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INTRODUCTION • THE BUSINESS CULTURES OF FIVE ASIAN COUNTRIES • ANALYSING ASIAN  
**1** **introduction** • BUSINESS CULTURES, OWNERSHIP, FINANCING AND GOVERNANCE • ORGANIZATION AND  
 MANAGEMENT • BUSINESS STRATEGY • DIMENSIONS OF SOCIETAL CULTURES • SOCIETAL  
 CULTURES REVISITED • POLITICAL CULTURES AND PERCEIVED POLITICAL ENVIRONMENTS •  
 ECONOMIC CULTURES AND PERCEIVED ECONOMIC ENVIRONMENTS • CONCLUDING REMARKS

This book discusses relations between culture and business in five Asian countries – China, India, Japan, Taiwan and Singapore. It traces important links but also notes the limits of those links and the operation of other factors influencing business and management in this sample of countries. It draws heavily on qualitative research conducted by the author with help from two other researchers. As a result of this research, particular aspects of both culture and business are the central concern of the book: these are respectively business cultures and business decision-making.

## Asian business

The significance of Asian business as a topic probably needs little justifying. The ‘unprecedented growth’ of China and India for a period from the early 1990s on led to predictions that they would ‘dominate the world economy within the next few decades.’<sup>1</sup> In 2006, the United States of America (USA) was richer by about \$70 billion a year as a result of its trade with China, despite painful job losses in unskilled industries.<sup>2</sup> China’s growth was described as a ‘compression of developmental time’. China’s \$200 billion consumer market was viewed as a principal source of growth for many multinational enterprises and China had become one of the USA’s most significant trading partners. Its exports to the USA approached \$45 billion and its annual trade surplus with the USA reached over \$30 billion by the year 2000.<sup>3</sup> India’s sustained growth rate of nearly 10 per cent per annum over several years would astonish if it were not compared with China’s, which was a percentage point or two higher. Like China, by around 2005 India had an estimated 200 million consumers with middle-class incomes. At the time of writing, Japan had been the world’s second largest economy for more than three decades, but had recently experienced a long period of stagnation and below-trend growth, which cast doubt on a business model previously admired in the West. The East Asian ‘tigers’, which included Taiwan, Singapore and Hong Kong astounded the world by their phenomenal growth rates from about 1970, then created fears of triggering a world recession by the Asian financial crisis of the late 1990s, and then again impressed by the speed of their recovery.

## Asian cultures

**China** is not only the world's largest country in terms of population, but it is also a country with a highly distinctive cultural heritage. Although both ethnic minorities and religious belief are more common in China than is sometimes recognized, the majority Han population and a social philosophy – Confucianism – rather than a religion have both dominated its traditional culture. Its economic system, around the turn of the second millennium, appears to be in the process of a transition from communism to capitalism. In consequence, questions arise about whether China's culture, too, is changing and if so, in what direction. There are contradictory signs of a shift towards modernism on the one hand and a return to traditional beliefs and ways on the other. In addition, within its post-1997 borders, China embodies both a transitional society and, in Hong Kong, one which seeks to preserve past liberalism in a fundamentally changed context. For a study of culture's relationships to business, China is a valuable, perhaps even an essential, example.

India, the world's next most populous country and its largest democracy, has been largely neglected in past studies of Asian business such as those of Chen (2001)<sup>4</sup> and Whitley (1992).<sup>5</sup> Including it is overdue, not just because, like China, it shows signs of becoming one of the world's great economies, but also because Asia can be misunderstood unless it is included. Historically and culturally its links with countries further East have been strong. Trade between India and China, both overland and by sea, extend back at least two millennia. Its culture, especially in the form of Buddhism, reached all the way to Japan nearly 1500 years ago. Although Buddhism largely disappeared from its country of origin, it remained current in the Japanese version and at the start of the 21st century was experiencing a resurgence in China.<sup>6</sup> In contrast to China, India has a long history of having been conquered and subject to outside influences; it is also, again contrastingly, a country where religion has been central to the culture. It is highly diverse linguistically and in religious terms, as well as ethnically; it, too, constitutes a vital example and a revealing comparison with China.

Of the other three countries in our study, one, Japan, with a population of nearly 200 million has a culture with many idiosyncratic features resulting from its high ethnic homogeneity and past isolation. Its business system, too, has unique features. The combination of a unique culture and business system has great potential for any study of culture and business.

The two smaller economies included in the study earn their place in part precisely because they are small and hence provide a contrast to the three major economies. They are also, themselves, highly contrasting examples. Taiwan, an island off the shore of China, exemplifies a pre-Communist Chinese culture; Singapore's culture is influenced not only by its having been a former British colony, but also

by the high and sustained levels of immigration from the rest of Asia that it has maintained since independence and by government policies designed to attract multinational companies.

In sum, any culture–business relationships found to apply to five such different countries have a good chance of being robust.

There are reasons other than Asia's growing economic importance and cultural variety for focusing on it in this study. The phenomenal growth of the 'Asian tiger' economies in the 1980s, a growth that was hard to explain in traditional economic terms, led to the development of an alternative model of economics, institutional theory, which has had a great impact on the social sciences since that time. An outline of the institutional perspective is given later in this chapter. A further reason is the possibility, that has been asserted by scholars, that collectivist cultures, which broadly include Asia's, are more 'effective' at imposing cultural conformity than individualist cultures are and so more closely linked to behaviour. Thus the links between culture and business behaviour may be stronger there than in the more frequently studied individualist countries of the West. Since collectivism predominates in most of the world (the contrasting 'individualist' cultures may represent only a diminishing 17 per cent of the world's population), Asia may exemplify relationships that are rather widespread.

## The study of culture–business relations

From early beginnings in the 1970s, the study of links between culture and business has been a significant area of research. In part, its growth is due to early-stage 'globalization', which demonstrated the weakness of universalist normative models originating in the USA, for example by the low success rate of management by objectives in France; in part by Japan's rise, and the interest that aroused in Japanese management practices, which were conspicuously different from Western ones; in part by one path-breaking piece of research, that of Geert Hofstede, whose findings based on a survey of IBM employees in 66 countries pointed clearly to significant differences between cultures and to significant consequences for business and management flowing from those differences;<sup>7, 8</sup> and, finally, in part because practitioners in international business and related fields had long been noting the need to adapt for cultural difference.

This body of existing research means that the present book and study are a contribution to a substantial field. It is a field, however, which according to some leading scholars in the area has reached a kind of impasse. There are now several quantitative studies for researchers to draw on – those of Hofstede (1980) himself, Schwartz (1994),<sup>9</sup> Bond (1988)<sup>10</sup> and the GLOBE project,<sup>11</sup> for example – but there is increasing doubt whether such studies have really accessed the essentials

of culture or culture–business relations. The criticism of Fiske (2002)<sup>12</sup> regarding one strand of cultural research, on individualism and collectivism, may apply to most others. Fiske wrote that this research,

“ treats nations as cultures and culture as a continuous quantitative variable; conflates all kinds of social relations and distinct types of autonomy; ignores contextual specificity in norms and values; measures culture as the personal preferences and behavior reports of individuals; rarely establishes the external validity of the measures used; assumes cultural invariance in the meaning of self-reports and anchoring and interpretation of scales; and reduces culture to explicit, abstract verbal knowledge.

Again, in the words of Smith (2006), ‘Critics...have doubted the value of characterizing the variability of nations in terms of dimensions, and have argued for greater use of more qualitative analyses of culture.’<sup>13</sup> Writing more particularly of the links between culture and management, Chatterjee and Pearson (2006) criticized frameworks that link broad cultural value dimensions with micro-level managerial issues as ‘neither taking into account the dynamics of culture nor the imperatives of economic reform agendas. Although the influence of deep-seated and all-pervasive tradition may remain at the core level, the imperatives of economic experimentation and learning continue to dominate at other levels.’<sup>14</sup> London and Hart (2004)<sup>15</sup> advocated the use of qualitative research, rather than traditional quantitative empirical tools, especially for exploring implicit assumptions and examining new relationships, abstract concepts and operational definitions. While the present researchers believe that the advances made by quantitative studies are of the greatest value, they also contend that there is scope for new contributions from qualitative approaches.

## The methodology of our study

The main input to this book is a primary research study undertaken by the author and two other researchers. Our response to comments such as those mentioned in the paragraph above was to adopt a qualitative methodology, which is described in the Appendix, for our study of possible links among cultures and businesses in five Asian countries. The method we used was by qualitative analysis of intensive interviews of business decision-makers from (and mainly in) those countries. As Sheer and Chen (2003) explained, this method of intensive interviews is very effective for research aimed at uncovering culturally acquired and shared understandings. ‘This method allows for the gathering of rich information from a sample of individuals who have been involved. The method allowed us to approach the problem from an interpretive perspective and study the particular rather than the general

to gain insight into the specifics.<sup>16</sup> The particular interest of Sheer and Chen (2003) was in Sino-Western business negotiations, but a similar case can be made for using qualitative analysis of intensive interviews in the present research. The vast majority of our interviewees were business decision-makers from the country about which they were interviewed. In respect of the relations between business and culture in a given country, business decision-makers from that country can be considered to have privileged access: they are themselves ‘members’ of that culture and in most cases have had a sufficiently long exposure to experience it and ‘feel’ it; they are also participant observers, able to see ‘from inside’ and to interpret with inside knowledge the behaviours of their business compatriots. Many of our interviewees were also alumni of leading Western business schools or had worked in international companies and so had acquired a basis for comparison.

## The meaning of culture

The concept of culture used in this book conforms to the position of Adler et al. (1986)<sup>17</sup> who maintained that the idea of culture as a mind-state raises the problem of reductionism and an explanatory cul-de-sac, whereas using social patterns for explanation removes the understanding of culture’s determinants. Adler et al. (1986) argued that more progress and better predictions may be made when culture is accepted as an ‘observable aspect of human behaviour, manifest in social interaction and tangible objects like organizations, but resting on symbolic frameworks, mental programmes, and conceptual distinctions in people’s minds’.

## Culture–business links

In focusing on links between culture and business there is no intention of implying that culture alone can explain complex social-political-economic phenomena such as business decisions and practices. Wilkinson (1996) criticized ‘culturalist’ explanations for organizational behaviour because they involve four fundamental problems: post-hoc rationalization, gross assumptions about causal links, a danger of racism and an absence of historical understanding. Wilkinson also noted that empirical studies that test for causal links between culture and organizational behaviour are in their infancy.<sup>18</sup> Casson and Lundan (1999)<sup>19</sup> pointed out that purely cultural explanations of the national ‘economic miracles’ of the Asian economies have been challenged by those who criticize the way they ignore standard economic factors. Furthermore, Au and Cheung (2004)<sup>20</sup> found from an analysis of secondary data from 42 countries that intra-cultural variation (ICV) – dispersion of individuals within a culture – explained as much of the influence of job autonomy on organizational and social outcomes as the job

autonomy cultural mean. ‘Specifically, the cultural mean and ICV of job autonomy exert different effects on job satisfaction and life satisfaction. The effect of the cultural mean is positive and that of the ICV is negative.’ Findings such as this suggest that caution is needed in generalizing from cultural means. They also strengthen the argument for more qualitative research.

There is now, however, a consensus that culture has *an* influence on business that may be significant. In the words of Steier et al. (2004),<sup>21</sup> ‘Culture ... represents an important determinant of firm performance.’ In an area of particular concern to scholars of Asian business, Rhodes (2007)<sup>22</sup> argued that the analysis of governance should focus on beliefs, practices, traditions and dilemmas; such phenomena are almost certain to have a substantial cultural component.

## The institutional perspective

One set of views on how culture influences economic variables, including business actions, is based on the institutional perspective. The institutional perspective developed in response to the growth of the newly industrializing Asian economies in the 1970s and 1980s, growth which was partially attributed to cultural factors. Tayeb (2006),<sup>23</sup> for example, argued that in addition to an export orientation and a positive attitude to foreign direct investment, cultural, political and economic characteristics, such as public education and a neutral role for religion, were major reasons behind the success of the Asian tigers (Hong Kong, South Korea, Taiwan, Singapore, Indonesia, Thailand and Malaysia). As previously noted, the importance of this perspective in modern economics, sociology and political science provides a reason for studying the culture–business links of the continent. More generally, Henisz and Swaminathan (2008) argued, ‘Institutional characteristics...influence every aspect of behavior by multinational enterprises, including their location choice; the organization of their local subsidiary; their choice of technology, capital and labor staffing; and their sequence of investment.’<sup>24</sup>

There is no single and universally agreed definition of ‘an institution’ in the institutional school of thought, but Scott’s (1995, 2001) account is widely accepted. Scott asserted:

“ Institutions are social structures that have attained a high degree of resilience. [They] are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life. Institutions are transmitted by various types of carriers, including symbolic systems, relational systems, routines, and artefacts. Institutions operate at different levels of jurisdiction, from the world system to localized interpersonal relationships. Institutions by definition connote stability but are subject to change processes, both incremental and discontinuous.<sup>25</sup>

The link between culture and institutions in this definition is both implicit and explicit. In using the terms ‘symbolic systems, relational systems, routines and artefacts’ for the carriers and transmitters of institutions, Scott was consciously or unconsciously echoing the language of at least one form of culture theory, in which culture is transmitted by symbols, shared meanings and rituals. In explicit terms, Scott identified cultural-cognitive components of institutions alongside normative and regulative elements and, in fact, emphasized their importance: ‘Rules, norms, and cultural beliefs are central ingredients of institutions.’ The cognitive component of a country’s institutions reflects the cognitive categories widely shared by the people. Scott (1995) further suggested, ‘Cognitive elements constitute the nature of reality and the frames through which meaning is made.’ Cognitive programmes affect the way people notice, categorize, and interpret stimuli from the environment. They also affect what people treat as legitimate behaviour. Individuals may comply with cultural rules and conventions out of habit without even being aware that they are complying.<sup>26</sup>

Within Scott’s typology, the cultural-cognitive element includes traditions, taken-for-granted rules and conventions, together with preconscious widely accepted customs. The element ‘equates to culture defined in terms of socially established structures of meaning that control people’s worldviews, what action is possible, and what is less likely to be questioned or even considered’.<sup>27</sup> Actors are constrained by schema, frames and scripts, sometimes without realizing it. The ‘structures of meaning’ are often socially constructed over time and come to be perceived ‘as objective and external to the actors: not as man-made but a natural and factual order’. For example, the hierarchical relations between castes in India would for many centuries have been regarded by most Indians as of a ‘natural and factual order’.

The normative element of a country’s institutions, according to Scott (2001),<sup>28</sup> concerns expectations about the behaviour of organizations and individuals. These expectations are held by the individuals and organizations of the country. Norms provide conscious choices concerning group and individual roles and the normative system is somewhat political in nature, often associated with the professions. Normative institutions are purposely constructed and include authority systems and roles that occur in response to what is consciously perceived as necessary and proper to direct the behaviour of individuals and organizations. The rules of professions such as accountants and lawyers are examples of normative institutions. The regulative aspects of a country’s institutions include laws, regulations and codified government policies.

Of the three elements of the typology, cognitive institutions are most closely associated with culture. However, all these elements of institutions influence one another and interact. For instance, laws on banking are clearly influenced by the religion of the country, so that those applying in Islamic countries are different from those applying in most other countries. Equally, over time, a country’s laws

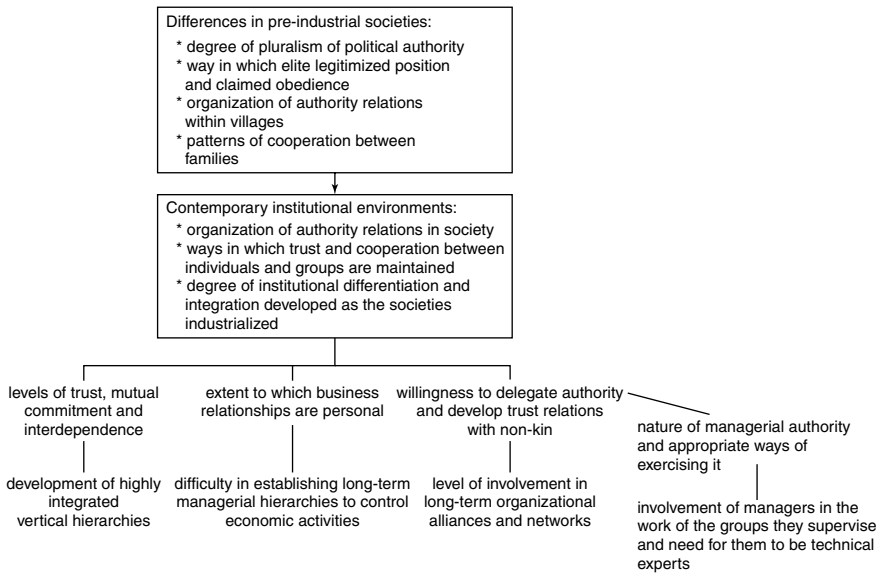
can shift the range of rules and conventions that are taken for granted, as in countries where long-standing universal suffrage has been followed by an increase in the cultural commitment to equality in employment.

Institutional theory results in predictions that differ from those of standard economic theory about the kind of business behaviour that maximizes the performance of firms. In the words of Redding (2004),<sup>29</sup>

“ Institutional theory holds that businesses, like other organizations, operate within constraints imposed by society’s institutions. More than that, they are initially set up to make use of opportunities determined by the institutional framework. ... The institutional view does not ignore economic theory: within the institutional constraints, it states, organizations act according to standard economic theories. However, the society’s institutions, by placing constraints on firms’ strategic choices, do become a critical constraint on the long-term performance of an economy. How well or badly firms’ strategies accommodate to those constraints also helps decide which will be more or less successful.

There have been several applications of institutional theory to the East Asian economies whose study led to the emergence of the theory. Most widely discussed is that of Whitley (1992),<sup>30</sup> which applied institutional theory in a highly detailed way to analyse three Asian business systems – those of Japan, South Korea and the Chinese diaspora in South East Asia (Taiwan and Hong Kong). Figure 1.1 shows the present author’s interpretation of Whitley’s model as described on p. 86 of his book.

To enable the reader to understand this better, there follows a simplified account of how this model applies in Japan, tracing it from Whitley’s (1992) descriptive account of Japan’s business system. In the early 1990s, Japan’s business system was marked by a predominance of specialized firms that achieved integration through *keiretsu*. A *keiretsu* is a corporate network with horizontal ownership- and non-ownership linkages. While member companies do not have to buy from other *keiretsu* members, they do give preference to intra-group business.<sup>31</sup> Lifetime employment for core employees was another element of the system; and a third was close involvement of managers in the work of the groups they supervised, though without the need for them to be technically expert in the group’s work. These characteristics of Japan’s business system reflected a managerial and societal willingness to delegate authority and develop trust relations with non-kin, in contrast to the other Asian societies Whitley studied. Further, levels of trust and interdependence were higher, while the extent to which business relations were personal was lower, than in the other Asian countries (though more personal than in some Western countries). Japan’s contemporary institutions, in turn, displayed decentralized authority relations, cooperation between



**Figure 1.1 An interpretation of Whitley's (1992) application of institutional theory to Asian business systems (p. 86)**

Source: Based on Whitley, R. (1992) *Business Systems in East Asia: Firms, Markets, and Societies*, London: Sage, p. 86.

individuals and groups maintained somewhat impersonally through law and a general rule-conforming culture, and a range of institutions and forms (including executive central government, law-making institutions and courts, together with local authorities) developed during industrialization. These modern institutions arose out of Japan's pre-industrial society which exemplified three characteristics: there were plural sources of authority, so that villages, for instance, enjoyed large measures of self-rule, the elite's authority was legitimated by potential coercion (as distinct from moral principle, as in China), and families within villages cooperated throughout the year owing to the demands of rice-based agriculture.

Thus, according to Whitley (1992), the significant ways in which business systems vary are according to the predominant type of firm (generalist or specialist), the strength of high-trust network-type relationships among firms, as opposed to impersonal market relations, and the sources and nature of authority within organizations – in particular, the nature of managerial authority and worker subordination. The advantages of this approach include the point that by identifying

“ just three major dimensions of variation in business systems that are of universal significance, Whitley (1992) avoids the gross oversimplification of one-dimensional analysis – such as a distinction between Confucian and non-Confucian countries. At the other extreme, he also

avoids the proliferation of dimensions that occurs when every country is held to be specific in a different way from every other country.<sup>32</sup>

Whitley's approach disputed the industry-specific view. In this view,

“ international differences in industrial systems are purely a reflection of the different composition of industries found in each country. Each industry has its own particular functional logic, which determines the best-practice style of management and the most appropriate pattern of ownership. Thus, economies of scale mean that the steel industry in each country is dominated by a small number of very large firms, while diseconomies of scale mean that the printing industry normally consists of a large number of small firms. In general, each industry has its own distinctive ‘recipe’.<sup>33</sup>

Managers are aware of this recipe and willingly conform to it because they accept that it is appropriate for their conditions. In Whitley's (1992) view, on the contrary, the variation in business systems between countries is brought about by their adaptation to different institutions, rather than by their industrial configuration determined by their resources.

Thus Whitley's (1992) analysis of East Asian business systems exemplifies the way that institutional theory in economics stands opposed to classical resource-dependence theory. The supporters of the resource-dependence view criticized it for ignoring standard economic factors. They explained the high growth rates of Asian economies during the 1970s and 1980s, which had led to the emergence of institutional theory, by arguing that an increase in the

“ supply of labor to manufacturing industry, driven by a massive shift of population from the countryside to the towns, was a major stimulus to the growth of labor-intensive assembly operations. Trade liberalization and falling international transport costs promoted exports by encouraging foreign multinationals to base offshore processing in Asian countries. High rates of domestic saving, coupled with progressive financial deregulation and increased capital mobility, allowed these investments to be financed at low interest rates.<sup>34</sup>

As Casson and Lundan (1999)<sup>35</sup> argued, however,

“ The concept of ‘purely economic’ factors is questionable. Asian factory workers were far better disciplined in the 1970s than their Western counterparts, and this obviously stimulated productivity growth. High rates of saving are likely to be influenced by family structures and by the obligations that link successive generations of the same family. Thus, both high productivity growth and high savings rates may ultimately have cultural causes.

Tsui-Auch and Lee (2003)<sup>36</sup> studied the contrast between Singaporean and Korean businesses' responses to the Asian financial crisis of the late 1990s. They argued that the findings supported the institutional perspective on Asian capitalism.

“ First, social organization along family and network ties was constantly harnessed by both the state and the family businesses. Secondly, the professionalization of management was aimed not only at yielding efficiency, but also at gaining legitimacy from the state, customers and shareholders. Economic action is, in fact, action embedded in social relations, as institutionalists argue. Third, the business owners' modification of the managerial enterprise model to fit their local contexts demonstrates a capacity to change within the scope of cultural and institutional constraints.

In relation to organizations, the distinction between institutional and classical theories was made clear by Oliver (1997).<sup>37</sup>

“ Institutional theory adopts an open system perspective: organizations are strongly influenced by their environments. But not only are competitive forces and efficiency-based forces at work, socially constructed belief and rule systems also exercise enormous control over organizations – both how they are structured and how they carry out their work. As belief systems and norms vary over time and place, institutional concepts provide a means to study organizational emergence and change.

This opportunity to study organizational emergence and change is missing from a perspective that asserts that there is one best economic model (resource-dependent profit maximization) to which all businesses, being economically rational entities, must converge. To support this perspective, Oliver (1997) brought the concept of agency further forward than it is in some earlier versions of institutional theory: on the positive side, businesses conform to social expectations because doing so allows them to get rewards through increased legitimacy, resources and survival capabilities; on the negative side, economic choices are constrained not only by technological, informational, and income limits but also by institutional factors such as social norms, habits, and customs. Business decision-makers take into account both the opportunities and the constraints provided by the expectations, beliefs and habits of their culture; the present author would add that many are also part of that culture and so are influenced by its expectations, beliefs and habits, sometimes unconsciously, as well as consciously taking them into account.

One important question that the institutional theorists had to answer was how institutions actually affect what people do. How are institutions enacted and

reproduced? The explanation given by Scott (1995) was as follows:

“ One cognitively oriented view is that a given institution is encoded into an actor through a socialization process. When internalized, it transforms to a script (patterned behavior). When (or if) the actor behaves according to the script, the institution is enacted. In this manner, institutions are continuously (re-)produced. The enactment of an institution externalizes or objectifies it – other actors can see that the institution is in play, and a new round of socialization starts. After some time, the institution (and the resulting patterned behaviour) becomes sedimented and taken-for-granted. Then, it might be difficult for the actors even to realize that their behaviour is in fact partly controlled by an institution. Acting in accordance with the institution is viewed as rational by those who share the institution.<sup>38</sup>

Here, Scott (1995) is at once answering both the ‘free will’ objections to institutional theory and the objections that actors often believe their acts to be economically rational. The argument used is similar to that widely used for the way that culture exerts its influence.

The approach of Scott (1995, 2001) and Oliver (1997) goes some way towards addressing another weakness of earlier applications of institutional theory, such as that of Whitley (1992). In his distinguished analysis of business systems, Whitley (1992) several times referred to the influence of ‘cultural preferences and beliefs’ on business. For example, on p. 4, in refuting the economic rationality account, he wrote

“ The interdependence of firms’ activities and their uncertainty about the future actions means that the results of their decisions are dependent on how they interpret ‘what is going on’ ... and cannot be reduced to a single, external, system logic. If dominant coalitions change their understandings and priorities, their actions will change and so will market outcomes. Thus *‘rational’ and efficient structures and practices are dependent on, and vary according to, currently dominant beliefs, priorities and ways of making judgements.*

Again, on p. 45, he wrote

“ The comparative analysis of business systems presumes that distinctive ways of organizing economic activities becomes established and effective because of major differences in key social institutions, such as the state, the financial system and the education and training system, *as well as more diffuse factors such as cultural preferences and beliefs.*

On a third occasion, on p. 85, ‘The establishment and continued effectiveness of different kinds of business systems, then, are explicable in terms of their

interdependence with dominant social institutions, *including established beliefs and values*' (Present author's italics).

Whitley (1992) went on to examine the proposition that 'business systems are interdependent with dominant social institutions' in relation to Korea, Japan and China (as represented by countries such as Taiwan and Singapore, where much of business was carried out by Chinese communities). He found in favour of the proposition and in the course of testing he revealed a great deal about both the institutions and the business systems of those countries. However, despite his emphasis on cultural preferences and beliefs in theory, in practice he focused on them only incidentally. For example, in his chapter on institutional influences on pre-industrial Japan, Korea and China, he discussed 'the major features of their political systems, ... the significant differences in the development of their economic systems, the basis on which ruling elites claimed legitimacy and ... the organization of village communities, especially their authority structures'. These features have implications for 'the organization of authority and subordination relations in different societies, the ways in which trust and co-operation between particular individuals and groups are developed and maintained, and the degree of institutional differentiation and integration which has developed in these industrializing societies'.

It would be hard to maintain that any of the factors in these lists are a direct description of cultural preferences and beliefs or established beliefs and values, however much they may be claimed to reflect them. The result is that Whitley's application of institutional theory to East Asian business largely lacks what is, by his own account as set out above, a key element. In this book it is that institutional element, the cultural-cognitive element of 'established beliefs and values', that will be the main focus, because the individual business decision-maker can only take into account what he or she perceives and is likely only to consider what he or she believes. (As a later section of this chapter explains, the other focus of this book is business decisions rather than the outcomes of those decisions.) Institutional factors or resources may directly impact the outcomes of business decisions, but even these outcomes will only affect future decisions as they are filtered through the minds of decision-makers. Thus perceptions, beliefs and values, those core components of culture, are significant for understanding business decisions.

## Business culture

In the words of Hofstede et al. (1990), culture has many 'layers'.<sup>39</sup> Again, Lenartowicz and Roth (2004) asserted, 'Defining the proper level or layer at which culture should be assessed' is fundamental to studies of culture.<sup>40</sup> This book puts forward the suggestion, based on research in five Asian countries, that

one level or layer has been neglected to the detriment of the study of Asian business. This is the layer of the business culture of a business community, which may be national, regional or of some other extent.

The term ‘business culture’ is quite widely used in an undefined, uncritical way in writing about business. The following are some examples:

1. An article of 2004 entitled ‘Understanding Korea: John Austin urges the need to take account of Korean business culture’, stated, ‘Koreans see themselves as being very direct people and they often contrast their approach to that of the “polite” Japanese. Due to the importance attached to relationships, it is more often the dinner, drinks and karaoke following the business meeting that seals the deal.’<sup>41</sup>
2. ‘What may be broadly called the “health ideology”, which has its origins in the American intellectual class, has spread beyond it to affect much wider masses of people in their values and behavior and has led to global political activism. The business culture has absorbed much of this by instituting “wellness” programs and encouraging “fitness.”’<sup>42</sup>
3. ‘Business culture emerges over time from the interaction between a company’s current management and leadership practices, and from the people management and control systems used by managers and leaders in the course of steering the business in a specific direction to achieve its mission through its chosen business strategy.’<sup>43</sup>
4. ‘There is a bonus from the “Commonwealth business culture” provided by the English language, and various legal, commercial, accounting and financial procedures.’<sup>44</sup>
5. ‘The entire question of a specifically Chinese business culture may arise because of the multiple forms of business ownership and the incomplete market economy during the transition period of socialism. A company can be state owned, collectively owned (by a local community), privately owned, a joint venture, or an independent foreign enterprise. People in different kinds of companies have different degrees of access to the outside world, different work ethics, and different values and behavioral patterns.’<sup>45</sup>

These examples, which could be multiplied many times over, show the concept of business culture being treated as unproblematic and yet having a wide range of different meanings. Example 1 is typical of many that treat business culture as relating to the surface culture of manners and practices, in other words business etiquette; Example 2 treats it as almost synonymous with the business community; Example 3 as equivalent to organizational culture; Example 4 as consisting of institutions and procedures; and Example 5 approaches the idea that a business culture is composed of group values, behavioural patterns and ethics. Thus it seems that business culture is a concept which is widely applied and even disputed over, as in Example 5, but is used with widely varying meaning.

In a number of scholarly articles, too, the term is used but little explored or analysed. Eyjolfsdottir and Smith (1996),<sup>46</sup> in an article entitled ‘Icelandic Business and Management Culture’, discussed the distinction between national culture and organizational culture. At that point in the article, the context suggested that the term organizational culture was being used as a synonym for business culture. The article went on to acknowledge, ‘It has proved useful to make distinctions between national culture and organizational culture within nations that are large and ethnically diverse’, but suggested that in Iceland, with its tiny population and ethnic homogeneity, ‘a greater degree of uniformity between national and organizational culture will prevail’. In practice, they found that while Iceland matches the national culture dimensions of Scandinavia, using Hofstede’s five values, there was a unique aspect to the Icelandic business culture – that of the ‘fisherman mentality’ which led to higher levels of peer cooperation and lower levels of contact with subordinates than elsewhere in Scandinavia. This research is useful; it provided an early finding on business culture. Unfortunately, however, although the terms business culture, management culture and organizational culture were used, they were neither distinguished nor defined.

Keeley (2001)<sup>47</sup> used the term ‘business culture’ extensively and found important relations between it and human resource management (HRM); however, only ‘culture’ was actually discussed and business culture, although one of the central variables in the research, was defined merely as ‘business practices and culture (referred to as business culture)’. One article (Bjerke 2000)<sup>48</sup> appeared to use the concept to refer to business-related values and practices, which corresponds in part to the usage in this book; but again the term was left undefined. Bjerke (2000) typified US business culture as characterized by ‘the need for progress; the importance of innovation; individualism; action-orientation; the prominence of efficiency, logic and science; informality and equality’. These characteristics appear to be values or ideas closely related to values. In contrast, the characteristics of China’s business culture were described in the article as ‘power and autocracy, familism, *guanxi*, face and prestige, flexibility and endurance’. Some of these characteristics are value-like, so that familism, for instance, is enlarged on as follows: ‘Individuals have a very deep attachment and sense of belonging to social groups.’ Others, however, appear more likely to be summary judgements of practices than values: for example, ‘power and autocracy’ is amplified as, ‘Even in modern times Chinese management is a top run, one-man show by an autocratic boss assuming responsibility for all management functions.’

As late as 2003, Berger (2003)<sup>49</sup> treated the concept of business culture as unproblematic and did not define it. The article did, however, agree with the contention that business culture and societal culture are distinct, giving as an example the fact that ‘...despite a multitude of business schools and training courses to teach Indians how to behave as participants in the global economy,

many of the computer professionals in Bangalore succeed in combining such participation with personal lifestyles dominated by traditional Hindu values.’

The literature does yield two definitions of ‘business culture’, one of which is given in Randlesome et al. (1990)<sup>50</sup> as the following: ‘The concept of business culture embraces ... the attitudes, values and norms which underpin commercial activities and help to shape the behavior of companies in a given country.’ Later described by one of its authors as a ‘more pragmatic definition of business culture and its determinants’,<sup>51</sup> it ‘further postulates that the business culture of any country grows out of the business environment, past and present, in that country’. The business environment is described as ‘taking in the relationship between business and government, business and finance, business and the labor market, and so on’. Unfortunately, in applying the concept of business culture in books on Europe and Germany, the business environment was allowed to represent the business culture and effectively to displace the aspect of ‘software of the mind’, as Hofstede (1981) described culture. As Kitayama (2002)<sup>52</sup> pointed out, ‘Culture is not just “in the head”, but it is in the head as well as “out there” in the form of external realities and collective patterns of behavior.’ While concentrating only on externalities is in some ways understandable in view of the difficulty of accessing mental software, the result is to add further confusion to the concept.

The other approximation to a definition is given in Deeks (1993):<sup>53</sup>

“ In a business culture it will be business that dictates the whole way of life of a community. The notion of such a culture can be either confined or extended. Confined to the business community itself, it has a similar focus to that of organizational culture, a relatively restricted set of shared values and ways of doing things understood by a discrete group. Extended beyond the business community, business culture may permeate into all aspects of society and, if pervasive enough, become a suitable label with which to characterize a particular nation or a particular historical era.

The notion that culture, any culture, national, organizational, professional or business ‘dictates the whole way of life of a community’ is surely an overstatement. Culture is an influence on behaviour but there are other influences that may conflict with it. However, the ‘confined’ notion of business culture as ‘a relatively restricted set of shared values and ways of doing things understood by a discrete group’ that is ‘the business community itself’ approaches the concept that underlies this book. Compared with the Randlesome et al. (1990) definition, which treats the ‘behavior of companies’ as external to business culture, though partially shaped by it, its inclusion of ‘ways of doing things’ is an advantage. First, it corresponds to accepted anthropological definitions of culture more generally, as in Kroeber and Kluckhohn’s (1952)<sup>54</sup> definition, which refers to ‘patterns... of and for behavior’. Second, in the present research it was common for interviewees

to talk about things that businesses in a community do when describing that community's business culture.

We turn now to the concept of business culture that has emerged from our research and is used in this book. We define a business culture as 'a set of business-related values, beliefs, attitudes, meanings and practices shared by a business community'. An important element of this definition is the phrase 'shared by a business community'. This distinguishes the business culture concept from organizational or corporate culture, terms which are specific to one organization; from a professional, trade or occupational culture, whose 'community' may overlap with, but is distinct from, the 'business community'; and from a societal, political or economic culture or the culture of any other social grouping, which is not confined to a business community. Business cultures are also distinguished from other kinds by being narrower in the matters to which values, attitudes, beliefs and practices apply – restricted to business-related matters.

In a chapter on organizational cultures, Hofstede and Hofstede (2005)<sup>55</sup> located national and organizational cultures at opposite ends of a continuum along which values dominated at the national end and practices at the organizational end. That is, they contended, differences between national cultures are predominantly differences of values; in national cultures the importance of differences of practices is much lower than values. Differences between organizational cultures, on the other hand, are predominantly differences of practices, while differences of values are less clear-cut. Along their continuum Hofstede and Hofstede (2005) also located social class cultures (values more significant than practices), industry cultures (practices more significant than values) and occupational cultures (both about equally important).

Consistent with the lack of recognition of business culture in academia, Hofstede and Hofstede (2005) did not locate this type on their continuum. From our research, however, it seems appropriate to locate business cultures in about the same position as occupational cultures – a position where values and practices are both, and about equally, important in differentiating one culture from another.

We concluded from our research that the business culture affects the business decisions of members of that culture, as shown in Figure 1.2. Like other forms of culture, the impact of business culture on a business decision-maker's or communicator's thoughts is generally subconscious and unitary. He or she does not normally think, 'What are the implications of our business culture for this decision?', nor, 'What aspect of business culture is most relevant to this decision?' Thus it is just a matter of analytical convenience to distinguish various aspects. However, we discerned three aspects from the series of interviews undertaken for our study, which in turn correspond to those found in the business and management literature. They are as follows: work (or workplace) culture, management culture and ownership culture. Each of these areas is linked

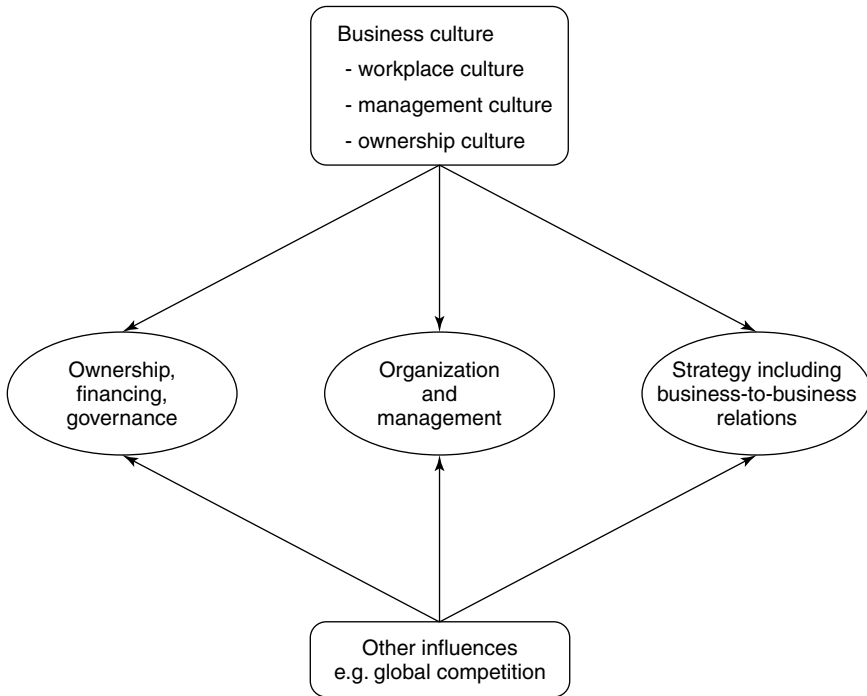


Figure 1.2 ***Business cultures and patterns of business decisions in Asia***

to others that will be discussed in their place in the book. For instance, the ownership culture is closely linked to issues of financing and governance. The three aspects of business culture are also interrelated. Thus, the work culture of employees both influences a business community's management culture and is in turn influenced by it.

Our research suggested that the influence of business culture in the five countries we studied was felt for decisions in the areas of ownership, financing and governance, organization and management (within which human resource management is for this purpose subsumed) and strategy, including business-to-business (B2B) relations. Each of these three decision areas is the subject of a chapter of this book. Rather than operations or consumer marketing, for instance, these emerged from our research as the decision areas most closely linked to business culture in the Asian context. While culture and business culture may well influence business operations, the technical orientation of operations perhaps minimizes their influence. Similarly, consumer marketing decisions will be influenced by the decision-makers' beliefs about the consumer, and these beliefs may be sufficiently shared among a business community to constitute part of their business culture. In this exploratory study, however, no clear-cut consensus on a

Nature of Factors Beyond a Business  
Decision-Maker's Control

Uncontrollable factors are weak or slow-acting				Uncontrollable factors are strong and quick-acting	
Ownership (concentrated/ distributed)	Governance (strong/weak)	Financing (equity/debt, generated internally/ externally)	Organization and management (impersonal/ personal)	Strategy and business relations	Consumer marketing
DECISION AREAS					

**Figure 1.3 Relationship between the strength and speed of response of factors outside a business decision-maker's control in a decision area and the extent of business culture influence on decisions in that area**

national set of beliefs (still less values) relating to consumer marketing emerged. In contrast, business relations between organizations were a clear focus for beliefs and values shared among a business community and so this area will be a focus of the chapter on strategy.

There is, in fact, a certain logic to the possibility that consumer marketing is likely to be less affected by business culture than some other areas. This logic is that the impact of business culture on business decisions is weakest where the factors outside the decision-maker's control are strongest or quickest to affect the decision's outcome. To put this differently, choice should be distinguished from decision; a decision-maker's choices may be rather limited when uncontrollable factors are strong and fast-acting. In the Asian context, those factors are ranged as shown on the continuum in Figure 1.3.

Consumer markets and consumer behaviour are largely outside the control of individual organizations, despite the effects of advertising. The consequences of decisions which do not correspond to the realities of the market are also felt rapidly – which helps explain the high rates of product failure even among consumer businesses that are successful overall. It is true that business decision-makers can attempt to control consumer markets by, for instance, price-fixing cartels and that the business culture may either endorse or reject such behaviour. The more open the competition in a country's consumer markets, however, the less the scope for business culture to affect decisions. With globalization and because most countries are eager to participate in international markets, competition is increasing. The rationale given here accounts for the omission of consumer marketing from this volume.

In Figure 1.3, strategy is positioned to the left of consumer marketing but nevertheless well to the right in the continuum, reflecting the situation of strategy as essentially concerned with differentiating the business's offering, while being constrained by the strong and quick-acting uncontrollable factor of

competition. This factor, of course, increased immeasurably and dramatically in those economies of Asia that were opened to the outside world only late in the 20th century.

While B2B marketing is in principle like consumer marketing, the smaller number of buyers gives business decision-makers a greater opportunity for mutually advantageous arrangements (sometimes at the expense of the ultimate customer) allowing more scope for the business culture. Another factor, external to the logic depicted in Figure 1.3, is that B2B relations within a business community generally take place between parties who both or all share the same business culture. This reinforces the effect of that culture. In international B2B, the effect of the business culture of any one of the interacting parties can be weakened and intercultural negotiation is required. This may explain, in addition to other factors analysed elsewhere in this book, the tendency for East Asian businesses, with their strong business cultures, to prefer to do business with others from their own ethnic group or community.

Organization and management is positioned to the left of strategy in Figure 1.3, indicating that the uncontrollable factors in that area are weaker and slower-acting. Where unions are weak (as in many Asian countries) and/or long-term unemployment is high (as in the past in India), there are few constraints on whom to employ in what capacity. In these circumstances the business culture is likely to affect whether a meritocratic system operates, in which high-performing but unrelated individuals can reach the 'top', or a trust-based system in which personal connection or seniority plays a significant part.

Finance, positioned left of organization and management in Figure 1.3, is a market in which business decision-makers are 'buyers'. This gives them more power except under monopolistic or oligopolistic conditions. Power translates into choice, which allows scope for the business culture to have an impact on decisions. A further factor which strengthens decision-makers' choice in the matter of financing, at least for small businesses, is that individuals or families can be their own suppliers, by accumulating start-up or working capital from personal sources.

The factors determining whether business decision-makers have choice in the matter of governance, placed to the left of finance in Figure 1.3, are not intrinsic to the way business is conducted. Unless standards are imposed, usually by government though sometimes by public opinion or activists, governance is an issue of choice. In many Asian countries, lack of strong public opinion on governance, and weak rule of law even where the government has ruled on governance, mean that governance is a matter of choice, and so the business culture has impact.

Finally, the distribution of ownership of non-state-owned businesses is generally a matter of choice for business founders (providing their business is viable) and so the business culture has most impact of all in this area, as its position on the far left of Figure 1.3 indicates.

## Business decision-making

The patterns of, for instance, ownership, financing, governance in a country and so on are consequences of large numbers of business decisions; in our view, following our research, these are often influenced by the same business culture. At the same time, we contend, these patterns are themselves outward manifestations of that culture. This dual nature of human products is true of cultural artefacts more generally. The stylistic resemblances of Minoan pots are both the consequences of a large number of decisions made by Minoan potters influenced by their culture and are themselves outward manifestations of that culture. In our research, the first aspect, that of the relationship between business cultures and business decisions, was the focus of our exploration. While business culture may (or may not) influence other aspects of business, such as the response of dealers to a marketing initiative, its impact, if any, is likely to be especially clear in the area of business decision-making.

The model of individual decision-making that informs this book is set out in Figure 1.4, which depicts a set of influences on the behaviour, including decision-making and communication behaviour, of a person engaged in business-related work. Since this was not a primary focus of our research we used a simplified model, but one that incorporated ‘culture’. The model shows ‘thoughts’, which refers to largely conscious mental processes, as first-order influences; thoughts themselves are influenced by conscious and unconscious perceptions, beliefs, attitudes and emotions and these in turn are influenced by genetic make-up, personal experience, and various types or aspects of culture. (Personal experience is also

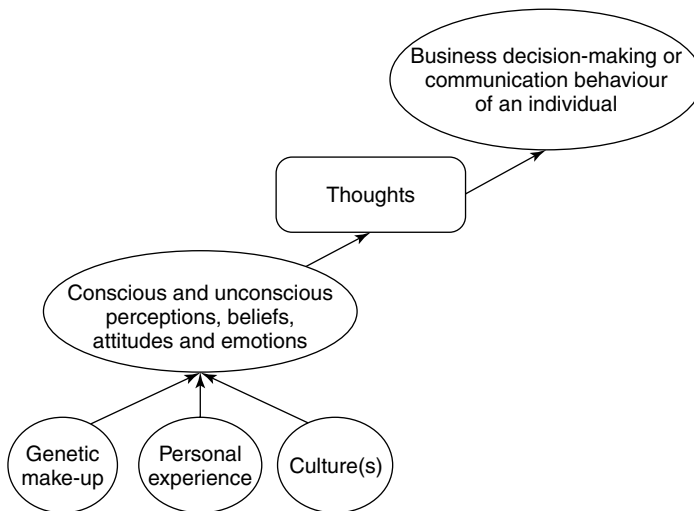


Figure 1.4 *Influences on the behaviour of a business decision-maker*

influenced by culture because culture creates one lens through which an individual sees and interprets his or her experiences.) Cultures are of various types – or, to put it another way, individuals are members of a range of cultures: these include organizational cultures, professional cultures, industry cultures and societal cultures. The business culture of a country or region is a fifth type of culture of which indigenous business decision-makers are members.

We recognize, of course, that business decisions are often, even usually, the product not of one individual's thought processes, but of a 'dominant coalition'. This does not, however, affect the impact of the business culture on decisions except where the members of the dominant coalition are from different cultures. While this is an increasing phenomenon globally, including in Asia, it applies as yet in only a small minority of businesses there; our study was concerned with decision-making in businesses where the members of the dominant coalition are from the 'home' country.

## Influences on business culture

Randlesome et al. (1990) considered it 'self-evident' that 'the relationship between business and government, the shape and orientation of the economy, the financial institutions, and the trade unions all exert a profound effect on the business cultures of ... countries.' They added

“ In other words, the business culture in a particular country grows partly out of what could be called the 'current business environment' of that country. Yet business culture is a much broader concept because alongside the impulses which are derived from the present business environment figure the historical experiences of the business community.

This argument, that the factors listed by Randlesome et al. (1990) influence business culture, is plausible. It must be noted, however, that our research did not provide sufficient grounds for us to draw conclusions about influences on business cultures. Our interviewees did not neatly partition into categories their observations on what made doing business or managing an organization in their country different. These subdivisions, even the separation of the variables (elements) composing business cultures from other variables which are not treated as elements of business cultures, are based on interpretations by the researchers influenced by Western conventions. For further comment on this caution, see the Appendix. For the most part, in the four chapters discussing these variables (societal culture, political culture and environment and economic culture and environment), earlier studies that either suggest a link or an absence of link between these variables and the country's business culture have been drawn on.

The societal culture, more often called the national social culture, has frequently in past studies been identified with those value-dimensions emerging from research by Hofstede (1981),<sup>56</sup> Bond (1986)<sup>57</sup> and Schwartz (1994),<sup>58</sup> which have been widely deployed in further studies because of their claimed capacity to differentiate among cultures in meaningful ways. There certainly seems to be an a priori case for value-dimensions such as individual-collectivism having an influence on business culture and so Chapter 7 examines the Asian business cultures covered in this book in relation to these concepts of culture. In response, however, to the kind of criticism reported by Smith (2006),<sup>59</sup> that dimensions may be of limited value for ‘characterizing the variability of nations’, Chapter 8 considers societal cultures more broadly in relation to business cultures and decisions. It discusses such matters as culture-wide attitudes to education, religion, morality, gender relations and social divisions.

Chapters 9 and 10 explore the political and economic cultures and environments of business. The interactions between business, culture and environment in these areas are highly complex. For instance, the business culture of East Asia probably helped produce the financial crisis that threatened to engulf the economies of the region in 1997. Part of the response to that crisis was a partial shift in the business culture. Macroeconomic policy reforms after the crisis focused on the financial sector and introduced more liberal policies towards mergers, foreign ownership and bankruptcy, fiscal incentives for asset transfer and revised accounting standards to ease asset valuations; these attracted greater cross-border ownership and equity alliances to benefit from the stock and currency devaluations. The result was an infusion of foreign capital, technical know-how and relational networks (especially from Japan). Changes to the way businesses operated after the crisis included at least some restructuring of unsustainable debt – conversion to equity, extending terms of debt repayment or cutting interest rate below the risk-adjusted cost of capital. There was also a renewed vision that recognized the significance of technology and innovation for continued success.<sup>60</sup> These developments could be described as amounting to a degree of shift in the business cultures of the region.

## Issues raised by a focus on business culture

A focus on business culture gives rise to two issues that have been discussed by other sources but need clarification in this context. One is the question of whether cultures are converging, hence reducing the significance of cultural difference; the other is the question of how people become imbued with a business culture.

There has been an extensive debate over whether cultures are converging.<sup>61</sup> This question applies a fortiori in relation to business cultures because globalization impacts business directly through international trade. Undoubtedly there

is convergence in many superficial matters and no doubt in some deeper ones. Interviewees in our research gave examples of change that suggest some convergence towards a Western model and emphasized that change was occurring fastest in industries that do business with the West. On the other hand, if cultures are converging there must be a force producing change. One standard answer would be 'stage of economic development'. As Table 1.1 shows, however, our sample of Asian countries includes countries with highly divergent income levels and positions on the United Nations' Human Development Index (HDI) 2006, yet there is no suggestion from the findings that those closest to the West in economic development have business cultures closest to those in the West. Japan, for example, has a highly developed economy and is ranked seventh on the HDI measure, above the UK, and yet our findings showed its business culture to be very different from that of any developed Western country.

A major argument against cultural convergence is that traditionalism and modernity may not be opposed. Strong traditional values, such as group solidarity, interpersonal harmony, paternalism and familism can coexist with modern values of individual achievement and competition. Findings that Chinese subjects in Singapore and China endorsed both traditional and modern values support this argument. The researchers concluded, 'It is also conceivable that just as we talk about Westernization of cultural values around the world, we may also talk about Easternization of values in response to forces of modernity and consumption values imposed by globalization.'<sup>62</sup> Chia et al. (2007)<sup>63</sup> found tentative support for the modernization theorists' proposal that economic development produces socio-economic structures that lead to a convergence of values orientations. However, they also found conflicting results. For example, Hong Kong and Singapore, although developed, open

**Table 1.1 Gross Domestic Product (GDP) per capita at purchasing power parity in US\$ 2006 and Human Development Index (HDI) 2006**

	China	India	Japan	Singapore	Taiwan
GDP	5,896 HK\$AR 30,822	3,139	29,251	28,077	*
HDI index	0.68 HK\$AR 0.96	0.58	0.95	0.94	
HDI rank	81 HK\$AR 22	126	7	25	

Note: \* Taiwan is omitted from statistics collected by the United Nations.

Source: Based on United Nations Development Program; URL: <http://hdr.undp.org/hdr2006/statistics/indicators/133.html>.

economies, placed traditional values (self-transcendence and conservation) above the modern values of self-enhancement and openness to change, contrary to modernization theory.

There is reason to believe that deep culture is relatively stable, because a corpus of knowledge and belief that is widely shared across a population creates an inertia – a tendency to reduce deviations from an equilibrium – that attenuates variability over time in values, behavioural norms and patterns of behaviours. Cultural stability helps to reduce ambiguity, and leads to more control over expected behavioural outcomes. Inglehart and Baker (2000)<sup>64</sup> examined cultural change as reflected by changes in basic values in three waves of the World Values Surveys, which covered 65 societies and 75 per cent of the world's population. The data showed that while economic development is associated with shifts away from absolute norms and values towards values that are increasingly rational, tolerant, trusting and participatory, the broad cultural heritage of a society, whether it is Protestant, Roman Catholic, Orthodox, Confucian or Communist, leaves an enduring imprint on values, despite the forces of modernization.

Studies focusing on managers have drawn similar conclusions. Discussing research based on managers in elite MBA programs, Morris et al. (1998)<sup>65</sup> pointed out that while that Asian participants in their study were arguably among the most Westernized members of their societies, yet they still differed quite markedly in their values from the US participants. Hence, they concluded, 'Our data are consistent with the view that even the most cosmopolitan sectors of these societies have not completely converged in their values and managerial behaviors.' Equally, Chia et al. (1997)<sup>66</sup> found that although political and socio-economic factors influenced the values orientations of managers in the China, Hong Kong, Singapore and Taiwan region, economic development level did not fully explain these values; societal context and cultural traditions were also part of the explanation. Refuting the argument that globalization is reducing the distinctiveness of Asian cultures, Chillier and Denis (1997)<sup>67</sup> pointed out that for the Chinese, modernization does not mean Westernization: 'They are not at all inclined to imitate Western life styles and political systems.' They adopt what they consider good in each culture. Finally, a study by Ralston et al. (2008) of managerial work values in the USA, Russia, Japan and China found that 'crossvergence with culture dominant' had more explanatory value than either convergence or divergence. Crossvergence constitutes an integration of influences from culture and economic ideology (such as communism versus capitalism) that results in a unique value system that borrows from both.<sup>68</sup>

The example of Taiwan shows that a 'synthesis' can occur between cultural globalizing forces and organized local responses. The global culture has neither taken over local Taiwanese culture, nor has it faced severe rejection. 'Overall, there is no evidence that the encounter of globalization and localization has ever resulted in

serious cultural conflict or clash.<sup>69</sup> Finally, a case study of a Thai subsidiary of an international corporation found that the notion that the impact of national culture diminishes with ‘Western’ industrialization carried little weight. Instead, a ‘unified and idiosyncratic local business culture’ was discovered, in spite of the country having long become a democratic free-market economy underpinned by a cohesive constitutional monarchy.<sup>70</sup>

It is sometimes asserted that computer-mediated communication (CMC) leads to global uniformity but Leung et al. (2005) countered that information and knowledge ‘are interpreted through cultural lenses, and the transfer or diffusion of organizational knowledge is not easy to accomplish across cultural boundaries’. It seems likely that Leung et al. (2005) were right to conclude from their literature review that CMC has ‘the simultaneous effects of increasing both cultural convergence and divergence’, although ‘more research is needed before comprehensive theoretical statements can be formulated’.<sup>71</sup>

The second question, how a business culture comes to be embedded in individual decision-makers, can be put in another way: how might a distinctive business culture be spread through a community? There are, fortunately for our theory, many forces at work in Asian countries capable of spreading the local business culture. These include the influence of the family (perhaps the most important of all) and community, education, peers, socialization to work, business networks, media coverage of business (including stories of business ‘heroes’) and business associations such as Chambers of Commerce.

It has been suggested that cultural values are likely to be more directly influential in Asian societies than Western. Begley and Tan (2001)<sup>72</sup> argued that cultural values may hold sway more powerfully in societies that emphasize conformity rather than those that prize individuality.

“ The literature on shame versus guilt supports this reasoning. In shame-based East Asian cultures, people uphold community norms, draw signals on appropriate behavior from groups and authorities, and seek to blend into the group. In guilt-based Anglo cultures, people are urged to heed their personal consciences, seek independence, and receive approval by standing out from the crowd.

The characterization of cultures as ‘shame-based’ or ‘guilt-based’ is probably an oversimplification; in addition, this argument was directed at general societal culture. However, the point that different cultures may influence their members’ behaviour to varying degrees could be true (it is untested) and could also be true for business cultures. If so, it might help explain the point made by Whitley (1992) that business systems ‘prevalent in East Asian countries ... seem more different from each other and more homogeneous within each society than those apparent in Western European and North American nations’.<sup>73</sup>

## Conclusion

This chapter presents the rationale for a study of Asian business that focuses on links between culture and business. The rationale locates such a study within the institutional perspective on economies and organizations. This perspective has been applied previously to Asian business, notably by Whitley (1992), but with a limited emphasis on the cognitive institutions that correspond to culture. Therefore, our study fills a gap in the literature.

The chapter also introduces a layer of culture that has been neglected in earlier research, the layer of business culture, which is defined here as a set of business-related values, beliefs, attitudes, meanings and ways of doing things shared by a business community. The claim of this book is that a country or area's business culture has an influence on business decision-making that is significant enough to merit its study.

## About this book

The primary purpose of this book is to set out the findings, conclusions and implications of a qualitative research project into the relations between culture and business in five Asian countries. This chapter, Chapter 1, has explained the initial reasons for the research. These reasons were a perceived gap in the literature and a response to calls from scholars for more qualitative research. The outline of the literature given here also provides a context for the research findings. The previous literature also, of course, influenced the conclusions we drew from those findings.

Chapters 2 and 3 set out the main findings from our qualitative research into the business cultures of China, including Hong Kong, India, Japan, Taiwan and Singapore. Chapter 2 undertakes a basic country-by-country analysis of the main aspects of business culture revealed in the research. An attempt has been made to retain as much as possible of the richness of the original material, to allow readers to judge it for themselves. Chapter 3 supplies a cross-cultural analysis, subdividing the research findings by 'aspects of culture' and comparing the five subject countries on these aspects. Chapter 3 also relates the findings it reports to the (somewhat meagre) previous literature relevant to business culture.

Chapters 4, 5 and 6 explore the findings of the research on the relations between business culture and key areas of business decision-making: ownership, financing and governance in Chapter 4, organization and management in Chapter 5 and business strategy in Chapter 6. These chapters also compare these findings with the findings of previous research on the relations between the broader societal culture and these categories of decision.

Chapters 7, 8, 9 and 10 consider the relations among other ‘layers’ of culture, business culture and business decision-making.

The final chapter, Chapter 11, sets out the conclusions drawn from the project. In particular it proposes a theory based on our empirical research that major categories of business decisions are influenced by a hitherto neglected ‘layer’ of culture, the business culture of the country or other distinctive region within a country. Chapter 11 also puts forward suggestions for further research.

The Appendix is an important part of this book. It sets out the methodology. It also justifies what appears to be a new ‘paradigm’ for research in the area of culture and business, based on the argument that the beliefs of practitioners can themselves be regarded as theories, albeit naïve and untested, of possibly equal value to the untested or partially tested theories of academics and other outside observers.

This organization of the book has resulted in occasional reuse of a quotation from the interviews where the same remark illustrated more than one point.

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