (KPI's)	17%	11%	39%	17%	17%
Annual Strategic Planning Processes	11%	44%	22%	11%	11%
Formal Organizational Communication	6%	22%	44%	17%	11%
Internal Promotion Systems	6%	22%	44%	11%	17%

Western Management Systems Privately Held Corporations					
	Always	Frequently	Occasionally	Rarely	Never
Management by Objectives (MBO)	25%	17%	33%	17%	8%
ISO 9000	8%	25%	8%	8%	50%
Team Management System	25%	33%	17%	25%	0%
Performance Appraisal System	25%	25%	25%	17%	8%
Balanced Score Card System	8%	33%	0%	17%	42%
Pay for Performance Systems	17%	25%	42%	0%	17%
Key Performance Indicators (KPI's)	25%	25%	17%	0%	33%
Annual Strategic Planning Processes	17%	50%	0%	33%	0%
Formal Organizational Communication	17%	33%	42%	0%	8%
Internal Promotion Systems	17%	33%	33%	8%	8%

Western Management Systems Publicly Listed Companies					
	Always	Frequently	Occasionally	Rarely	Never
Management by Objectives (MBO)	24%	45%	21%	3%	5%
ISO 9000	8%	29%	32%	21%	8%
Team Management System	5%	61%	26%	3%	3%
Performance Appraisal System	45%	37%	11%	3%	3%
Balanced Score Card System	13%	39%	13%	18%	13%
Pay for Performance Systems	21%	42%	21%	13%	0%
Key Performance Indicators (KPI's)	29%	34%	21%	5%	8%
Annual Strategic Planning Processes	24%	42%	21%	8%	3%
Formal Organizational Communication	26%	42%	13%	13%	3%
Internal Promotion Systems	14%	35%	35%	8%	5%

Western Management Practices Family Owned/Controlled Companies					
	Always	Frequently	Occasionally	Rarely	Never
Management by Walking Around (MBWA)	0%	28%	28%	33%	11%
Good Corporate Governance Practices	6%	28%	44%	17%	6%
Sensitivity to conflicts of interest (CDI)	6%	33%	44%	6%	11%
Proactive Human Resource Development	6%	22%	33%	33%	6%
Intrapreneurship Promoted Within	11%	11%	33%	33%	11%
Ethical Management Practices	17%	39%	28%	11%	6%
Shared Decision Making	11%	39%	33%	11%	6%
Flexible Organization	11%	44%	22%	22%	0%
Strong Leadership at all levels within the Orgar	22%	28%	28%	22%	
Cronyism not practiced within the company	12%	24%	29%	24%	12%

Western Management Practices Privately Held Corporations					
	Always	Frequently	Occasionally	Rarely	Never
Management by Walking Around (MBWA)	8%	50%	42%	0%	0%
Good Corporate Governance Practices	17%	33%	33%	8%	8%
Sensitivity to conflicts of interest (CDI)	17%	42%	33%	8%	0%
Proactive Human Resource Development	8%	25%	42%	8%	17%
Intrapreneurship Promoted Within	0%	17%	33%	25%	25%
Ethical Management Practices	8%	58%	0%	33%	0%
Shared Decision Making	8%	33%	25%	17%	17%
Flexible Organization	0%	67%	25%	8%	0%
Strong Leadership at all levels within the Orgar	0%	50%	25%	25%	0%
Cronyism not practiced within the company	0%	33%	50%	17%	0%

Western Management Practices Publicly Listed Companies					
	Always	Frequently	Occasionally	Rarely	Never
Management by Walking Around (MBWA)	5%	29%	29%	26%	11%
Good Corporate Governance Practices	26%	50%	13%	5%	5%
Sensitivity to conflicts of interest (CDI)	37%	29%	21%	5%	8%
Proactive Human Resource Development	11%	39%	29%	16%	5%
Intrapreneurship Promoted Within	13%	26%	34%	16%	11%
Ethical Management Practices	21%	37%	29%	11%	3%
Shared Decision Making	16%	42%	21%	16%	5%
Flexible Organization	24%	26%	32%	16%	3%
Strong Leadership at all levels within the Orgar	16%	39%	32%	13%	0%
Cronyism not practiced within the company	5%	22%	59%	8%	5%