

## MANAGEMENT STYLE OF CHINESE OVERSEAS COMPANIES AND INDONESIA COMPANIES

Yie Ke Feliana

Faculty of Business and Economics-Universitas Surabaya

yiekefeliana@ubaya.ac.id

### ABSTRACT

Chinese overseas companies have dominated business in Asia and most of them were successful. Thus, it is interesting to be analysed whether this type of companies have uniqueness in managing their companies, considering there is a relationship between management and culture. This study provides a literature review on Chinese overseas management. Then, based on those previous studies the strength and weakness of this style of management are concluded. This study also points out management style of Indonesia companies based on literature review, and then provides a comparison between Chinese overseas and Indonesia company management style. The analysis is based on some theories of culture. The contribution of this study is providing insight for future study to define effective management style.

### 1. Introduction

Christiananta (1994) argued that management functions, i.e. *planning, organizing, leading, and controlling* (Fayol, 1925), are universal. This argument is consistent to Gullick's statement (1993) that is "*management as a universal activity*", and Davis's statement (1986) that is "fundamental functions and principles of factory management were universal in their application and..." and "management organic functions (planning, organizing, controlling) as universally applicable to all types of enterprises".

However, mostly the theories and techniques of management are originated from Western Countries, especially United States of America, as stated by Wren (1994: 418), "Management theories, typically developed 'by Americans for Americans.'" Then, we tried to apply all of the theories and techniques in all companies around the world within assumption that the management theories and

concepts are universal. We find that in some cases companies that applied the theories or concepts were successful, but in other cases were failed. If the companies were failed, we tend to blame the executing people or the current environment, but the theories or techniques were remotely refuted. This possibility of bias has been stated by Hofstede (2007).

A management theory or construct may be quite valid in Western companies setting, where majority of the theory or concept was developed and tested. However, it may require different implementation approach to realize the desired performance outcome. The differences are argued because of differences in culture. Wren (1994) stated that manager should know how to manage a company in different cultures.

Basically, management is mostly about human. Mary Parker Follett stated that management is “an art of getting things done through other people”. In more details definition, C. Canby Balderston stated that managements are “the art and science of organizing, preparing, and directing human effort applied to control the forces and to utilize the materials of nature for the benefit of man”. The people include employee, employer, client, customer, supplier, etc.

Human is a unique creature that is different one to another. Therefore, there is possibility that management theories or concepts should be adjusted to the human. A group of human usually have similar values and behaviours, as we know as culture. Specifically culture is ‘the collective programming of the mind which distinguishes one category of people from another’ Hofstede (2007:413). Indonesia is a rich culture country due to a lot of ethnicity, religion and race, as stated in *Bhinneka Tunggal Ika*. This paper focuses only on one culture in Indonesia, namely Chinese Overseas (in Indonesia, the people is known as Tionghoa). The reason is Chinese Overseas people were proven successful in managing their companies, not only in Indonesia, but also in other countries, especially in East Asia countries (Robertson, 1986; Hefner, 1998; Lasserr and Schütte, 1995; Naisbitt, 1995; Seagrave, 1996; Drucker, 1995; Rohwer, 1995). Limlingan (1992) has stressed the importance of Chinese Overseas culture in particular as a key explanation for the success.

The purpose of this paper is to define the management style of Chinese overseas business based on literature review. In addition, it is compared to Indonesia management style that was discussed on some paper. Then, the strength and weakness of the Chinese overseas management style are concluded. The contribution of this paper is to enhance our knowledge in order to define effective management style. As Limlingan (1992) said the management practice of Chinese Overseas could be adapted (not adopted) without to be Chinese Overseas people.

## **2. The Relation between Culture and Management**

Management is about people. Wren (1994) said that human is major input for management process, and the output of management for fulfil the human needs. Because of management is always about people, so management is a part of society culture where people are the subject. Management skills and techniques are specific for each culture (Hofstede, 1984).

The key element of culture is value. Value is propensity to like more one condition than to the other condition. This value is about what they think one is good or bad, moral or immoral, rational or irrational. Relation between people in a society is influenced by the values in the society. The culture value is different between societies, but in a society the culture values is relatively constant all the time. As a result, Hofstede (2007) argue that management, that is a part of culture, is different between societies, but in a society is relatively constant all the time.

Sustainability of the effect of nationality culture on the management practices is shown by a French anthropologist, D'Iribarne (1989). He interviewed employees in three aluminium factory that owned by a French. The three factories were located in three different countries, i.e. France, USA and Netherland. These factories are technically same, but the interaction between people was different. D'Iribarne identified three different philosophies that determined local management, namely honour in France, fair contract USA, and consensus in Netherland. The three philosophies showed different framework of thinking, as represented in the history of the three societies for centuries. D'Iribarne argued that France is related to *the Ancient Regime* (monarchy in 17th and 18th century before Napoleon), USA is related to *the Pilgrim Father* and immigration in 17th

and 18th century, and Netherland is related to Dutch Republic in 17th century. Therefore, technically management process develops continuously until now, but the value does not change. According to Hofstede (2007), technology influence culture in general and management in particular, but it does not influence the fundamental value of culture.

Management activities are not isolated, because manager run an organization and make decision in cultural values and existing institution (Wren, 1994). Therefore, management has characteristics as open system, it can be effected and effect the environment. Thus, different environment can have different management style.

The effect culture on management is supported by the study of Bass (1990) and England and team (MOW, 1987). Based on comprehensive literature review, Bass (1990) concluded different leadership in different culture or countries. He found groups of values that influence on the relation between a leader and its followers, such as conventional vs. modern, collectivism vs. individualism. England and team (MOW, 1987) found that there are different meanings of work among employees in different countries, such as work is an obligation to do, work is an activity to create value for society. Specifically in Chinese Overseas context, Sheh (1993) provides evidence that there was a significant correlation between Chinese cultural values and management and organizational practices in Singapore and Malaysia.

In sum, management activities are influenced by culture where the management would be applied. Although management functions are universal, to some extent, the implementation of management function should be adjusted to the culture that we know as management style.

### **3. Chinese Overseas Management Style**

Chinese Overseas management style is identified from ten previous studies that are published in some international journals from 1987 to 2011.

#### **a. Redding's study (1987)**

Redding (1987) interviewed 72 Chinese Overseas who were an owner/manager of companies where located in Indonesia, Hong Kong, Taiwan,

and Singapore. They were from the south part of mainland China, namely from Cantonese, Chiu Chow, Hokkien and Hakka.

According to Redding (1987), the inherited culture that influenced the management practices of Chinese Overseas are *paternalism*, *personalism*, and *insecurity*. The three inherited cultures influence managerial ideology at 4 level, i.e. self perception, relationship, organization, and society as whole. In addition, the inherited culture influences the organization culture. The full descriptions are presented on Table 1 and 2.

**b. Limlingan's study (1992)**

According to Limlingan (1992), the characteristics of Chinese Overseas management are as follows:

- a. Flexible and opportunist
- b. Risk taker (this characteristic is contradict to Bjerke (2000)'s finding)
- c. Improve the weakness fast
- d. Have access to funding sources
- e. Tend to be generalize than to specialize
- f. Skilful to manage resources but not well organize
- g. Build strong networking, including to the government
- h. Succession programme to the next generation

**Table 1. The Chinese Overseas Business: Ideological Determinants of Managerial Functioning**

Key influence in the surrounding and inherited culture	Managerial Ideology			Other societal, political, and economic influences	Organizational outcomes structures
	At the level of self	At the level of relationships and kin	At the level of organization		
<b>Paternalism</b>	Notions of civilized conduct and confidence	Family and lineage coalitions	<b>Patrimonialism:</b> Paternalistic ethos Clear hierarchy Reciprocal vertical obligations Power & Ownership	Stability due to strong vertical management and cultivation of values. Insecurity result on values of pragmatic, materialism, work ethos, to build horizontal cooperation in society.	<b>Main managerial function:</b> Planning and control: closed, personal, centralized Financial management: tight control, concentration on fundamentals Personnel management: sparse, pragmatic, informal Production management: tight control, detailed monitoring Marketing management (in manufacturing industry): commonly vestigial and not normally own-brand based
<b>Personalism</b>	Personal control	Personalistic networking	<b>Personalistic relation of patronage and obligation:</b> Benevolent autocracy Personalistic relations Reciprocity		
<b>Insecurity</b>	Defensiveness	Insider/outsider perspective	<b>Limited and Bounded trust:</b> Nepotism and compromise over skill Nontrust of employees Strategic and Financial Caution		

Source: Redding (1987)

**Table 2. The Chinese Family Business: Ideological Determinants of Organizational Structure**

Key influence in the surrounding and inherited culture	Managerial Ideology			Other societal, political, and economic influences	Organizational outcomes structures
	At the level of self	At the level of relationships and kin	At the level of organization		
<b>Paternalism</b>	Notions of civilized conduct and confidence	Family and lineage coalitions	<b>Patrimonialism:</b> Paternalistic ethos Clear hierarchy Reciprocal vertical obligations Power & Ownership		<b>Relation with environment:</b> Extensive networking Relational contracting Interlocking directorships Business groups/strategic alliances
<b>Personalism</b>	Personal control	Personalistic networking	<b>Personalistic relation of patronage and obligation:</b> Benevolent autocracy Personalistic relations Reciprocity		<b>Organization structure:</b> Small scale Product/market specialization Low role specialization Low standardization Strong workflow formalization (otherwise weak) Centralization of authority Emphasis on line-not staff
<b>Insecurity</b>	Defensiveness	Insider/outsider perspective	<b>Limited and Bounded trust:</b> Nepotism and compromise over skill Nontrust of employees Strategic and Financial Caution		

Source: Redding (1987)

**c. Tanoto's study (1992)**

Using case study approach in an Indonesia company that owned and managed by Chinese Overseas, PT Raja Garuda Mas, Tanoto (1992) stated that the management style of the Chinese Overseas companies develop as long as the company's growth. There are at least three phase of company growth, i.e. local, national and regional. PT Raja Garuda Mas was classified at the local phase. Tanoto is the owner of the company.

At the local phase, management style of company is unstructured and informal, which family has dominant role in the company management. There is centralization on the owner who is also the CEO of the company. Financial information about the company can only be accessed by the owner and his/her family. Hardworking is the main characteristic of owner.

At the next phase, national phase, management style of company is more professional by employing professional managers from non-family member. The company management is more transparent in term of information. The final phase is regional, the management style of company adapted western-management style due to increasing company international transactions.

Evaluating Tanoto's findings (1992), only at the local phase, the management of Chinese Overseas company is identified as using the Chine Overseas management style. After that phase, the management style of company is influenced by other cultures. This is consistent to argument of Bjerke (2000).

**d. Mackie's study (1992)**

Mackie (1992) examined management of Chinese Overseas companies at some large private companies In Indonesia. Mackie (1992) summarizes the characteristics of Chinese Overseas management.

First, most of the sampled companies show dominant family control. Second, there is propensity to be conglomeration. Each company sets up some other companies that are diversified in industry sector in order to spread the risk. This may occur to anticipate the instability of economic and politic environment during that time. However, the diversification makes the company loses its focus, so it make them weak in strategic long term investment. Third, major source of financing is from banking



sectors, besides the affiliated companies or relative. The companies rarely use capital market as a source of financing. The reason of debt-financing is to prevent lost control on company. Lastly, investment strategic tends to be short term because the companies put emphasis on safety. This happens due to instability condition in Indonesia during that time periods. It also makes them to build political connection to the ruling party at that time.

#### **e. Carney's Study (1998)**

Carney (1998) examines strategic management of 50 Hong Kong manufacturing companies. In part of his research, some characteristics of Chinese Overseas management style were identified. These identified characteristics, to some extent, were consistent to previous studies.

First, there is centralization of decision making and management on the hand of family member or other trusted organization member (Whitley, 1992; Chen, 1995). Key decision making and resource allocation rarely were delegated to professional manager. Professional manager was under tight controlled family member or trusted organization member (Redding, 1990; Whitley, 1992). Second, there was rarely formal organization structure and written standard operating procedure (Chen, 1995). In order to direct people, they used paternalistic leadership (Westwood, 1997). As a result, comparing to other family companies in UK and Japan, Chinese Overseas company has lower specialization and standardization of work. Informal organization structure was found not only in small scale companies, but also in large scale companies (Kao, 1993)

Third, precautionary principle was applied in resource allocation for business development. Minimum investment was done for saving; they do this by utilizing available capital good intensively (Redding, 1994). Profit of major business was invested in unrelated business, and often in form of liquid assets. Further, the reason to invest in liquid assets is flexibility to use (in the next study of Carney and Gedajlovic, 2003) and preventing from insecurity (Kao, 1993).

Fourth, most of Chinese Overseas companies have a holding company, with many affiliated companies. Expansion trend of Chinese Overseas companies is after they developed to specific size, company preferred to split to some smaller companies which

have different type of business; this is consistent to Bjerke (2000). Conglomeration is needed for companies in developing countries as substitution of weak institutional environment. Khanna and Palepu (1997) said that conglomeration is substitution of inexistence of some function in market, especially in India and Indonesia. For example, undeveloped capital market makes companies to provide their financial resources from internal market (borrowing and lending among affiliated companies). Business group/conglomerate name build reputation for product quality, in order to substitute weak protection of trade name and copyright. Besides, splitting to smaller companies makes easier to manage and control by owner (Redding, 1990).

Fifth, more recent study of Carney in Chinese Overseas management, i.e. Carney and Gedajlovic (2003), concluded competitive strategy of Chine Overseas companies was mainly cost leadership. They rarely used differentiation strategy, under Porter's type of competitive strategies (1993).

#### **f. Bjerke's study (2000)**

Bjerke (2000) studies management of Chinese Overseas business (Chinese who lived outside mainland China) in seven South East Asia countries, i.e. Indonesia, Singapore, Malaysia, Thailand, Hong Kong, Taiwan and Philippines. His sample includes all of small-medium enterprises (SMEs). The reason to use SMEs is the culture in that kind of companies are generally more genuine than the large size companies. Large companies are usually more mature and higher possibility to have international business, which both of them may influence its cultural values.

In summary, characteristics of management practices of Chinese overseas companies are as follows (Bjerke, 2000):

- a. The owner or manager is dominant in company decision making.
- b. The entrepreneur generally is not risk taker, but he/she tries to find opportunities in supply chain of other established companies. Therefore, technical competence and ability to fill order on time is more important than to invent new products or technology.
- c. Initial capital to start business usually comes from informal sources.

- d. Produce or resell products to fill the local demand, so it has narrow horizon of market.
- e. Marketing function is less important than finance and operation; however there is an indication that marketing gains more intention in the future. In marketing function, pricing is the most important aspects, while promotion usually does by salesman.
- f. There is limited human resource management and employee must be supervised continuously
- g. Financial management is the most important function, especially cash management. Source of financing is mainly from informal sources.

According to Bjerke (2000), Chinese Overseas cultures that effect the management of companies are as follows.

- a. Power and autocracy. Chinese overseas management tends to be centralized on one person who is responsible for all management functions or autocracy leadership (Hofstede, 1984; Chee, 1992; Sheh, 1995; Naisbitt, 1995). Power is important and power is shown in many different ways. One of them is in form of lack of communication across position (Samovar et al., 1981; Chu, 1991; Hodgerts and Luthans, 1991).
- b. Familism. Asian tradition puts group interest above individual interest (Hofstede, 1984; Hoon-Halbauer, 1994; Lasserre and Schütte, 1995; Seagrave, 1996). Specifically, Chinese tradition puts family as the most important group (Harris and Moran, 1979; Chau, 1991; Chu, 1991; Hoon-Halbauer, 1994; Lasserre and Schütte, 1995). One reason why familism is important for Chinese overseas entrepreneur is for security (Jansson, 1987). For Chinese who left their homeland, and tried to settle abroad, the new environment is not always welcome and supported them. In all 7 East Asia countries, except Singapore, the local society often outright hostile and the local government discriminates them. As a result, they make stronger and maintain family ties to face the threats (Redding, 1993). Family business of Chinese Overseas is specific compare to the other family business (Braadbaart, 1995). First, family in Chinese Overseas is not only from blood ties, but expanded to other ties, such as clan, shared surname, home village, region or education. Second, family and non-family members in Chinese overseas firms differ both in attitude and behaviour.

Third, growth in Chinese Overseas business is commonly done not by expanding company, so the owner will lose control, but by set up a new firm that is managed by the family member. As a result, it will make a group of affiliated company like a mushroom.

- c. *Quanxi*. Business environment in Asia is frequently described as an interlocked network (Lasserre and Schütte, 1995). The network is the key success of Chinese Overseas business (Hoon-Halbauer, 1994; Rohwer, 1995), which is called by *Quanxi*. If the western company generally sets up a new company first, then make a network; otherwise for Chinese Overseas company (The Economist, 1997).
- d. Face and Prestige. The important things to be maintain for Chinese Overseas is “face” (Hoon-Halbauer, 1994). For Chinese Overseas, losing face means losing egos and deflating prestige. In general, Chinese will losing face if he/she is unable or unwilling to satisfy the claims imposed upon him by friends or subordinate (Sherriff, 1989; Chu, 1991). Chinese culture put emphasis on shame, but western culture put emphasis on guilty (Lasserr and Schütte, 1995). The importance for not losing the face frequently prevents them to admit guilty, ask help, and tell other do the right things on public (Jansson, 1987; Yang, 1991; Lasserre and Schütte, 1995).
- e. Flexibility and Endurance. Chinese overseas companies commonly do not have long term plan (Redding, 1993; Sheh, 1995). They are good in tactic plan, but weak in strategic plan. Therefore, they are flexible, adaptive and pragmatic (Jansson, 1987; Rohwer, 1995; Seagrave, 1996).

Management functions in Chinese Overseas business are as follows.

- a. Planning. Planning is informal; tend to be opportunistic and intuitive. Flexible tactics are common in planning. This happens because senior manager spends much time to control daily operation.
- b. Organizing. Owner/manager is responsible on all management functions because there is less job delegation. Subordinate initiative is not expected. Promotion is based on seniority in family. Organizational structure tends to have a lot of layer than flat.
- c. Directing. Manager directs employee by personal approach. The leader who has high commitment to company, hard worker, and care to the subordinates becomes a role

model. The leadership style is autocracy. The subordinates are expected to be loyal, obedient and respect to superior.

- d. Controlling. Entrepreneur does tight control on subordinate. Usually, there is no system to record, store and control company resources. Feedback from control will be responded if there is a financial benefit.

**g. Weggel's study (2001)**

Weggel (2001) explains some characteristics of Chinese Overseas management.

- a. Company is managed and controlled by family. The key management positions are hold by family members.
- b. Leadership style of owner and founder are autocracy and patriarchal.
- c. Networking is important to do business and access information.
- d. Company expands to unrelated industries.
- e. Subordinate is expected to be loyal, hard working, long-term relation, and low ambition to the company.
- f. Informal working system, so it frequently mixes personal resources and company resources.
- g. Financial management technique that is used commonly is cost benefit.
- h. Accounting is only for tax purpose.
- i. Expenditure for intangible assets is frequently considered as waste. This expenditure includes advertising, consultation fee, patent, research and development. Consequently, their products are low in innovation and unbranded.
- j. The owner is hardworking and thrifty. They do this to accumulate their wealth, and then bequeath it to the next generation.

**h. Ahlstrom et al.'s study (2004)**

Ahlstrom et al. (2004) examined Chinese Overseas management practices in order to identify the characteristics that are contributed to faster company growth. They collected data from in-depth interview 41 entrepreneurs, venture capitalists and government officials who work with Chinese Overseas in three South East Asia

countries, i.e. Hong Kong, Singapore and Taiwan. They found some characteristics of Chinese Overseas managed companies.

First characteristic is family control. Family control is dominant in most companies, even in listed companies. Key management position is occupied by family member. The founder decided all important company decisions by top down approach. The owner intends to maintain this family control.

Second characteristic is simple organizational structures, networks, and information control. Chinese Overseas management has tight control by simple organization structure. The structure of organization tends to be flat. Organization members were reluctant to share information or skill to other members.

Third characteristic is centralized governance and decision making. Decision making is centralized on the owner. There is little delegation of authority.

Fourth characteristic is internal financing. Company financial resource is from company's retained earnings or family savings. The entrepreneurs were reluctant to use funding from creditors or new investors, even during the company growth. This reluctance was caused by anxiety to lose company control by admitting outside investors.

Fifth, lack of advertising and branding. Mostly Chinese Overseas companies did not build their own trade mark or trade name. Generally, they made component of other company products or assembled other company products, so they were only suppliers or retailer. This was influenced by low profile culture and propensity to change products and industries quickly. Consequently, their product advertisement was limited, even none.

Sixth characteristic is little or no research and development. Chinese Overseas company spend little on research and development activities, even in technology industry companies. It related to the fifth characteristic.

#### **i. Efferin and Hopper's study (2007)**

Using qualitative approach, Efferin and Hopper (2007) examine management control, culture and ethnic in an Indonesia Chinese Overseas company. Business of the

company is manufacturing. In that company, they find some management characteristics that were influenced by Chinese Overseas culture as follows.

- a. Business network is developed from owner network or *Quanxi*. Each business and each family group owns networking. The networking is a source to circulate information among the members.
- b. Trust is important in every business transaction. Reputation must be maintained. Losing trust will cause difficulty to make business.
- c. Subordinate must be respect, obey, and loyal to the superior, consistent to the Confucius value “*li*” and “*hsiao*”.
- d. Leadership style is autocratic, but paternalistic. A leader should listen and care to the subordinate for all of the subordinate problems in working and individual life.
- e. Family members hold key management positions.
- f. Horizontal relationship in decision making only involve people who have family ties.
- g. Vertical decision making tends to be based on friendship, trust, emotional ties and loyalty, rather than on result and efficiency.
- h. Although they stress on trust in the relationship, there is still values of prudent (*jing shen*).
- i. Financial information is secret, only owner has access to the information.
- j. The owner runs business by some values, i.e. diligent (*qin fen*), frugality (*qin jian*), prudent and foresight (*jing shen*) and ascetics (*ke ji*).
- k. There is no long run planning. The owner does not avoid the long run planning, but he/she thinks the long run plan is not practical.
- m. Control tend to be subjective than objective.

**j. Wah’ study (2011)**

Wah’s study (2011) about Chinese Overseas management was based on field research and consultancy work with Chinese Overseas companies in Singapore, Malaysia and Indonesia over 10 years. Wah (2011) discusses about Chinese Overseas management in four topics, i.e. human resources management, organizational structure, leadership style, and business orientation and strategy.

Human resources management practices in Chinese Overseas companies emphasize more on relationship. Subordinate does not expect to show off. Indicator for job promotion emphasis more on the seniority and good conduct of behaviour (obedience, reliability and trustworthiness) than performance. However, the larger Chinese Overseas companies the higher probability to use performance as promotion criteria. In the recruitment process, priority is given to the family member or relative, particularly in small-medium size companies. Thus, nepotism is common in the Chinese Overseas companies

Organizational structure of Chinese Overseas companies resembles family hierarchy. They usually do not have formal organisation structure. There is low task specialization and there is no clear job description and written work procedure.

Leadership style of Chinese Overseas companies is paternalistic. This type of leadership is reinforced by emphasis on familism and relationship. Family welfare is source of power, self esteem, and status for Chinese Overseas entrepreneurs, therefore they are usually hardworking, persistence and frugal people. In addition, the Chinese Overseas entrepreneurs are good in identifying and exploiting business opportunities.

Business orientation of Chinese Overseas companies is improving productivity by optimalization of usage existing resources. Strategy of Chinese Overseas companies are building business networking (*quanxi*). In addition, Chinese Overseas companies will not easily to wind up the business even it has been proven not profit making. The reasons is protecting the name of family and business (face).

Summary of the ten previous studies in Chinese Overseas Management is presented on Table 3. In sum, from the ten previous studies above, Chinese Overseas Management style is as follows. First, management function of planning is focus on short term plan and the plan is informal. Second, management function of control is tight and informal. Third, management function of decision making is centralized on the owner or family members. Fourth, management function of directing is autocracy and paternalistic. Fifth, finance management practices are short term investment, internal financing, and secrecy of financial information. Sixth, human resources management practices are sparse and informal. Seventh, production management practices are excel in managing resources. Eighth, marketing management practices are limited, lack of



branding and advertising, and use personal promotion. Ninth, type of industries are diversified. Tenth, the specific characteristics are dominance family ownership and control, and extensive networking between companies.

#### **4. Strength and Weakness of Chinese Overseas Management Style**

Based on the ten previous studies, Chinese Overseas management style has some strength and weakness in order to achieve desired performance at nowadays companies. The strength can be identified as follows. First, short term plan make company more flexible in term of quickly taking advantage opportunity (Ahlstrom et al., 2004). Second, centralized decision making make goal congruence in company (Efferin and Hopper, 2007). Third, tight control and duality manager and owner reduce agency problem type I between manager and owner (Braadbart, 1995). Fourth, *quanxi* and business group provide internal market that is more secure and low transaction cost, when the external market is undeveloped (Landa, 1983; Whitley, 1992; Lazerson, 1995; Khanna and Palepu, 1997).

The weakness of Chinese Overseas management style can be identified as follows. First, aversion to external financing may hinder growth prospect (Ahlstrom et al., 2004). Second, the mixed family matters and business matters make company more vulnerable to the conflict of interest between family and business interest, it will influence the going concern of the company. Third, lack of sharing knowledge and information between employees and lack of written standard, operating and procedure may hamper tacit knowledge codification (Ahlstrom et al., 2004).

**Table 3. Chinese Overseas Management Style**

Management	Redding (1987)	Limlingan (1992)	Tanoto (1992)	Mackie (1992)	Carney (1998)	Bjerke (2000)	Weggel (2001)	Ahlstrom et al. (2004)	Efferin & Hopper (2007)	Wah (2011)
Planning	Closed	Short term	Unstructured			Short term Informal			Short term	
Organizing	Centralized on owner/ family member		Centralized on owner/ family member	Centralized on owner/ family member	Centralized on owner/ family member No Written SOP No formal organization structure	Centralized on owner/ family member No Written SOP	Centralized on owner/ family member	Centralized on owner/ family member	Centralized on owner/ family member	Centralized on owner/ family member No Written SOP No formal organization structure
Directing	Autocracy Paternalistic				Paternalistic	Autocracy	Autocracy & Patriarchal	Patriarchal	Autocracy Paternalistic	Paternalistic
Controlling	Tight		Informal		Tight	Tight		Tight	Informal	
Financial Management Practice	Concentration on fundamentals	Have access to source of funding	Access restrictions on financial information	Debt financing Short term investment	Short term investment	Informal financing sources Cash management	Cost benefit analysis Accounting only for tax purpose Limited expenditure for intangible assets	Internal and informal financing sources Limited expenditure for intangible assets Access restrictions on financial information Short term investment	Access restrictions on financial information	Personal and business finance are mixed
HR Management Practice	Sparse Pragmatic Informal					Sparse Informal	Informal			Informal

Production Management Practice	detailed monitoring	Skilful managing resources						Access restrictions on production information		Emphasis on productivity
Marketing Management Practice	Limited Lack of branding					Lack of branding Pricing Promotion by salesman	Lack of branding	Lack of branding Lack of advertising		
Type of Industry	Generalized	Generalized		Generalized	Generalized		Generalized			
Strategy					Cost Leadership					
Special Characteristic	Family ownership & control	Family ownership & control	Family ownership & control	Family ownership & control	Family ownership & control	Family ownership & control	Family ownership & control	Family ownership & control	Family ownership & control	Family ownership & control
	Extensive Networking	Extensive Networking				Extensive Networking			Extensive Networking	Extensive Networking

Fourth, autocracy leadership by owner and family will reduce initiative and creativity of employees (Haley, et al., 1998; Fukuyama, 1995; Ahlstrom et al., 2004). Fifth, limitation authority and promotion of non-family manager makes company lack of skilful human resources (Efferin and Hopper, 2007). Sixth, core business development is limited due to preference of investment to unrelated business (Carney, 1998). The low development of core business emerges in low research and development activity, lack of brand building.

## **5. Indonesia Management Style**

Indonesia management style is identified from four previous studies that can be accessed. These studies assumed that Indonesia cultures are homogen, although more detail studies could find variety inside Indonesia cultures. This becomes limitation of these studies and this study as well.

### **a. Christiananta's study (1986)**

Christiananta (1986) studies management style of Indonesia companies during 1980s. He concludes that the management style of Indonesia companies show paternalistic and patrimonial. Paternalistic is relation between agents in economic organization based on father and child relation. The paternalistic management style is dominance in Indonesia companies due to three major reasons. First, culture and social structure in Indonesia at that time were still influenced by feudalism, so society accepts high power distance between superior and subordinate. Second, labour union bargaining power is weak, so subordinates have no power to bargain management decision. Third, government provided limited social service, so social service mainly provided by employer as a reward for employee loyalty.

Patrimonial management style is decision making centralized on a person or a group of person. In Indonesia companies decision making were centralized on owner and family member. Patrimonial management style leads to nepotism practice, a preference to family or relative of management.

**b. Paramita's study (1989)**

Paramita (1989) examines harmonization between Indonesia culture and management style of Indonesia companies. Paramita (1989) concludes that the management style of Indonesia companies is paternalistic and autocracy, consistent to Christiananta (1986).

Paramita (1989) defines Indonesia cultures based on some relations. 1980s Indonesia is an agriculture country; 80% of Indonesia people are farmers and live in villages. In the relationship between person and nature, Indonesia people tend to resign and keep harmony with nature. In relationship between person and time, Indonesia people view time as a cycle and lack ability in managing time (known as 'rubber time'). In relationship between person and goal of life, life goal of Indonesia people is happiness. The happiness means wealthy, having a good position at society, and having power. In order to have good position and power, Indonesia people will build good relationship with important people in the society, instead of increase their performance. As a result, there is vertical orientation in an employee-employer relationship; company employees expect the employer to nurture them. In relationship between person and person, Indonesia people have horizontal orientation, i.e. collectivism. They try to show performance in average, not exceeding the other's performance. In relationship between person and career, career is only routine duty in order to fulfil their needs. Paramita findings (1989) of Indonesia culture is consistent to Koentjaraningrat (1976).

Indonesia management style is influenced by the cultures. Indonesia companies show centralization of authority on owner. The owner nurtures his/her employees, while at the same time the owner distrusts the employees. So, information about company's profitability and other confidential information cannot be accessed by the employees. Employees are considered as member of owner family, therefore they should be nurtured their needs. As a return, the employees are expected to show loyalty, obedience, be indebted, and work hard.

Company goal is to obtain much profit in short term and speculative ways. There is large power distance between superiors and subordinates. Subordinates are not expected to take initiative, they are only executor. While superiors are

expected to know everything, they are expected to give instruction to the subordinates. There is tight and personal control by superior.

**c. Young' study (1994)**

Young (1994) examines culture values of Indonesia managers, in order to evaluate the harmonization to the USA culture. Young surveys MBA (Master of Business Administration) students of Prasetya Mulya Institute in Jakarta from 1992 to 1994. Indonesian managers show some values that related to managerial activities. In general, the result shows that traditional culture values still influence management practice even among relatively high educated manager.

First, Indonesian managers emphasize more on group interest than individual interest. Indonesian managers prefer group accountability in all decision and result to individual accountability. Indonesian managers provide input to decision making as a group, than the decision should be made by their supervisor, not by consensus as in Japan (Z theory by Ouchi, 1985). Second, group interest and affiliation need of Indonesian manager reduce ambition to be promoted. Promotion should be based not only on performance, but also on social acceptance in the organization. Feedback to Indonesia manager should be given privately in order to maintain their reputation among their colleagues. Third, Indonesia managers tend to avoid conflict. Fourth, there is mixed of business and personal matters.

**d. Asia Pacific Management Forum' study (1997)**

Asia Pacific Management Forum (1997) surveys Indonesia manager at middle up companies. Generally, they show relationship oriented, family priority, reputation, cooperation, harmonization to group interest, and high spiritual values. On the other hand, they also show weak in risk taking, openness, independency, and planning. Specifically, in planning, Asia Pacific Management Forum (1997) argues people who live in two seasons countries usually show weak in planning skill, compare to four seasons countries.

## **6. Comparison of Indonesia Management Style and Chinese Overseas Management Style**

Based on available previous studies, the comparison between Indonesia and Chinese Overseas management style can be done. Generally, Indonesia and Chinese Overseas have a lot of similarity in term of their management style.

First similarity between them is in term of relationship emphasis. Koentjaraningrat (1976, 1993) and Paramita (1989) find that Indonesia culture emphasize on relationship or collectivism, and so does Chinese Overseas culture (known as Guangxi). Focus on relationship influences management function of directing and company human resource management practice. Secondly, familism is important in both cultures. A lot of Indonesia and Chinese Overseas companies are managed and controlled by family. As a result, the management style of directing people in a company is paternalistic and autocracy. Company decision making is centralized on the owner/family member. Employer nurtures the employees, and the employees are expected to be indebted, loyal, obedient, and hard working. Thirdly, there is large power distance between subordinates and superiors in both cultures. Consequently, the subordinates tend to be passive, while superiors communicate less to subordinates. The controlling function in both cultures is tight and personal. Fourthly, management function of planning is weak in both cultures.

## **7. Conclusion**

Based on ten previous studies, generally Chinese Overseas management style is autocracy and paternalistic. This style is consistent to Indonesia management style that is identified from four previous studies. Further, this study provides general conclusion that is supported Bjerke statement (2000) that business management is a universal phenomenon, but the way it is done is not universal.

The origins of the Overseas Chinese are within China and the particular local cultural, social and economic environment shaped the principles and business practices of the Overseas Chinese. But when they immigrate to many countries, then it is difficult to speak of one homogenous Overseas Chinese

culture. On the other hand, Indonesia has lot subcultures, which show differences in some aspects and similarity in other aspects. It is also difficult to speak of Indonesia as one homogenous culture. In awareness of this limitation, this study defines the management style in both culture, Chinese Overseas and Indonesia, based on some previous studies. Second limitation of this study is identification of management style in both culture based on limited studies, especially lack of studies that discussed Indonesia management style.

This paper contributes to future research in identifying some indigenous constructs that may be overlooked in the mainstream research of management. Therefore, it may refine the theory or concept in implementation level in order to realize the desired performance outcome. In addition, this paper provides understanding to stakeholders of Chinese Overseas firms in doing business with them.

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