



# **Southeast Asia's Chinese Businesses in an Era of Globalization**

**Coping with the Rise of China**

Edited by  
**Leo Suryadinata**

**Southeast Asia's  
Chinese Businesses  
in an Era of Globalization**

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Institute of Southeast Asian Studies  
Singapore

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# Chinese Indonesian Business in the Era of Globalization: Ethnicity, Culture and the Rise of China<sup>1</sup>

Sujoko Efferin  
Wiyono Pontjoharyo

## INTRODUCTION

Chinese Indonesians<sup>2</sup> (also known as *Tionghoa*) have been acknowledged as one of the major engines in Indonesia's economic development. Although they are the minority, it is estimated that their share of total private domestic capital far exceeds that of any other ethnic group in the country. There are controversies regarding the share of Chinese capital in the Indonesian economy (for example, see Kwik 1978; Amir 1978; Hadiz 1997; and Ning 1987). Until now it has been difficult to get data about the precise composition of capital ownership. However, it has been widely accepted that the state has the largest share of domestic capital in Indonesia followed by Chinese capital.

In the year 2000, some of the major ethnic groups in Indonesia are the Javanese (41.71 per cent), the Sundanese (15.41 per cent), and the much smaller groups such as the Melayu (3.45 per cent), the Madura (3.37 per cent), and the Batak (3.02 per cent) (Suryadinata et al. 2003). The Chinese are estimated to make up 1.40 per cent to 1.99 per cent. Other ethnic groups of foreign origin also exist albeit in very small numbers (for example, Arab, Indian, Indo-European). It is estimated that there are more than 400 ethnic groups in Indonesia (Brown 1994). However, until recently there is a dichotomy between the Chinese and other ethnic groups (the so-called *pribumi*).<sup>3</sup> In the New Order era (1966–98), the classification of *non-pribumi* was often applied solely to the ethnic Chinese. They were

distinguished exclusively from other ethnic groups and regarded as the only alien one in Indonesia being discriminated against politically, socially, and economically during the New Order Era (see Heryanto 1997, 1998).

The ethnic group's economic roles and significance has grown significantly during the New Order era. Interestingly, in this era, they were discriminated against most extensively in the social, cultural, and political spheres. The rise of the New Order regime (1966–98) marked the peak of extensive and gross practices of racism against the Chinese involving both state discriminations, and frequent and violent mass attacks on Chinese property and life (Heryanto 1997, 1998; Ning 1987; Coppel 1983). Consequently, their ethnicity has become a dominant issue and institutionalized in various social, cultural, political, and economic activities.

Studies about business practices in the context of Chinese business and the Southeast Asian region are considered increasingly important in today's business environment because Chinese business is one of most powerful economic forces in the world today (Redding 1993; Yeung 1999). The rise of China as a major economic force in the world may have significant impact upon the business/investment decisions of the Southeast Asian Chinese due to their possible cultural/emotional ties and the investment incentives offered by the Chinese Government (Wang 2004). Unfortunately, studies of ethnic Chinese business in Southeast Asia (Indonesia included) tend to be restricted to cultural issues, that is, how Confucianism influences the business practices and gives rise to their success (Mackie 2000; Chan 2000). A small body of literature examining Chinese Indonesian business from a purely political economy perspective is also available (see for example, Robison 1986). These different strands of studies can be reconciled by using a more holistic perspective viewing how culture and socio-cultural environment are intertwined in shaping business practices. In fact, culture itself is dynamic and has been shaped and reproduced by the socio-political environments of the ethnic group (Ong 1999). A case study of Efferin (2002) has also revealed how Confucian culture has been modified by local cultures and the ethnicity of the Chinese Indonesians in shaping their managerial practices. Nevertheless, studies that use empirical investigation from the perspectives of Chinese Indonesian businessmen are still limited. Hence, more studies are needed in this area.

This study is aimed at gaining an understanding of Chinese Indonesian business in the era of globalization and the rise of China from the perspective of the business actors. As a sample, this study will focus on

Chinese businessmen in Surabaya. There are several reasons for this. Firstly, Surabaya is the second city of Indonesia in terms of economic and political importance. Business activities including export and import activities have been well developed since hundreds of years ago. In fact, many large, influential Indonesian companies are owned by Chinese from Surabaya. Secondly, the reason is access. The researchers already know many influential Chinese Indonesian businessmen in Surabaya who have local and international businesses and are willing to cooperate and support this study. Their support is imperative for the success of this study. More specifically, this study attempts to answer the following research questions:

1. What are the characteristics of the Chinese Indonesians business behaviours in terms of managerial ideology, organizational structure, managerial functioning, inter-firm relations and business development?
2. To what extent does ethnicity and culture *vis-à-vis* business scale influence their business behaviours in the light of globalization and the rise of China?

## **THE ETHNICITY OF CHINESE INDONESIAN**

### **Perspective of Ethnicity**

Ethnicity is about social classifications emerging within relationships in which people distinguish themselves from others — the distinction between “us” and “them” (Fenton 1999). The classification gives rise to so-called ethnic groups where people possessing certain similar social identities are grouped together. In this sense, the boundaries of ethnic groups may be both symbolic (language, ancestry, religion, kinship, or more generally, culture) and material, that is, constituted within structures of power and wealth in a broader society. Ethnicity functions as a dimension in social actions and organizations in various fields. Social, political and economic relations among groups of people may be characterized by this dimension, and this can be activated or suppressed in a wide variety of contexts. According to Brown (1994), the state may influence the distribution of power, status and wealth in society, and, hence, the type of situational insecurities and threats with which individuals and groups are faced. In many post-colonial societies, there has been a high correlation between ethnic identity and class membership (Eriksen 1993).

The above perspective provides the basis for explaining the ethnicity of Chinese Indonesians. Virtually all the Chinese in Indonesia are either themselves China-born immigrants or descendants of earlier immigrants

through the male line who have intermarried with local women. Indeed, the term Chinese does not refer to simple racial/biological criteria. There are, for example, many persons in Java who are uniformly considered as Chinese but are by ancestry less than one-quarter Chinese, while other persons who by ancestry are more than one-quarter Chinese consider themselves and are considered by others as indigenous/*pribumi* (Skinner 1963). Therefore, the definition of who is and who is not Chinese is, to some extent, about social identification when he/she functions as a member of, and identifies with, Chinese society.

It is argued that the ethnicity of Chinese Indonesians cannot be separated from, if it is not totally the creation of, the roles played by various states governing the country including the Dutch colonial rulers (pre-independence era), the Sukarno regime and the New Order state (Efferin 2002). Created for the first time by the colonial rulers, the ethnicity was shaped and reified further by their successors, especially the New Order state. The consequence of this situation is a social division between the ethnic Chinese and *pribumi* giving rise to a sense of ethnic prejudice and insecurity. Thus ethnicity may influence every aspect of life including the business behaviours of the Chinese Indonesian.

### **Categorization of the Ethnic Chinese: Totok and Jiaosen**

Conventional categorization of Chinese Indonesian (*Tionghoa*) between *totok* and *peranakan* (see for examples, Suryadinata 1974, 1978) and its meaning have gradually changed. The socio-cultural diversity of the ethnic Chinese is no more in terms of political orientation (with loyalty to mainland China or Indonesia). In his later paper, Suryadinata (2002) argues that there is a wide spectrum of the group referring to various cultural degrees of Chineseness. He proposes four categories of Chinese Indonesian: *Peranakan* and new-style *peranakan*, *totok* and new-style *totok*. The new-style *peranakan* and *totok* are a result of the assimilation policies and strong Indonesian nationalism after the independence of the country. The new-style *peranakan* are still unable to speak Mandarin and the new-style *totok* do not have a good command of the Chinese language anymore. However, both of them are highly proficient in the Indonesian language or local dialects where they live.

Parallel findings are also mentioned by Efferin (2002). Based upon his observation, the most common categorization in popular vernacular among the ethnic group is *totok* and *jiaosen*. *Totok*, in this sense, means those who still practise traditional Chinese/Confucian values in their daily life,

speak Mandarin/other Chinese dialects albeit to various extent, educate their children based upon those Chinese/Confucian values, and celebrate Chinese traditional events (for example, Chinese New Year, the Moon Cake Festival, and the Remembering Ancestors Day/*Cing Bing*). Becoming Chinese for them is a matter of preserving their cultural heritage. Most of them embrace Buddhism or Khong Hu Chu as their religion. On the other hand, the *jiaosen* do not practise Chinese traditions in their daily life and speak little or no Chinese of any kind. So, their culture is a mixture of Western, local and Chinese/Confucian cultures and customs. For them, becoming Chinese is merely an ethnic identity. The majority of *jiaosen* embrace Christianity/Catholicism and few embrace Islam. Albeit small in number, deviance from the above general characteristics of Chinese Indonesian exists. For example, a small Chinese community in Tangerang, West Java — the so-called Cina Benteng, show an interesting phenomenon. They largely practise Betawi (one of the local ethnic groups in West Java) culture and cannot speak Mandarin but they still embrace Khong Hu Chu as their religion.

In fact, the different categorizations demonstrate the dynamics of the transformation processes of the cultural identities of the Chinese Indonesians. The above findings have revealed that culture is a direct result of the political treatment of the Indonesian state which is a part of its nation-building strategies. Furthermore, the findings have agreed upon there being a tendency for the majority of younger Chinese Indonesian generations to become increasingly “peranakanized”. This does not mean that the ethnic group has lost all Confucian values. To some extent, Chinese parents continue to teach their cultural values to their children. There is a separation between religion and culture for the younger generation. The parents give family education that, to some extent, contains Confucian values regarding proper conduct in interactions with family members, older people and society, whereas Christianity and Catholicism focuses on faith and relationships with God.

Unfortunately, there is no study specifically examining how Chinese they are and what kind of business culture emerges from the above combination. Moreover, simple all-inclusive categorization, either *totok*–new-style *totok* and *peranakan*–new-style *peranakan* or *totok* and *jiaosen* may not be adequate to fully capture the complexity of the cultural identities of the group. The identities are actually a continuum in which any category can be divided into more sub-categories and sub sub-categories. Since the terms *totok* and *jiaosen* and their new meanings are widely known and more popular in the daily interactions of the ethnic

group, they will be used throughout the rest of the study. The terms are important since during the data collection of this study, the respondents were asked to identify themselves whether they perceive to be *totok*, *jiaosen* or unsure. The term “unsure” is also important to check whether the terms *totok* and *jiaosen* make sense to them.

### Post New Order Era (After 1998)

The fall of Suharto in 1998 dramatically changed the situation in Indonesia including the social environment of Chinese Indonesians. Many newspapers and magazines began to expose the political strategy of the New Order state in scapegoating the ethnic Chinese for almost every national problem. With the revocation of Presidential Instruction 14/1967, which prohibited the cultural activities of the ethnic Chinese, by Presidential Decree 6/2000, the ethnic group is now free to celebrate its cultural activities. The word *WNI Keturunan* (literally means “Indonesian citizen with foreign origin”) used to describe their nationality is now gradually being replaced by simply “Indonesian citizen”, while Chinese is recognized as one of various Indonesian ethnic groups instead of as a foreign-origin ethnic group (Piliang 2001). The word *Tionghoa* has been used by many mass media to replace the controversial word *Cina*, which is considered derogatory by many people.

There has been an interesting phenomenon in the post New Order era. Mandarin courses have been widespread and followed by many Indonesians regardless of their ethnicity. Many *jiaosen*, *totok* and non-Chinese take the courses for business purposes. They consider that in the era of globalization, a good command of Mandarin is necessary for the success of their business negotiations. However, there is another side effect. The definition of *totok* and *jiaosen* can no longer be made based upon proficiency in Mandarin language since the *jiaosen* and non-Chinese still maintain and practise their own “culture”. Thus, the best way of differentiating *totok* and *jiaosen* nowadays is by self-acknowledgement, whether they perceive that they still practise traditional Chinese values in their daily life or not. The cultural practices now become the most reliable criterion in differentiating *totok* and *jiaosen*.

However, it is too early to say that there is no longer an ethnic/racial problem in Indonesia. The whole aspect of Indonesian life is undergoing dramatic changes, from an authoritarian to a democratic state, from strong military political roles to civil rule, and from political prejudice to tolerance and pluralism. In this uncertain period, it is more appropriate



to say that most of the Chinese Indonesian businessmen prefer to take cautious action and to wait and see the dramatic changes in the Indonesian social and political situation rather than say that they have forgotten their bad experiences.

### **Ethnicity and Globalization**

Wang (2004) compares ethnicity with the nation-state. Ethnicity is described as a long-standing, historical and evolutionary process involving a sense of cultural identification whereas the nation-state is a modern phenomenon, can be built afresh and is shaped and controlled by institutions such as the bureaucracy and political and legal systems. Wang argues that nation-building processes in Singapore, Malaysia and Indonesia have not finished yet and these may be made more complicated by the fact that most Chinese have inherited a deep-rooted, demanding and distinctive culture, something that is recognized as their civilization. To move from a culture-based people to a state-based people, needs a mental process that is not easy and takes time. While the process is still going on, there is another development, that is, globalization.

According to Wang, globalization makes the Southeast Asian Chinese look beyond national borders and even return to cultural identification. The Chinese may try to take advantage of the globalization by using it as part of the tactics of survival, of dealing with discrimination or injustices that they feel within the nation-building processes. A mechanism is now available to avoid some parts of nation-building that they do not like. One interesting issue is raised by Wang here: How will the Chinese in the Southeast Asia respond to global and transnational opportunities if opened to them?

Tan (2004) gives a rather different perspective. According to her, the Chinese Indonesian has had a long involvement in the nation-building process since before the independence of Indonesia. The reformation in Indonesia that has given Chinese Indonesians more space for public participation should be the opportunity to improve their image in the eyes of the other ethnic groups in Indonesia. Winarta (2004) and Dahana (2004) also suggest that Chinese Indonesians enter non-economic fields as a way to eliminate ethnic tensions and discriminations. Tan also mentions that there is now increasing awareness of the Chinese Indonesian to become involved in politics and other public areas to fight against discrimination.

Anything can happen in this era where there are so many political, social and cultural changes both at national and global levels. Another important fact in the globalization era is the rise of China as one of the major economic powers. This could raise another interesting issue: How do Chinese Indonesian businessmen respond to the rise of China? Hence, empirical studies about this matter are needed to gain a deeper understanding about the way Chinese Indonesian businessmen think and act.

### CONFUCIANISM

Confucianism is a philosophy concerned with social, moral and governmental problems (Suryadinata 1974). According to Suryadinata (1974), *tao* is based upon human heartedness (*jen*) consisting of *chung* (sincerity and honesty) and *shu* (altruism). Some other major values also include frugality, asceticism, diligence and prudence (Xu 2000; Cleary 1992).

Confucianism can also be divided into two inter-related concepts: Vertical and horizontal order. The concept of vertical order represents the relationships between those from higher and lower levels of the social hierarchy, such as parents and children, family members (for example, husband and wife, parents and children, and elder and younger brothers), masters and servants, rulers and people, and so on (Suryadinata 1974). Every social position contains ascriptive responsibilities and duties. Hence, individuals bearing these names have ascriptive roles that must be fulfilled accordingly (known as *li*).

The horizontal order refers to the relationship between people from the same hierarchy. The person “invests” in a group, and the investment, which he cannot afford to lose, becomes his “face” (Redding 1993). This results in limited and bounded trust among particular groups called *guanxi*. People trust their families, friends and acquaintances to build mutual dependence and invest face on them. Family is seen as the basic survival unit and the very foundation of society and the nation. The welfare of individuals is seen as the family’s responsibility rather than the state’s.

Confucianism penetrates overseas Chinese society *via* a combination of formal school education (for example, for countries like Singapore, Taiwan and Hong Kong that adopt Confucian values in their education system) and the family teaching of overseas Chinese throughout the world (Redding 1993). Parents are constantly instilling notions of discipline, order, and above all, identity within the family.

## THE OVERSEAS CHINESE BUSINESS (OCB) MODEL

Chinese overseas business practices have been regarded as unique and different from Western and even the other East Asian (Japanese and South Korean) business practices (Tam 1990; Redding 1993; Whitley 1991). Despite some variations due to the local socio-political and cultural context of particular countries (societal effects), it is commonly argued that Confucianism, to some extent, characterizes their business. The characteristics of OCB behaviours can be elaborated into five dimensions: Managerial ideology, organizational structure, managerial functioning, inter-firm relations and business domain/development (Redding 1993; Whitley 1991; Tam 1990).

### Managerial Ideology

Managerial ideology is the fundamental ideas and beliefs possessed by the Overseas Chinese when conducting their businesses. According to Redding (1993, pp. 155–66), at the organizational level, there are three concepts of the ideology: Patrimonialism, personalistic relations of patronage and obligation and limited/bounded trust.

Patrimonialism is the idea/belief that power cannot exist and be legitimate unless connected to the ownership. The inseparability of ownership and management within Chinese companies is closely related to the value of the family as a basic survival unit. Power is derived from ownership and, in turn, is vested in the family rather than the individual. Furthermore, Chinese organizations duplicate family structure; the head of the household is the head of the organization, family members are the core of the employees, and sons are the ones who will inherit the firm (Hamilton and Biggart 1988). If the firm prospers, the family will reinvest the profit in branch establishments or more likely, in an unrelated but commercially promising business venture. Different family members run different enterprises and, at the death of the head of the family, assets are divided by allocating separate enterprises to the surviving sons.

It is then followed by autocratic-paternalistic leadership, that is, centralizing authority in decision-making where the responsibilities of the subordinates is not to make decisions but to do what their superior has told them to do. Such a relationship reflects the assumption of the superiority of the leaders where they have the didactic roles in organizations. Finally, this idea/belief requires reciprocal vertical obligation between superiors and subordinates. A superior/employer has the

responsibility of taking care of the welfare of the subordinates/employees, fitting them into the right slots, the stewardship of resources, helping the inefficient and being understanding. On the other hand, the employees/subordinates should have strong, unquestioning obedience to their employers and show the character of diligence in performing their jobs.

Personalistic relationship means that personal relationships and feelings about other people come before more objectively defined concerns such as organizational efficiency or neutral assessment of abilities. According to Redding (1993, p. 165), who you know is more important than, or at least as important as, what you know. Friendship is important in building work relations. Authority is based upon the exchange of balancing obligations through interpersonal and highly personal processes. The upward flow of loyalty and conformity is exchanged for the downward flow of protection, and this serves to stabilize the structure and dampen the resentment of subordination, which is otherwise institutionalized in industrial relations structures (for example, trade unions) (Redding and Whitley 1990).

Limited and bounded trust refers to the use of family members/trustworthy persons to run the critical functions of the organization to enhance organizational efficiency in terms of identification with goals, motivation, and confidentiality of information. Suspicion of professionals may exist since they are seen as having potentials to undermine the paternalistic/patronage relationships built by the owners/employers. Hence, trust-based personal relationship is preferred as opposed to neutral relations. Nepotism is often used as a means of counteracting the problem of limited trust that reinforces, as well as is a result of, the family business form. In the Indonesian context, ethnic suspicion and antagonism between Chinese Indonesians and *pribumi* that was shaped and reinforced by the New Order regime has also caused some Chinese businessmen to trust Chinese employees more than *pribumi* employees (Efferin 2002).

### **Organizational Structure**

This study adopts the Aston organizational studies' approach in describing organizational structure (Redding 1993, p. 154). There are five major dimensions, namely: Centralization, specialization, standardization, formalization and configuration.

Centralization refers to a sense of where hierarchically in the organization the majority of decisions are taken. It is argued that OCBs tend to have higher level of centralization compared to Western

organizations (Redding 1993; Harrison et al. 1994; Birnbaum and Wong 1985).

Specialization reflects the extent to which employees is divided. This includes dividing an organization into specialized units and allocating defined roles to the employees which is manifested into organizational charts, titles on employees' positions and job descriptions to make clear what they do, whom they report to and whom they are responsible for. It is argued that OCBs tend to have lower specialization compared to Western organizations (Redding 1993; Harrison et al. 1994). The allocation of roles is shifting and kept open to change and reinterpretation by the owners/superiors as the holder of legitimate authority.

Standardization reflects the extent to which rules and definitions are used to regularize procedures and roles. This can be used to indicate the difference in the balance achieved in each case between the use of a neutral bureaucratic system and the reliance upon a more personalistic override. It is argued that OCBs tend to have low standardization (Redding 1993).

Formalization refers to the extent to which activities are formalized through paperwork systems. It is argued that OCBs tend to have a similar pattern to their Western counterparts (Redding 1993). The OCBs are particularly strong on the use of paperwork to control the workflow process of their organizations such as production scheduling, detailed records related to the work process in order to maintain efficiency.

Configuration conveys the balance of line *versus* staff personnel. It is argued that OCBs tend to have low configuration (Redding 1993). This may be due to the pragmatism of OCBs which refuse to spend money unless it is highly necessary. Supporting functions are seen as frills since they do not directly produce profit.

### **Managerial Functions**

There are five main managerial functions: Planning and control, financial management, human resource management, production/operation management and marketing management.

#### *Planning and Control*

Redding (1993, p. 168) reveals that in Indonesia and Hong Kong, the OCB puts more emphasis on controlling people and production activities compared to other managerial functions. The fact that planning and control

are directed primarily towards the production activities reflect the extent to which the core activity of the organization is a matter of intense management concentration where the power of ownership is a stimulant to taking care of the use of assets.

Merchant (1998) has revealed another perspective on the OCB especially in Southeast Asia. He categorizes management control into result control, action control and personnel/cultural control. The first two are more related to the use of bureaucratic, formal control whereas the third is control that is exercised through a group's norms/values which produce social pressures on the deviants in the group. The OCB is said to emphasize more on cultural, informal control rather than highly sophisticated, bureaucratic control due to the high degree of collectivism/emotional ties in the community which stems from Confucianism. A case study of Chinese Indonesian management control by Efferin (2002) has also revealed that a cultural approach is often used by Chinese Indonesian superiors to control their subordinates and cope with possible ethnic antagonisms in the company.

### *Finance*

In financial functions, Redding (1993, p. 170) has also argued that OCBs have strategies based upon some principles:

- 1) Low margin and high volume as a means of penetrating markets and of generating steady flow of profit;
- 2) Rigorous control of inventory to achieve low capital investment and high rates of inventory turnover;
- 3) The reduction of transaction costs by using the Chinese community networking;
- 4) Maximizing the use of capital from sources outside the firm to improve gearing potential.

According to Redding, those principles are accumulated as folk wisdom passed on from parents to children over generations rather than taken from any Chinese literature.

### *Human Resource Management*

Redding (1993, p. 171) argues that OCBs in Hong Kong tend to accord high importance and extensive attention to performance appraisal, reward/punishment and recruitment. Personnel development is given lower priority.

He claims that this is due to Chinese pragmatism: Refusing to spend money unless absolutely necessary, the impact of paternalism and the relatively low emphasis on using professionals.

#### *Production/Operation Management*

Production/operation management is an area where OCBs pay a lot of attention compared with other functions. Redding argues that there is no significant difference in the degree of organizing between the OCBs (in Hong Kong and Indonesia) and the Western organizations regarding this matter. The production management covers the following areas: Quality maintenance, time control, work study, planning and structure and control by process. These are seen as reflecting the main concerns of the owner-managers towards their capital/assets.

#### *Marketing Management*

Redding also argues that OCBs in Hong Kong and Indonesia do not pay too much attention to marketing management. It has the following characteristics:

- 1) Standard trade marks are less used in Hong Kong but highly used in Indonesia.
- 2) Displays are less standardized.
- 3) Catalogues are little used.
- 4) There is almost no standard sales policy.
- 5) There is little market research.
- 6) There is less organizing of distribution.

These characteristics are said to be caused by the existence of trust-based networks (*guanxi*) in the inter-firm relations which have simplified the marketing processes. The inter-firm relations are described further in the next section.

#### **Inter-Firm Relations**

In the area of inter-firm relations, the OCB tend to manage buying and selling relationships with a degree of less formality and sub-contracting based upon personal/familial trust bonds (Redding 1993, pp. 150–51; Whitley 1991). Chan (2000, p. 9) mentions that the Chinese trust-based

network (*guanxi*) can be formed based upon many attributes such as kinship, schoolmates, colleagues and common interests. *Guanxi* places considerable emphasis upon unwritten codes of conduct to guard against opportunistic behaviour of its members.

The fundamental principles are reciprocity, obligation, maintenance of reputation and face (Chan 2000; Redding 1993). Before someone is admitted into a network, his track record and reliability is inquired into. Efferin's case study (2002) has also shown that *guanxi* has been used as a defensive and solidarity mechanism to cope with the ethnicity of Chinese Indonesians (hostile environment). The network also serves as a source of vital business information such as business partners, credit sources, trustable employees and so on.

The application of *guanxi* can produce low transaction costs in economic exchanges since many transactions, which in other societies require contracts, lawyers, guarantees, investigations, and delays, are dealt with reliably and quickly among the overseas Chinese by telephone, handshake, or over a cup of tea (Low 1995; Yeung 1999). This does not necessarily mean that legal properties are entirely missing but they are not prerequisites to agreement and, for the majority of transactions, they can be ignored.

### **Business Development**

Whitley (1991) provides some characteristics of the OCB. The OCB tends to restrict their business to a particular area in which their specialized skills and knowledge provide distinctive capabilities. In addition, their development is primarily evolutionary within a given sector. Redding (1993) also states that the person running it is most likely the majority stakeholder and is deeply committed to the generation of a return for the risk he feels personally responsible for. Borrowing money from banks is commonly an area for inhibition since there is an anxiety of being over-stretched. This reflects the conservative, cautious way of doing business to conserve the family's wealth that can be traced back to the old Confucian principle of asceticism.

### **RESEARCH METHOD**

This is a grounded decriptive-interpretive study performed from November 2004 to March 2005. The data collection methods used were interviews and questionnaires. Interviews were conducted with ten *Tionghoa*



businessmen for about twenty hours to get in-depth understanding of their perceptions, understandings, opinions, thoughts and experiences related to the ways they do business.

Questionnaires are used to obtain general characteristics of ethnic Chinese business practices. Because the Chinese usually tend to guard the confidentiality of their business practices and company's internal information, this study uses convenient sampling for the questionnaires. Convenient sampling is the collection of data from members of the population who are available to provide data (Efferin et al. 2004). Hence, the data are collected from those who are willing to cooperate in this study. The sample size is 113 *Tionghoa* businessmen/senior managers in Surabaya. In terms of educational background, 64 respondents (56.64 per cent) have university degrees and 49 respondents (43.36 per cent) have high school/primary school/Chinese school degrees. Their characteristics can be seen in Table 5.1.

The classification of *totok* and *jiaosen* is based on self-acknowledgement. The respondents were explained about the terms *totok* and *jiaosen*. Then, they were asked whether they considered themselves as *totok*, *jiaosen* or unsure. Most of the respondents (104 people, 92.04 per cent) were certain when categorizing themselves and only 9 respondents were unsure. This reveals that for them such terminologies are well-known.

Two dimensions were used to categorize the sample: Business scale and cultural orientation. In terms of business scale, the questionnaire respondents were classified into Small/Medium Enterprises/SMEs (69 people) and Large Enterprises or LEs (44 people). The interview respondents consisted of 2 SMEs and 8 LEs. In terms of cultural orientation, the questionnaire respondents were classified into *totok* (52), *jiaosen* (52) and those who are unsure (9). The interview respondents are 7 *totok* and 3 *jiaosen*. The reason for this is to ensure the representativeness of different components among Chinese businessmen which may have different impacts upon the way they do business and to examine whether there are different patterns among them.

There are many versions of the definition of SMEs in Indonesia. This study adopts Bank Indonesia's (Indonesian Central Bank) definition as follows:

Types of enterprises	Sales value per annum
Small and Medium (SMEs)	≤ 3,000,000,000 rupiah
Large (LEs)	> 3,000,000,000 rupiah

**TABLE 5.1**  
**Characteristics of the Respondents Based upon Business Scale and Cultural Orientation**

Characteristics		Business Scale		Cultural Orientation		
		SMEs	LEs	Totok	Jiaosen	Unsure
Fields of Business	Trading/Service	52 (75%)	25 (57%)	37 (71%)	34 (65%)	6 (67%)
	Manufacturing	11 (16%)	10 (23%)	8 (15%)	13 (25%)	0 (0%)
	Plantation	2 (3%)	1 (2%)	3 (6%)	0 (0%)	0 (0%)
	Construction	1 (1%)	4 (9%)	1 (2%)	3 (6%)	1 (11%)
	Real estate	0 (0%)	1 (2%)	1 (2%)	0 (0%)	0 (0%)
	Combination of above	1 (1%)	3 (7%)	2 (4%)	1 (2%)	1 (11%)
	Others	2 (3%)	0 (0%)	0 (0%)	1 (2%)	1 (11%)
		69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Main Customers	End user	36 (52%)	11 (25%)	21 (40%)	21 (40%)	5 (56%)
	Other industries	6 (9%)	14 (32%)	10 (19%)	9 (17%)	1 (11%)
	Combination of above	27 (39%)	19 (43%)	21 (40%)	22 (42%)	3 (33%)
	69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)	
Market	Mostly overseas	4 (6%)	3 (7%)	5 (10%)	2 (4%)	0 (0%)
	Mostly local	15 (22%)	14 (32%)	17 (33%)	12 (23%)	0 (0%)
	Overseas only	2 (3%)	1 (2%)	1 (2%)	2 (4%)	0 (0%)
	Local only	48 (70%)	26 (59%)	29 (56%)	36 (69%)	9 (100%)
		69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Role in the Business	Owner and senior executive	42 (61%)	25 (57%)	33 (63%)	29 (56%)	5 (56%)
	Owner	21 (30%)	7 (16%)	14 (27%)	11 (21%)	3 (33%)
	Senior executive	6 (9%)	12 (27%)	5 (10%)	12 (23%)	1 (11%)
		69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

Some other definitions from various institutions are based upon asset value and number of employees (see for example, the definition of Indonesian Statistical Bureau-BPS and the Ministry of Cooperation and Small/Medium Enterprises). Definitions based upon asset value may be biased because of the different types of industries (manufacturing, trading and services). Definitions based upon number of employees may also be biased because of the different characteristics of technologies employed (labour intensive *versus* capital intensive or low technology *versus* high technology). Hence, definitions based upon sales value are chosen because they are relatively free from such biases.

## EMPIRICAL ANALYSIS

All analysis will be based upon the results from questionnaires and interviews. Answers in the questionnaires include options representing the so-called "OCB model" as prescribed in the above sections, Western model as prescribed by many conventional literatures and other alternatives (respondents were required to specify). This is to give respondents freedom when choosing answers that fit for them.

### Managerial Ideology

#### *Patrimonialism*

The results are described in Table 5.2. The majority of Chinese Indonesian/*Tionghoa* respondents (69.03 per cent, 78 out of 113) assumed that the highest source of authority is the owner of the company. The majority of the SMEs (81 per cent) chose owner instead of formal top management, whereas only 50 per cent of LEs chose the option. Apparently, business scale matters more than cultural orientation since the differences are smaller between *totok*, *jiaosen* and "Unsure". Hence, the *Tionghoa* generally regard that power cannot be separated from ownership.

Similar responses also arose in viewing company's objectives, ownership of assets and successors. The majority of *Tionghoa* regarded the company's objectives as the owner's objectives (66 respondents: 58.41 per cent), company's assets as owner's private property (75 respondents: 66.37 per cent), and that leadership successors must come from the family circle (73 respondents: 64.60 per cent). Those thoughts are much more widespread in the SMEs rather than in LEs whereas there are smaller

**TABLE 5.2**  
**Patrimonialism Based upon Business Scale and Cultural Orientation**

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	<i>Totok</i>	<i>Jiwoesen</i>	Unsure
The highest source of authority	Owner	5.A	56 (81%)	22 (50%)	38 (73%)	33 (63%)	7 (78%)
	Formal top management	5.B	13 (19%)	21 (48%)	14 (27%)	18 (35%)	2 (22%)
	Others	5.C	0 (0%)	1 (2%)	0 (0%)	1 (2%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Company's objectives	Based on owner's objectives	6.A	46 (67%)	20 (45%)	26 (50%)	35 (67%)	5 (56%)
	Based on stakeholder's interests	6.B	23 (33%)	23 (52%)	26 (50%)	16 (31%)	4 (44%)
	Others	6.C	0 (0%)	1 (2%)	0 (0%)	1 (2%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Ownership of assets/investments	Owner's property	7.A	51 (74%)	24 (55%)	33 (63%)	35 (67%)	7 (78%)
	Organization's property	7.B	17 (25%)	19 (43%)	18 (35%)	16 (31%)	2 (22%)
	Others	7.C	1 (1%)	1 (2%)	1 (2%)	1 (2%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Leadership successors	Family members	8.A	49 (71%)	24 (55%)	35 (67%)	33 (63%)	5 (56%)
	Capable employees	8.B	6 (9%)	9 (20%)	7 (13%)	7 (13%)	1 (11%)
	Recruit professionals	8.C	13 (19%)	10 (23%)	8 (15%)	12 (23%)	3 (33%)
	Others	8.D	1 (1%)	1 (2%)	2 (4%)	0 (0%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Ideal roles of employer	Teaching employees	9.A	36 (52%)	14 (32%)	25 (48%)	23 (44%)	2 (22%)
	Empowering employees	9.B	26 (38%)	29 (66%)	22 (42%)	26 (50%)	7 (78%)
	Others	9.C	7 (10%)	1 (2%)	5 (10%)	3 (6%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

*continued on next page*

TABLE 5.2 – continued

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	Totok	Jaoasen	Unsure
Responsibility of employer	Taking care of and helping employees	10.A	28 (41%)	21 (48%)	28 (54%)	19 (37%)	2 (22%)
	Fulfilling his/her formal obligations	10.B	33 (48%)	21 (48%)	20 (38%)	28 (54%)	6 (67%)
	Others	10.C	8 (12%)	2 (5%)	4 (8%)	5 (10%)	1 (11%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Ideal roles of employee	Doing what is told by employer	11.A	41 (59%)	18 (41%)	24 (46%)	30 (58%)	5 (56%)
	Giving advice/being critical	11.B	16 (23%)	18 (41%)	21(40%)	10 (19%)	3 (33%)
	Making policy	11.C	8 (12%)	8 (18%)	4 (8%)	11 (21%)	1 (11%)
	Others	11.D	4 (6%)	0 (0%)	3 (6%)	1 (2%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Responsibility of employees	Obeying the employer	12.A	27 (39%)	9 (20%)	14 (27%)	20 (38%)	2 (22%)
	Fulfilling his/her job descriptions	12.B	36 (52%)	35 (80%)	34 (65%)	30 (58%)	7 (78%)
	Others	12.C	6 (9%)	0 (0%)	4 (8%)	2 (4%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

differences among the *totok*, *jiaosen* and “unsure”. Hence, business scale also matters more than cultural orientation.

Interesting results emerge when viewing the ideal roles and responsibilities of the employer (questions 9 and 10). Common description that OCBs favour autocratic-paternalistic leadership is not supported. Only 50 respondents (44.25 per cent) chose the didactic role of the employer (teaching employees), whereas empowering and other roles were chosen by 55 (48.67 per cent) and eight respondents (7.08 per cent) respectively. In this sense, business scale matters more than cultural orientation. The majority of SMEs (52 per cent) chose the didactic role, whereas only 32 per cent of LEs chose the answer. By contrast, the majority of large businesses (66 per cent) chose the empowering role and only 38 per cent of SMEs chose such a role.

The deviation from the conventional OCB leadership style is further supported in the results of question 10. Only 49 respondents (43.36 per cent) chose paternalistic responsibility of employer (taking care of and helping employees in work and personal life), whereas fulfilling formal obligation and other kinds of responsibility were chosen by 54 (47.79 per cent) and 10 respondents (8.85 per cent) respectively. However, the *totok* tend to share the paternalistic role much more than the *jiaosen*. Fifty-four per cent of *totok* chose the employer’s paternalistic responsibility compared with only 37 per cent of *jiaosen*. By contrast, fulfilling formal obligation and other kinds of responsibility were chosen by 64 per cent of *jiaosen* and only 46 per cent of *totok*. Thus, cultural orientation seems to matter in this issue.

The results of the questions 11 and 12 (ideal roles and responsibilities of employee) have also questioned the strength of the autocratic-paternalistic leadership as a main characteristic of OCB. In question 11, 59 respondents (52.21 per cent) preferred employees to merely do what is told by the employer whereas the other 54 (47.79 per cent) chose more participative roles such as giving advice/critiques to employer and making policies. Fifty-nine per cent of SMEs agreed on the submissive role of employees compared with only 41 per cent of LEs. By contrast, more participative roles were chosen by only 35 per cent SMEs but 59 per cent LEs. Interestingly, the *jiaosen* tend to support the employee’s submissive role more than *totok* (58 per cent and 46 per cent respectively). The image that the employer demands unquestioning obedience of employees in OCBs is also challenged further in the results of question 12. Only 36 out of 113 (31.86 per cent) *Tionghoa* businessmen regarded

unquestioning obedience as the main responsibility of employees. The others (77 persons: 68.14 per cent) preferred fulfilling formal job description as the employees' main responsibility. All categories of respondents showed rather consistent responses. However, the view of employee's formal responsibility tended to be more widespread in LEs than in SMEs.

Hence, patrimonialism in the *Tionghoa* businessmen appears only in the aspects of the source of authority (all categories), company's objectives (much higher in SMEs), the ownership of company's assets (much higher in SMEs) and leadership successors (all categories). The four aspects can be seen as the legacies of the so-called Confucian managerial ideology that are still common among *Tionghoa* businessmen. However, they tend to have participative-empowering managerial thoughts in viewing employer's roles (mainly LEs) and responsibilities (mainly *jiaosen*), and employees' roles (mainly LEs) and responsibilities (all categories). Interesting statements were made by three businessmen:

Confucius never taught people to have unquestioning obedience to their master. Critical attitudes are even sought as long as the manners are polite. Politeness is important in all kinds of relationship. A master owes to his servants if they can remind him when he is doing something wrong. Confucius taught that you should not to rebel against your master. (Mr. Sing, LE, *Totok*)

I prefer a smart and critical person as my employee rather than obedient and loyal but foolish one. What is the good? (Mr. Sul, LE, *Totok*)

An employee should obey his superior only if his order is right. If it's not right, the employee should argue and give alternative solution. (Mr. Sam, LE, *Jiaosen*)

The interview respondents argue that Confucianism does not necessarily require absolute obedience and blind loyalty. It is more about good manners that can be interpreted in various ways. The manners are important since they will make the interaction between employers and employees smooth. Nevertheless, manners are merely means and they do not replace the end which is, in this context, organizational effectiveness. The respondents quite understand that their organizations can only grow and survive if they empower their employees. Hence, for the *Tionghoa* businessmen,

Confucianism is more about ways of communication rather than managerial ideology.

Furthermore, business scale seems to matter more than cultural orientation in determining the degree of patrimonialism. For the *Tionghoa*, the roles and responsibilities of employers and employees may be more related to organizational complexity than culture where simple organizations (for example, SMEs) do not need too much participative management and empowerment than complex organization (LEs). Consequently, LEs tend to have lesser degree of patrimonialism than SMEs.

#### *Personalistic Relationship*

The results are described in Table 5.3. Question 13 is about what employers would do when distributing work to employees for the first time. Only 37 *Tionghoa* respondents (32.74 per cent) considered that knowing the employee's personal characters was the first step in building work relationships. The rest chose more objective measures including educational background (36 respondents: 31.86 per cent) and past achievements (32 respondents: 28.32 per cent). Other alternatives were chosen by 8 respondents (7.10 per cent). In terms of business scale, personal character was the most popular alternative for SMEs (38 per cent) and the least popular one for LEs (25 per cent). By contrast, past achievements was the most popular alternative for LEs (41 per cent) and the least popular one for SMEs (20 per cent). From the perspective of cultural orientation, the *totok* placed employee's educational background as the most popular alternative (44 per cent). This option was the least popular alternative for the *jiaosen* (23 per cent). By contrast, the employee's past achievements was the most popular alternative for the *jiaosen* and the least one for the *totok*.

Question 14 is about expectations of the employer towards his/her employee. Loyalty towards the employer personally was the option representing the OCB model whereas loyalty towards formal duties represented the Western/bureaucratic model. Only 34 respondents (30.09 per cent) preferred loyalty towards the employer. Meanwhile, the rest choose loyalty towards formal duties (71 respondents: 62.83 per cent) and other alternatives (8 respondents: 7.10 per cent). Strong support for loyalty towards duties is also evident in all categories of respondents. The following interesting statements are made when asked about loyalty towards employer *versus* loyalty towards duties:



**TABLE 5.3**  
**Personalistic Relationship Based upon Business Scale and Cultural Orientation**

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	Totok	Jiaosen	Unsure
First step in building work relationships	Knowing employees personal characters	13.A	26 (38%)	11 (25%)	17 (33%)	16 (31%)	4 (44%)
	Knowing employees educational background	13.B	22 (32%)	14 (32%)	23 (44%)	12 (23%)	1 (11%)
	Knowing employees past achievements	13.C	14 (20%)	18 (41%)	8 (15%)	20 (38%)	4 (44%)
	Others	13.D	7 (10%)	1 (2%)	4 (8%)	4 (8%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Expected loyalty	Loyalty towards employer	14.A	24 (35%)	10 (23%)	17 (33%)	15 (29%)	2 (22%)
	Loyalty towards formal duties	14.B	37 (54%)	34 (77%)	31 (60%)	34 (65%)	6 (67%)
	Others	14.C	8 (12%)	0 (0%)	4 (8%)	3 (6%)	1 (11%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Most important criterion in assigning vital jobs/duties	Loyalty	15.A	30 (43%)	23 (52%)	25 (48%)	23 (44%)	5 (56%)
	Experiences	15.B	15 (22%)	10 (23%)	11 (21%)	12 (23%)	2 (22%)
	Intelligence	15.C	17 (25%)	8 (18%)	11 (21%)	12 (23%)	2 (22%)
	Others	15.D	7 (10%)	3 (7%)	5 (10%)	5 (10%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

Surely, loyalty towards duties. I often practise this in my company. When I need a person, I always ask him first 'I need you to do something but have you finished your main duties?' The question must be asked since it is useless if he finishes my order but neglects his regular duties. (Mr. Welly, LE, *Jiaosen*)

Loyalty depends on both the employer and employees. The employer must understand the needs of the employees. Thus, there is no one-side loyalty. Everything must be based upon "give and take" principle. (Mr. Sam, LE, *Jiaosen*)

Fifty-three respondents (46.90 per cent) regarded loyalty as the most important criterion to consider when assigning vital jobs (for example, accounting, finance, purchasing) to individual employee (question 15). Experiences, intelligence and other criteria were chosen by 25 (22.12 per cent), 25 (22.12 per cent) and 10 (8.85 per cent) respondents respectively. A rather similar picture occurred in all categories of respondents. This does not mean that experiences, intelligence and other criteria are not important. Many interviews reveal that personal character is crucial for higher level positions yet the persons occupying those positions must already have minimum/certain standard of skills and abilities. Loyalty must be built among those who already have certain skills/standards before they can be promoted. In other words, it is not enough for a person with very good personal character and loyalty to hold responsibilities in strategic positions.

According to the conventional OCB model, personal relationships and feelings about employees come before more objective assessment of their abilities and the upward flow of employees' loyalty and conformity is vital to stabilize the structure and dampen the resentment of subordination. However, the results do not support this since the majority of respondents in all categories preferred to use more measurable criteria (for example, educational background and past achievements) rather than personal character in building work relationships. Most of them also preferred employees' loyalty towards their duties rather than towards employers personally. Personal character and loyalty are important considerations for fulfilling strategic positions when the other criteria have been satisfied. Thus, for the *Tionghoa* businessmen in general, more objective performance criteria of employees precede personalistic relationship.

*Limited and Bounded Trust*

In question 16, only 39 (34.51 per cent) and 10 (8.85 per cent) of respondents respectively considered family circle and close friends as the most trustable persons for doing business.

The majority felt that they could be anyone depending on the individual character (64 respondents: 56.64 per cent). This reveals that the assumption of limited and bounded trust among the ethnic Chinese is questionable. This belief is shared by all categories of respondents except the *totok* where 54 per cent still believed that family circle and close friends were the most trustable ones. As mentioned by three *Tionghoa* businessmen:

I have had many bad experiences of doing business with my relatives. They stabbed me from behind... I don't want to hire them anymore. It is also difficult to fire them or demand them to be professional if they work here. (Mr. Ming, LE, *Totok*)

Business is risky. If you do business with your relatives, there is a danger that we tend to tolerate many things just because he/she is your brother or sister. This can be a disaster in the future. (Mr. Fu, SME, *Totok*)

In my company, even my relatives who don't perform well will be punished. I demoted one and fired another one. Family relationship is not known and we only know formal superior-subordinate relationship. (Mr. Sam, LE, *Jiaosen*)

However, where there is no person who can ideally fulfil all criteria in recruitment, the majority of the respondents (92 persons: 81.42 per cent) preferred to recruit those they had already known (question 17). These responses are consistent in all categories of respondents.

The limited and bounded trust among the Chinese is often considered as ethnic based-trust. Surprisingly, the result of question 18 reveals a different picture. Only 46 respondents (40.71 per cent) thought that ethnic Chinese were generally more trustable. Two respondents (1.77 per cent) considered ethnic Chinese less trustable and 29 respondents (25.66 per cent) placed the ethnic Chinese in extreme positions (they were always either "much better" or "much worse" than other ethnic groups. The rest (36 respondents: 31.86 per cent) were more objective believing that ethnicity did not have any relation to trustworthiness. A relatively similar pattern could be found in all categories of respondents. The following statements are noteworthy:

**TABLE 5.4**  
**Limited and Bounded Trust Based upon Business Scale and Cultural Orientation**

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	<i>Totok</i>	<i>Jiaosen</i>	Unsure
Most trustable persons.	Family members	16.A	27 (39%)	12 (27%)	25 (48%)	13 (25%)	1 (11%)
	Close persons	16.B	5 (7%)	5 (11%)	3 (6%)	6 (12%)	1 (11%)
	Can be anyone	16.C	37 (54%)	27 (61%)	24 (46%)	33 (63%)	7 (78%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
In case of no ideal persons, you will recruit those who are/have	Personally known	17.A	60 (87%)	32 (73%)	42 (81%)	42 (81%)	8 (89%)
	Highest academic achievement	17.B	3 (4%)	4 (9%)	5 (10%)	2 (4%)	0 (0%)
	Most experienced	17.C	2 (3%)	3 (7%)	2 (4%)	3 (6%)	0 (0%)
	Best psychotest result	17.D	4 (6%)	5 (11%)	3 (6%)	5 (10%)	1 (11%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
General perception of ethnic Chinese	More trustable	18.A	28 (41%)	18 (41%)	26 (50%)	17 (33%)	3 (33%)
	Less trustable	18.B	1 (1%)	1 (2%)	1 (2%)	1 (2%)	0 (0%)
	Either highly better or worse	18.C	16 (23%)	13 (30%)	13 (25%)	13 (25%)	3 (33%)
	Ethnicity doesn't matter	18.D	24 (35%)	12 (27%)	12 (23%)	21 (40%)	3 (33%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

Many of them (non-Chinese) can (be reliable) at the moment. Some Chinese employees sometimes demand too much and they treat their *pribumi* colleagues like their own employees. You know Lena (disguised name, non-Chinese)? She works excellently. I also have an employee who always wears *jilbab*. Although she is not intelligent she is very loyal. (Mr. Ming, LE, *Totok*)

It is difficult to say whether Chinese are more trustable or not. It is just a coincidence that the majority of my partners are Chinese because most of the players here are Chinese. But I think we cannot just believe other people's words even though they are Chinese. (Mr. San, SME, *Jiaosen*)

Actually, I don't think Chinese employees are more trustable. We can understand them more easily, that's all. Maybe because we speak in the 'same frequency' due to our similar family education and background. Sometimes I prefer a Chinese employee merely for communication purposes. (Mr. Welly, LE, *Jiaosen*)

Chinese are more trustable as employees because they need the jobs. State-owned enterprises such as Garuda and Petrokimia will not admit them, they only accept *pribumi*. So Chinese need to cooperate to survive. (Mr. Sul, LE, *Totok*)

Hence, limited and bounded trust only applies to emergency conditions such as in the recruitment and selection of business partners provided that there is no ideal candidate or enough information to make decisions. In such cases, the only certain variables are previous personal relationship or personal background. Those variables then become the starting point to make decisions.

Although respondents who agree that Chinese are more trustable are the largest compared with the other options, their percentage is less than 50 per cent (except the *totok* where it reaches 50 per cent). The state's ethnic discrimination in the past and a sense of solidarity are among the reasons for the trust. The solidarity has been created due to their common experiences in facing the state's past discriminatory measures towards them rather than ancestral ties. The measures drew boundaries and identities in their daily lives including their business activities. Thus, psychologically, they feel safer to do business with people around them who have similar social advantages and disadvantages. As a cause of solidarity, ancestral ties is weaker than

shared experiences since many of them also have negative stereotypes of Chinese from certain areas in Indonesia with whom they avoid doing business.

A substantial percentage of respondents even believe that Chinese have much more potential to be either much better or much worse than other ethnic groups. The view of the ethnic Chinese' extreme potentials indicates that ethnic-based trust is actually problematic for many Chinese Indonesians. The Chinese are perceived to be more intelligent than other ethnic groups. Consequently, they are more cautious when dealing with Chinese employees/business partners. But once they are convinced about the trustworthiness of a Chinese, they will rely very much on him/her.

A larger percentage of respondents also believe that individual character is more relevant than ethnicity. Ethnicity, for them, is not a dominant dimension in doing business. This view is a signal that many of the Chinese have been able to separate their political/social trauma from their business activities. The percentage of the *jiaosen* possessing this view is much more than the *totok* as they usually have more interactions with people from different ethnic groups since their childhood (for example, schools and religious communities). It has been mentioned that *jiaosen* are usually Christians, Catholics or Muslims. Hence, those interactions give them opportunities to learn about the different personal characteristics of other people from different ethnic groups.

### Organizational Structure

Answers for questions 19–24 were in interval scale (1–5) whereby respondents were asked to circle a number that best describes the extent of their preferences for a dimension of organizational structure (see Table 5.5). Number 1 indicates that a respondent's extent of preference of the dimension is the least whereas number 5 shows that the extent of preference is the most.

Question 19 is about where hierarchically the majority of decisions/policies in their organizations are made. Score 1 is for top level management only and score 5 is for lower level management only. The results of all categories reveal that, generally, *Tionghoa* businessmen tend to favour centralization rather than decentralization in decision-making. More specifically, SMEs tend to favour centralization slightly more than LEs and, surprisingly, *totok* tend to favour decentralization slightly more than *jiaosen*. The following statements are noteworthy:

**TABLE 5.5**  
**Organizational Structure Based upon Business Scale**  
**and Cultural Orientation**

Questions	Q#	Business Scale		Cultural Orientation		
		SMEs	LEs	Totok	Jiaosen	Unsure
Decentralization	19	1.4	1.7	1.7	1.4	1.2
Specialization	20	3.9	4	3.9	4.1	3.4
Formalization: Job Description	21	3	3.1	2.9	3.2	3.2
Standardization	22	2.8	3.2	3	2.9	3.3
Formalization: Written Records	23	3.9	3.7	3.8	3.9	3.2
Configuration	24	2.6	3	2.7	2.9	2.1

As an owner and director, I have been building this company for a long time.... So I know all the problems. I am on the top of a mountain and I can see all sides of the mountain with complete view. My employees are at the bottom so they only have partial view. That's why all strategic decisions and policies are made by myself. (Mr. Ali, LE, *Totok*)

Like a car, you can either drive by yourself or use a driver. Which one is better? It is situational. But if you want to be safe you must drive by yourself because you can control the steering wheel. (Mr. Welly, LE, *Jiaosen*)

Question 20 is about how to assign daily duties to employees. Score 1 is for allocation based upon the availability of employees with no specialization and score 5 is for allocation strictly based upon predefined roles in specialized units. The results challenge the theoretical OCB model since, generally, *Tionghoa* businessmen tend to favour specialization. Although all categories show similar tendencies, LEs tend to favour specialization slightly more than SMEs and the *jiaosen* tend to favour specialization slightly more than the *totok*.

Questions 21 and 23 refer to formalization: The importance of written job description and records of activities/transactions. Score 1 is for using no formal job description (#21) and no written records (#23). Score 5 is for using formal job description in all positions (#21) and highly detailed written records (#23). The results of the two questions reveal that, generally, *Tionghoa* businessmen tend to favour formalization. However, written records of activities/transactions are given more emphasis

than formal job description. Furthermore, the use of formal job description tend to be more common among the *jiaosen* than *totok*.

Question 22 is about standardization: The extent to which rules and definitions are used to regularized procedures in their organizations. Score 1 is for using flexible procedures extensively in all activities and number 5 is for using strictly rigid, standardized procedures in all activities. The results reveal that, generally, *Tionghoa* businessmen tend to favour rather intermediate, pragmatic pattern of standardization. This is different from the theoretical OCB model which proposes that Chinese businesses have low standardization. Furthermore, business scale has more influence than cultural orientation in which LEs favour standardization more than SMEs. Interestingly, the *totok* has a slightly greater score than the *jiaosen*.

Question 24 is about configuration: The respondents' perception of the relative importance of the roles played by line *versus* staff personnel in creating efficiency and generating profit for their organizations. Score 1 is for placing importance highly on line personnel and score 5 is for placing importance highly on staff personnel. The averages in all categories reveal that, generally, *Tionghoa* businessmen tend to favour low configuration. Furthermore, LEs and *jiaosen* tend to favour higher configuration than SMEs and *totok*.

Thus, there are some differences between the *Tionghoa*'s organizational structures and the theoretical OCB model. Their structures are consistent with the model in terms of high centralization, high formalization and rather low configuration (especially SMEs and *totok*). However, formalization is an aspect in which there is no substantial difference between OCB and Western organizational structures. Furthermore, the structures are inconsistent in terms of specialization and standardization. The *Tionghoa* have relatively high level of specialization and moderate standardization which make them relatively similar to Western model. Therefore, high centralization is the only salient characteristic which can distinguish them from Western organizational structure.

## Managerial Functions

### *Management control*

It has been stated above that the OCB put more emphasis upon controlling people and production activities than other managerial functions, reflecting that production (operation) is considered as the core activity of the OCB organizations. However, the findings from question 25 reveal that the



respondents' first priority for controlling managerial area was spread almost evenly (see Table 5.6). The most popular choice was finance (39 respondents: 34.51 per cent) followed by human resource management (38: 33.63 per cent), marketing (19: 16.81 per cent) and production (17: 15.04 per cent). Interestingly, LEs put much more emphasis upon human resource management (50 per cent) than other areas whereas SMEs tend to give greater priority upon finance (38 per cent). By contrast, the *totok* and *jiaosen* do not show a substantial different pattern of their priority. It seems that technical environments (for example, scale, market and types of industries) matter here. Different technical environments require different strategies and priorities of control.

Culture is important in determining the perception of control effectiveness (#26). Chinese values of vertical order (*li* and *hsiao*) emphasizing family-like relationships, reciprocal obligations and personal trust are seen as increasing employee cohesiveness and identification with the organization. Seventy respondents (61.95 per cent) regarded informal control as the most important control to use, emphasizing the creation of mutual understanding based on collectively shared cultural values (that is, personal/cultural control). This is followed by more bureaucratic control such as result and action controls, that were chosen by only 22 (19.47 per cent) and 21 (18.58 per cent) of respondents respectively. As mentioned in the following interviews:

We cannot watch them (employees) all the time. We need to educate them that self-responsibility is crucial both for themselves and for the company.... The use of target is only effective after they have that kind of attitude. (Mr. Ali, LE, *Totok*)

Do you know why many of my employees have been working here for more than twenty years? Because I give them challenges and opportunities. They even get some portion of the company's profit.... Employee's sense of belonging to company is very important since it will create self-control. This is my priority. (Mr. Sam, LE, *Jiaosen*)

However, it must be stressed that this does not mean companies only use one of them. The three controls are used simultaneously and the findings are merely to describe the respondents' perception of their effectiveness. A rather similar picture also takes place in all categories of respondents where personal/cultural control is the most popular option.

**TABLE 5.6**  
**Management Control Based upon Business Scale and Cultural Orientation**

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	<i>Totok</i>	<i>Jiaosen</i>	Unsure
Most important area to control	Production	25.A	11 (16%)	6 (14%)	8 (15%)	8 (15%)	1 (11%)
	Finance	25.B	26 (38%)	13 (30%)	20 (38%)	18 (35%)	1 (11%)
	HRM	25.C	16 (23%)	22 (50%)	15 (29%)	18 (35%)	5 (56%)
	Marketing	25.D	16 (23%)	3 (7%)	9 (17%)	8 (15%)	2 (22%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Most important control type	Personal/cultural control	26.A	48 (70%)	22 (50%)	34 (65%)	30 (58%)	6 (67%)
	Action control	26.B	10 (14%)	11 (25%)	10 (19%)	10 (19%)	1 (11%)
	Result control	26.C	11 (16%)	11 (25%)	8 (15%)	12 (23%)	2 (22%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

However, a substantial difference appear between SMEs and LEs in which the respondents who chose that option were 70 per cent and 50 per cent respectively. The *totok* also tend to rely upon personal/cultural control more than the *jiaosen*.

Hence, type of control emphasized (personnel/cultural control) can be seen as a typical characteristic of the *Tionghoa* businessmen since a salient pattern of preference has been shown by the respondents. This finding is consistent with the thesis of Merchant (1998) about the importance of cultural, informal control rather than highly sophisticated, bureaucratic control for Southeast Asian Chinese business. By contrast, there is no salient pattern in the priority for the areas of control (production/operation, marketing, finance and HRM) that can be regarded as another typical characteristic of *Tionghoa* businessmen' MCS.

### *Finance*

The findings are described in Table 5.7. Results from question 27 show that the respondents' main strategy to penetrate market and generate profit is to emphasize on product quality (58 respondents: 51.33 per cent) followed by differentiation/uniqueness (33: 29.20 per cent) and low margin-high volume (22: 19.47 per cent). Product quality is also chosen as the most popular strategy in all categories of the respondents. Hence, the conventional model of OCB as mentioned above has been challenged since low margin and high volume is, in fact, the least popular option among the *Tionghoa* businessmen. As mentioned in the following interviews:

High profit margin is important... I have no problem if I must lose my volume due to the high selling price. I am not the kind of businessman who pursues high sales volume by cutting price. The most important is our product quality. If the quality is bad, no matter how hard we try, (like) cutting (our) price to 20 per cent or even breaking our back, everything will be useless. (Mr. Budi, LE, *Totok*)

High margin low volume is suitable for business in Indonesia. Our currency is unstable so it is important for us to have enough financial reserve. I apply this principle strictly. Maybe in the U.S., for example, we can pursue volume more than margin. (Mr. Welly, LE, *Jiaosen*)

**TABLE 5.7**  
**Finance Based upon Business Scale and Cultural Orientation**

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	<i>Totok</i>	<i>Jiaosen</i>	Unsure
Strategy to penetrate market and of generating steady flow of Profit	Low margin & high volume	27.A	18 (26%)	4 (9%)	13 (25%)	6 (12%)	3 (33%)
	Quality	27.B	34 (49%)	24 (55%)	20 (38%)	33 (63%)	5 (56%)
	Differentiation/ uniqueness	27.C	17 (25%)	16 (36%)	19 (37%)	13 (25%)	1 (11%)
				69 (100%)	44 (100%)	52 (100%)	52 (100%)
Main source of Financing	Family sources	28.A	27 (39%)	8 (18%)	20 (38%)	13 (25%)	2 (22%)
	Business colleagues	28.B	3 (4%)	6 (14%)	6 (12%)	2 (4%)	1 (11%)
	Banks	28.C	29 (42%)	28 (64%)	21 (40%)	32 (62%)	4 (44%)
	Others	28.D	10 (14%)	2 (5%)	5 (10%)	5 (10%)	2 (22%)
				69 (100%)	44 (100%)	52 (100%)	52 (100%)

The most popular source of financing is bank (57: 50.44 per cent), followed by family sources (35: 30.97 per cent), others (12: 10.62 per cent) and business colleagues (9: 7.96 per cent). Bank is also the most popular choice in all categories of respondents. However, there are differences between SMEs and LEs and between *totok* and *jiaosen*. The percentage of SMEs choosing bank is much less than that of LEs whereas the percentage of SMEs that prefer family source is much more than that of LEs. In terms of cultural orientation, the percentage of *totok* choosing bank is much less than that of *jiaosen*. In contrast, the percentage of *totok* choosing family sources is much more than that of *jiaosen*. This reveals that the role of banks as financial intermediary for *Tionghoa* businessmen is crucial. In the case of SMEs and the *totok*, the role of family sources is almost as crucial as the bank. The following statements are noteworthy:

The bank is my favourite place as a financial source.... Using family sources for financing our business involves personal feelings. This makes the business inflexible. If we want to revise the rate due to (macro) economic changes, we may feel embarrassed or afraid to offend them. (Mr. Ming, LE, *Totok*)

At first, we used loans for tax purposes only. It was just to show to the taxation agencies that we did not generate much profit. We relied upon ourselves (for financing). But time has changed. It is important for us to have bank loan in order to protect our own money given the situation in Indonesia. For me, security is everything. (Mr. Welly, LE, *Jiaosen*)

The results challenge the conventional view that borrowing money from banks is commonly an area of inhibition for OCBs due to the anxiety of being over-stretched. Family relationship is often considered as a potential source of conflict. Given the importance of family as a basic survival institution, many *Tionghoa* attempt to avoid conflict by using banks for financing. Moreover, many *Tionghoa* still have trauma due to the state's repression and discrimination towards them in the past. They are afraid for the security of their personal assets and investments in the future. Hence, the bank is seen as a way of minimizing conflicts among relatives and, simultaneously, protecting family assets from Indonesia's unstable political situations.

*Human Resource Management (HRM)*

The results are described in Table 5.8. The respondents tend to accord highest importance and most extensive attention upon selection and recruitment (57 respondents: 50.44 per cent). This is, then, followed by performance appraisal (29: 25.66 per cent), training and development (20: 17.70 per cent) and reward/punishment (7: 6.19 per cent). The same pattern also happen in all categories.

The theoretical OCB model is only supported in the sense that selection and recruitment was the most popular answer. However, different from the model, reward and punishment was the least popular choice, way below training and development. Hence, the statements of Chinese pragmatism (refusing to spend money unless absolutely necessary) and low emphasis on using professionals in HRM are questionable in the context of Chinese Indonesian businesses. The following statements are noteworthy:

We need professionals.... Even my father told me that if his children were stupid, our companies would be better to be handled by professional employees. Our real estate company is now 100 per cent managed by employees. I am concentrating on the commodity trading company. If I were capable of developing it, I would hand it over to my employees. (Mr. Ming, LE, *Totok*)

It's true that this company is a family company but it is also a professionally-managed company. Personally, I can feel the changes in the last twenty-two years.... From the internal perspective, we feel the complexity is so high that we must recruit more professionals. From the external perspective, globalization has produced more intense competition and change of regulations. We need many professionals to support us with their ideas. (Mr. Li, LE, *Totok*)

Many of the *Tionghoa* believe that selection and recruitment is fundamental to everything. Recruiting the right people who already possess certain cultural values, knowledge and skills simplifies the task of the employers to train them and provide necessary resources. This, in turn, increases the probability that a job will be done properly. This is quite common in any culture. Much of Western human resource management

**TABLE 5.8**  
**HRM Based upon Business Scale and Cultural Orientation**

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	Totok	Jiaosen	Unsure
Most important activity in HRM	Performance appraisal	29.A	19 (28%)	10 (23%)	13 (25%)	14 (27%)	2 (22%)
	Reward & punishment	29.B	4 (6%)	3 (7%)	3 (6%)	4 (8%)	0 (0%)
	Selection and recruitment	29.C	33 (48%)	24 (55%)	27 (52%)	24 (46%)	6 (67%)
	Training and development	29.D	13 (19%)	7 (16%)	9 (17%)	10 (19%)	1 (11%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

literature also have similar thinking. The difference is in the cultural values required from applicants. Some *Tionghoa* businessmen prefer those who already possess certain Confucian values such as asceticism, diligence and altruism. However, this also depends upon the extent to which the employers share such values. The more *totok* an employer is, the more he/she requires such values from an applicant.

### *Operation Management*

The results are described in Table 5.9. Answers from question 30 show that the majority of respondents performed quality control (68: 60.18 per cent) regularly, whereas 36 respondents (31.86 per cent) reported that they did it occasionally. Only 9 respondents (7.96 per cent) did not perform any quality control at all. This also happened in production/operation scheduling (#31) where 60 respondents (53.10 per cent) acknowledge that they did it regularly and 25 (22.12 per cent) only occasionally. Twenty eight respondents (24.78 per cent) claimed that they never did it at all. Obviously, these areas were serious concerns of the *Tionghoa* businessmen. The same pattern happened in all categories of the respondents. Hence, the results support the theoretical description of the OCB model.

The situation is rather different in R&D activities (question 32). There were only 28 respondents (24.78 per cent) who performed R&D regularly yet 52 respondents (46.02 per cent) did it occasionally. The rest (33 respondents: 29.20 per cent) reported that they never did any R&D. However, regular R&D in LEs tend to be more common than that in SMEs. The SMEs' relatively lower priority for R&D is possibly due to their shortage of research resources (money, knowledge and skills) and positioning strategy (market followers). Thus, technical reasons are at play here rather than cultural reasons.

### *Marketing*

The results are described in Table 5.10. In the marketing function, standard displays, standard sales policies and using own distribution channels are the most common activities for the *Tionghoa* businessmen (see results from questions 34, 36 and 38). Sixty respondents (53.10 per cent) admitted that they had standard displays for all their products whereas 21 respondents (18.58 per cent) reported that standard displays were only used for some of their products. Only 32 respondents (28.32 per cent) did



**TABLE 5.9**  
**Operation Management Based upon Business Scale and Cultural Orientation**

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	<i>Totok</i>	<i>Jiansen</i>	Unsure
Quality control	Always	30.A	42 (61%)	26 (59%)	27 (52%)	36 (69%)	5 (56%)
	None	30.B	4 (6%)	5 (11%)	7 (13%)	0 (0%)	2 (22%)
	Sometimes	30.C	23 (33%)	13 (30%)	18 (35%)	16 (31%)	2 (22%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Production/operation scheduling	Always	31.A	38 (55%)	22 (50%)	28 (54%)	29 (56%)	3 (33%)
	None	31.B	17 (25%)	11 (25%)	13 (25%)	11 (21%)	4 (44%)
	Sometimes	31.C	14 (20%)	11 (25%)	11 (21%)	12 (23%)	2 (22%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Research & development	Always	32.A	14 (20%)	14 (32%)	13 (25%)	15 (29%)	0 (0%)
	None	32.B	21 (30%)	12 (27%)	16 (31%)	14 (27%)	3 (33%)
	Sometimes	32.C	34 (49%)	18 (41%)	23 (44%)	23 (44%)	6 (67%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

**TABLE 5.10**  
**Marketing Management Based upon Business Scale and Cultural Orientation**

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	<i>Totok</i>	<i>Jiaosen</i>	Unsure
The use of standard trade marks	Always	33.A	26 (38%)	21 (48%)	22 (42%)	23 (44%)	2 (22%)
	None	33.B	30 (43%)	14 (32%)	19 (37%)	20 (38%)	5 (56%)
	Sometimes	33.C	13 (19%)	9 (20%)	11 (21%)	9 (17%)	2 (22%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
The use of standardized display	Always	34.A	36 (52%)	24 (55%)	29 (56%)	28 (54%)	3 (33%)
	None	34.B	24 (35%)	8 (18%)	14 (27%)	15 (29%)	3 (33%)
	Sometimes	34.C	9 (13%)	12 (27%)	9 (17%)	9 (17%)	3 (33%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
The use of product catalogue	Always	35.A	17 (25%)	17 (39%)	17 (33%)	13 (25%)	3 (33%)
	None	35.B	35 (51%)	16 (36%)	21 (40%)	27 (52%)	4 (44%)
	Sometimes	35.C	17 (25%)	11 (25%)	14 (27%)	12 (23%)	2 (22%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

not have standard displays at all. The majority of the respondents also claimed that they always used standard sales policies (60: 53.10 per cent) and their own distribution channels (64: 56.64 per cent). Partial use of standard sales policies and their own distribution channels were performed by 32 (28.32 per cent) and 31 (27.43 per cent) respondents correspondingly. Thus, only a few respondents did not use them at all. These patterns are relatively consistent in all categories of respondents which means that business scale and cultural orientation do not matter here. Hence, the results are substantially different from Redding's theoretical model of OCB which tends to underestimate the importance of those activities in the Chinese business context.

Market research (question 37) was also quite popular yet only 45 respondents (39.82 per cent) performed it constantly as a tool for making strategic decisions whereas 42 respondents (37.17 per cent) performed it occasionally. Those who never use market research are relatively small in percentage (26 respondents; 23.01 per cent). Relatively similar patterns can be found in all categories of respondents. Again, the results provide a different picture from the conventional OCB model which proposes that market research is of little importance for the Chinese.

Standard trade marks and product catalogues were the least popular features in the marketing functions of the respondents (questions 33 and 35). Only 47 respondents (41.59 per cent) admitted that they always used standard trade marks for all their products whereas 22 respondents (19.47 per cent) reported that standard trade marks were used for only some of their products. A substantial number of respondents (44: 38.94 per cent) did not have standard trade marks at all. This was more apparent in the use of product catalogues. Only 34 respondents (30.09 per cent) claimed that they had product catalogues for all their products whereas 28 respondents (24.78 per cent) reported that product catalogues were used for only some of their products. A substantial number of respondents (51: 45.13 per cent) did not have product catalogues at all. However, constant use of standard trade marks and product catalogues was considerably more common in LEs than in SMEs. The percentage of LEs that did not use the two features at all was also much less than that of SMEs. A substantially different pattern was not found between the *totok* and *jaosen*. Technical reasons are possibly behind this finding rather than cultural reasons. Most of the LEs have been in their businesses for a long time and hence, the brand images of their products have been well established. By contrast, many of the SMEs do not have, if any, their own strong trade marks and some still focus on getting orders through subcontracts.

### Inter-Firm Relations

The results are described in Table 5.11. It is previously stated that the OCBs rely very much upon personal/familial bonds called *guanxi* since trust must be built beforehand. However, the findings from question 39 provide a different picture. The number of respondents who relied upon personal/familial bonds was only 39 (34.51 per cent). Thirty-seven respondents (32.74 per cent) reported that the majority of their main partners were previously unknown with best proposals whereas 37 respondents (32.74 per cent) had main partners almost equally between previously known and unknown persons. Of those who had partners who were mostly or almost equally previously known persons (76 respondents), only 28 (36.84 per cent) had business partners originating from the family circle (question 40). There were many more LEs with partners from outside personal/familial bonds than had SMEs. Interestingly, the percentage of the *totok* having partners mostly from personal/familial bonds was much less than the *jiaosen*. By contrast, there were far more *totok* having partners outside personal/familial bonds than the *jiaosen*. Apparently, personal/familial bonds are no longer the main source of business partners. Once their companies grow to be large enterprises, the *Tionghoa* need better/more reliable vendors and buyers. Consequently, they must look beyond their existing friends/relatives to ensure the growth of their businesses.

Furthermore, there are only 41 respondents (36.28 per cent) agreed that trustable business partners are generally ethnic Chinese (question 44). Fifty-two respondents (46.02 per cent) disagreed with such a statement and 20 respondents were unsure (17.70 per cent). Apparently, ethnic identity is not an imperative consideration in choosing main business partners. These are also strengthened by the findings from question 45. Only 60 respondents (53.10 per cent) reported that their main partners were mostly or entirely from ethnic Chinese. Forty-seven respondents (41.59 per cent) had Chinese and non-Chinese almost evenly as main business partners whereas 6 respondents (5.31 per cent) admitted that their main partners were mostly non-Chinese. Similar patterns can be found in all categories of respondents.

The findings from questions 44 and 45 reveal that business is about rational calculation rather than mere ethnic solidarity. The *Tionghoa* have learned that ethnic identity is not a guarantee for trustworthiness. They cannot rely solely upon the Chinese community if they want to develop their businesses. Some *totok* businessmen of very large businesses develop

**TABLE 5.11**  
**Inter-Firm Relations Based upon Business Scale and Cultural Orientation**

Questions	Q#	Business Scale		Cultural Orientation			
		SMEs	LEs	Totok	Jiaosen	Unsure	
The majority of main business partners	Previously known persons	39.A	25 (36%)	14 (32%)	16 (31%)	21 (40%)	2 (22%)
	Previously unknown persons with best proposals	39.B	20 (29%)	17 (39%)	19 (37%)	14 (27%)	4 (44%)
	Almost even	39.C	24 (35%)	13 (30%)	17 (33%)	17 (33%)	3 (33%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Main origin of business network	Family members	40.A	21 (41%)	7 (28%)	15 (43%)	12 (32%)	1 (20%)
	Religious environment	40.B	1 (2%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
	Schoolmates	40.C	0 (0%)	2 (8%)	0 (0%)	2 (5%)	0 (0%)
	Others	40.D	29 (57%)	16 (64%)	18 (51%)	23 (61%)	4 (80%)
			51 (100%)	25 (100%)	33 (94%)	38 (100%)	5 (100%)
Most important criterion to assess business proposals	Direct financial advantages	41.A	24 (35%)	12 (27%)	19 (37%)	15 (29%)	2 (22%)
	Future long-term relations	41.B	38 (55%)	30 (68%)	29 (56%)	33 (63%)	7 (78%)
	Others	41.C	7 (10%)	2 (5%)	4 (8%)	4 (8%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Main business information sources	Friends/personal networks	42.A	43 (62%)	31 (70%)	33 (63%)	36 (69%)	5 (56%)
	Newspapers/magazines/TV	42.B	15 (22%)	9 (20%)	9 (17%)	11 (21%)	4 (44%)
	Private agencies	42.C	2 (3%)	1 (2%)	2 (4%)	1 (2%)	0 (0%)
	Governmental agencies	42.D	1 (1%)	2 (5%)	2 (4%)	1 (2%)	0 (0%)
	Others	42.E	8 (12%)	1 (2%)	6 (12%)	3 (6%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

TABLE 5.11 – continued

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	Totok	Jiassen	Unsure
The majority of business deals	Mutual trust only, minimum legal written contracts	43.A	28 (41%)	11 (25%)	17 (33%)	18 (35%)	4 (44%)
	Legal written-contracts	43.B	10 (14%)	14 (32%)	12 (23%)	12 (23%)	0 (0%)
	Almost even	43.C	31 (45%)	19 (43%)	23 (44%)	22 (42%)	5 (56%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Trustable business partners are generally ethnic Chinese	Agree	44.A	26 (38%)	15 (34%)	25 (48%)	13 (25%)	3 (33%)
	Disagree	44.B	31 (45%)	21 (48%)	18 (35%)	29 (56%)	5 (56%)
	Unsure	44.C	12 (17%)	8 (18%)	9 (17%)	10 (19%)	1 (11%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Main business partners based upon ethnicity	All ethnic Chinese	45.A	3 (4%)	1 (2%)	2 (4%)	2 (4%)	0 (0%)
	Mostly ethnic Chinese	45.B	34 (49%)	22 (50%)	28 (54%)	24 (46%)	4 (44%)
	Almost even	45.C	29 (42%)	18 (41%)	19 (37%)	24 (46%)	4 (44%)
	Mostly non-ethnic Chinese	45.D	3 (4%)	3 (7%)	3 (6%)	2 (4%)	1 (11%)
	All non-ethnic Chinese	45.E	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)

their *guanxi* through formal socio-cultural associations based upon surnames or places of origin in China. They include for examples: Sie Ho Se (for surname Liem), Sien Cik Kong Hwee (for surname Po), Senopati Foundation and some funeral associations (for example, for the Cantonese, Hokkien and Teochew). In such organizations, a sense of solidarity and mutual trust based upon kinship/ancestry are still strong. But the majority of *Tionghoa* businessmen do not belong to any formal ethnic association and their networks are developed through informal/daily interactions.

Nevertheless, this does not mean that trust-based network is not important anymore for the *Tionghoa*. Sixty-eight respondents (60.18 per cent) admitted that the possibility of future long-term relations was the most important criterion in assessing business proposals (question 41). Looking for long term business relations is often seen as a way of reducing the risk of being cheated by dishonest businessmen. Furthermore, the networks are also considered a vital source of information (question 42). There were 74 respondents (65.49 per cent) admitting that their main sources of information were informal/personal networks (friends and acquaintances). A similar pattern applied to all categories of respondents. The information exchanged among the members of the networks is about some critical issues such as business opportunities, credibility of certain businessmen, political issues and so on.

Apparently, emotional ties based upon kinship and ancestry have been decreasing and, in most cases, no longer serve as the means for conducting social and business activities. Their current ethnic identity is largely constructed by the New Order's discriminatory policies that led to their concentration in economic activities, mixing them together regardless of their kinship and other sub-ethnic characteristics. As a whole, the *Tionghoa* received the same treatment and faced the same consequences of being ethnic Chinese in their daily lives. Thus, kinship, ancestry and places of origin is no longer a dominant dimension for the majority of them. Their networks are commonly established through rational business calculation and track records. This may be a signal that there has been a shift in the *Tionghoa*'s paradigm of business networking. The following interviews reveal the shift:

I always assess the personal qualities of a main partner. It is not important whether he is my relative or not. In my business, personal trustworthiness is very important. My suppliers can mix high quality tobaccos with low quality ones. I may not realise that.  
(Mr. Welly, LE, *Jiaosen*)

My father told me that a trustable partner has certain characteristics such as physical appearances or places of origin. However, I have had some experiences in this (matter). A person recommended by my father finally deceived me... He might have been honest when my father was active but time has changed him... Another person was recommended by my relative. Finally, I lost 800 million rupiah because of him. So I prefer to talk to someone face to face to read his trustworthiness... In my father's time, (a) verbal gentleman's agreement was enough. But I always ask (for) written legal contract now... Guanxi is still important to help us. But we cannot rely solely upon personal recommendation. (Mr. Ming, LE, *Totok*)

I didn't know my main suppliers previously. My business is very specific; we only sell lingerie and female underwear. Salesmen from the factories come and give some proposals to us and we choose the best offers. Because they are reliable and (there are) no complaints from our customers, we order from them repeatedly. (Mr. Fu, SME, *Totok*)

Another interesting finding relates to the use of formal legal contracts. The conventional OCB model mentions that for the majority of business transactions, legal properties (for example, written contracts) are ignored due to the mutual trust among the Chinese. However, results from question 43 give a different picture. Only 39 respondents (34.51 per cent) relied upon mutual trust and used no or minimum legal written contracts. Twenty-four respondents (21.24 per cent) reported that they used legal contracts for the majority of their business deals whereas 50 respondents (44.25 per cent) used legal contracts in about half of their business deals. Those who relied upon mutual trust only were much more common in SMEs than LEs whereas there was no substantial difference between the *totok* and *jiaosen*. However, a balanced combination of mutual verbal trust and legal contracts was the most popular choice in all categories of respondents.

Therefore, business scale matters more than culture in determining the *Tionghoa's* pattern of business interaction and making decisions. The larger their businesses, the less they rely upon upon familial/personal circle/Chinese community in most cases. They have learned that such a view will only restrict their business development. In this sense, personal trustworthiness can be from anywhere (either inside or outside personal/familial bonds, Chinese or non-Chinese). Although trust-based networks are still important, these do not necessarily replace the use of



formal legal written contracts as a form of protection. The *Tionghoa* businessmen build long-term relationships based upon track records rather than ethnicity and their *guanxi* serves as a source of information to minimize potential risks.

### Business Development

The results are described in Table 5.12. The respondents' most popular fields for developing businesses (question 46) are fields related to their current businesses (47 respondents: 41.59 per cent). This is followed by any field with good prospects (32: 28.32 per cent), current business field(s)/intensification (24: 21.24 per cent) and no specific strategy/other choices (10: 8.85 per cent). Different patterns between the *totok* and *jiaosen* appear. The *totok* tended to develop their business in related fields and any field with good prospects. The *jiaosen* preferred to develop fields related to their current businesses followed by current business field(s)/intensification and any field with good prospects. Thus, Whitley's proposition (1991) that the OCB tend to restrict their businesses to a particular area in which their specialized skills and knowledge provide distinctive capabilities is not supported. Intensification was only preferred by a relatively small percentage of respondents. Interestingly, the *totok* tend to be less conservative than the *jiaosen* where the choice of businesses development in any field with good prospects was one of the most popular.

With regard to daily personal involvement in managing new businesses, 65 respondents (57.52 per cent) regarded their personal involvement as absolutely necessary. This was followed by necessary/moderate to high personal involvement (36 respondents: 31.86 per cent), only when problems arise/minimum involvement (10: 8.85 per cent) and unnecessary (2: 1.77 per cent). Interestingly, business scale mattered very much whereas there was almost no difference between the *totok* and the *jiaosen*. The majority of SMEs believed that their personal involvement was absolutely necessary whereas only 36 per cent of LE respondents did so. Moderate to high personal involvement in new businesses were preferred by 48 per cent of LEs and 22 per cent of SMEs respondents. The results reveal that personal involvement in the daily management of new businesses is still considered as important. However, the degree is much higher in SMEs than in LEs. This is possibly because the LEs have had much more experiences in handling multiple strategic business units. Such experiences provide them with knowledge about the technical difficulties in involving

**TABLE 5.12**  
**Business Development Based upon Business Scale and Cultural Orientation**

Questions		Q#	Business Scale		Cultural Orientation		
			SMEs	LEs	Totok	Jiaosen	Unsure
Field(s) to focus upon when developing business	Current business field(s)	46.A	15 (22%)	9 (20%)	7 (13%)	14 (27%)	3 (33%)
	Related business field(s)	46.B	28 (41%)	19 (43%)	21 (40%)	23 (44%)	4 (44%)
	Any fields with good prospect	46.C	19 (28%)	13 (30%)	21 (40%)	11 (21%)	0 (0%)
	No specific strategy	46.D	5 (7%)	3 (7%)	2 (4%)	3 (6%)	2 (22%)
	Others	46.E	2 (3%)	0 (0%)	1 (2%)	1 (2%)	0 (0%)
			69 (100%)	44 (100%)	52 (100%)	52 (100%)	9 (100%)
Intensive personal involvement when developing new business	Absolutely necessary	47.A	49 (71%)	16 (36%)	30 (58%)	30 (58%)	5 (56%)
	Necessary	47.B	15 (22%)	21 (48%)	16 (31%)	16 (31%)	4 (44%)
	Only when problems arise	47.C	4 (6%)	6 (14%)	5 (10%)	5 (10%)	0 (0%)
	Unnecessary	47.D	1 (1%)	1 (2%)	1 (2%)	1 (2%)	0 (0%)
				69 (100%)	44 (100%)	52 (100%)	52 (100%)
Most wanted country to invest	Indonesia	48.A	32 (46%)	17 (39%)	19 (37%)	24 (46%)	6 (67%)
	China	48.B	17 (25%)	15 (34%)	20 (38%)	10 (19%)	2 (22%)
	Other Southeast Asian countries	48.C	16 (23%)	12 (27%)	11 (21%)	16 (31%)	1 (11%)
	The rest of the world	48.D	4 (6%)	0 (0%)	2 (4%)	2 (4%)	0 (0%)
				69 (100%)	44 (100%)	52 (100%)	52 (100%)
Perceived impact of the rise of China	Positive	49.A	47 (68%)	29 (66%)	37 (71%)	34 (65%)	5 (56%)
	Negative	49.B	8 (12%)	5 (11%)	7 (13%)	6 (12%)	0 (0%)
	Unsure	49.C	14 (20%)	10 (23%)	8 (15%)	12 (23%)	4 (44%)
				69 (100%)	44 (100%)	52 (100%)	52 (100%)

themselves personally in every business area. Hence, their views in this matter have become rather pragmatic.

The implication of globalization and the rise of China for the *Tionghoa* businessmen is explored in questions 48 and 49. For the *Tionghoa*, Indonesia was still regarded as the most attractive country to invest (49 respondents: 43.36 per cent), followed by China (32: 28.32 per cent), other Southeast Asian countries (28: 24.78 per cent) and the rest of the world (4: 3.54 per cent). No substantial difference was found in the dimension of business scale yet it appeared in the dimension of cultural orientation. For the *totok*, China and Indonesia were the most attractive countries to invest (38 per cent and 37 per cent) followed by Southeast Asian countries (21 per cent). For the *jiaosen*, Indonesia was ranked number one followed by other Southeast Asian countries and China. The attractiveness of China as a place for investment is related to how well the *Tionghoa* businessmen know the country. As stated by the following businessmen:

Indonesia is my first priority to invest since I know its culture, advantages and disadvantages. Probably, many people say that other countries are more promising. But I don't know exactly the conditions... My consideration is purely business, no emotional ties involved.... (Mr. San, SME, *Jiaosen*)

If I want to expand my business, I prefer to invest in Indonesia.... We are here so we have more capacity to control our business in Indonesia than in China. In my business, the availability of raw materials (rattan) is crucial and Indonesia has abundant resources. (Mr. Budi, LE, *Totok*)

Although Indonesia is not an ideal place to invest, we know the environment very well. When we invest in a country, it's not only about the money but also about human resources. You have to learn about the characters... I believe the *Tionghoa* are basically comfortable about Indonesia but in some cases they have no choice other than to invest in other countries. (Mr. Welly, LE, *Jiaosen*)

The *totok* respondents generally have more knowledge than the *jiaosen* about China due to their cultural orientation. The *jiaosen* usually have little knowledge about China. Some *totok* still have contacts with their relatives in China. Thus, as a place for investment, China tend to be more popular in their eyes. Nevertheless, many *totok* still consider Indonesia

as the first country to invest in due to their better knowledge of business potentials, opportunities and challenges in Indonesia. Hence, considerations based upon technical business matters and the anxiety of entering a new environment are dominant in viewing this matter.

Furthermore, the above findings are supported by the results from question 49. Generally, the respondents regard that the rise of China will have a good impact on them (76 respondents: 67.26 per cent). Twenty-four (21.24 per cent) were unsure and only 13 respondents (11.50 per cent) thought that the rise of China would have a negative impact on them. Relatively similar patterns could be found in all categories of respondents. Many of the businessmen view this matter from a purely business perspective. As mentioned in the following interviews:

They have much more knowledge than us in some fields such as traditional medicine. We need to worry about that. They have reached the stage where they can mix herbs with parts of animals. In Indonesia, we only know about how to use herbs in much earlier stages. (Mr. Welly, LE, *Jiaosen*)

For me, the rise of China is positive. They have a very large market. We can export many things to China.... But we must be very careful. There are many tricky persons there. My father almost lost a large amount of money because they cheated him. Fortunately, one of my relatives has many connections there so he could help us. (Mr. Ming, LE, *Totok*)

Actually, many of our products are also produced by China manufacturers. We have head-to-head competition with them in most cases. But this is good since we are forced to be watchful and creative all the time. (Mr. Li, LE, *Totok*)

However, political perspectives based upon the fear for the future of ethnic Chinese in Indonesia also appear. As mentioned in the following comments:

I am very happy with the rise of China. Why? Because we are *Zhongguoren*.... If the industries of China are strong, at least, this gives *hoaqiao* like us more bargaining power... Many investors suspect that the vice president is anti-Chinese... But I am also unhappy since we may not be ready to compete with them such as in the shoe and garment industries. This is the negative side. (Mr. Sul, LE, *Totok*)

Wang (2004) argues that most Chinese in Singapore, Malaysia and Indonesia have inherited a deep-rooted, demanding and distinctive culture that makes them not ready to move from a culture-based people to a state-based people. It is believed that globalization, especially the rise of China, will make this issue more complicated. However, Tan (2004) argues that the Chinese Indonesian has had a long involvement in the nation-building process since before the independence of Indonesia, which means that there is no dichotomy between cultural orientation and state orientation. The above findings reveal that reasons based upon technical business considerations are more dominant than reasons based upon cultural identification or loyalty towards ethnic group/mainland China in viewing the rise of China. Thus, the findings tend to support Tan's argument. For the *Tionghoa*, business/investment decisions have no relationship with cultural/emotional ties. The rise of China is seen as the rise of a competitor with positive and negative consequences rather than the awakening of a state of which they are a part. Being a *Tionghoa* means being a Chinese Indonesian rather than an Indonesian Chinese. To some extent, emotional ties exist among the *Tionghoa* but not between *Tionghoa* and mainland Chinese or other overseas Chinese.

However, some of the findings are also consistent with Wang's statement that the Southeast Asian Chinese may try to take advantage of globalization by using it as part of the tactics of-survival, of dealing with discrimination or injustices that they feel in their country. Fear of possible continuing state discrimination as happened during the New Order era have been among the reasons for some respondents to respond positively to the rise of China. It is a very practical reason; the rise of China as a global economic player will force the Indonesian Government to maintain good relationship with the country. As a result, the government will have to abolish state discrimination completely towards them. Many respondents have stated that they were more familiar with, and identified themselves as part of the Indonesian environment. Thus, such a practical reason expresses a pragmatic outlook rather than an ideological view stemming from their denial to be state-based people.

### CONCLUSION: THE OCB MODEL REVISITED

This chapter attempts to gain a more specific understanding of Chinese Indonesian (*Tionghoa*) business from five dimensions: Managerial ideology, organizational structure, managerial functions (MCS, finance, HRM, operation, and marketing), inter-firm relations and business

development. The extent to which ethnicity and culture *vis-à-vis* business scale influence their business behaviours in the light of globalization and the rise of China is also explored.

In terms of managerial ideology, patrimonialism among the *Tionghoa* businessmen appears only in the aspects of the legitimate source of authority, company's objectives, the view ownership of company's assets and leadership successors. However, they tend to have participative-empowering managerial thoughts in viewing the roles and responsibilities of employer and employee. Furthermore, measurable and objective performance criteria (for example, educational background and past achievements) generally precede personalistic relationship when building work relationships in their organizations. Trust-based personal relationships are only used in emergency conditions such as in recruitment where there is no ideal candidate. Finally, the percentage of respondents who view Chinese employees as more trustable is less than fifty per cent. The state's ethnic discrimination in the past and a sense of solidarity are among the reasons for the trust. Those aspects of managerial ideology, to various extent, are influenced by both business scale and cultural orientation. However, business scale seems to be more influential. Conventional OCB model generally tend to be more visible in SMEs than in LEs.

In terms of organizational structure, *Tionghoa* businesses tend to have high centralization, high formalization and rather low configuration. Those aspects are consistent with the OCB model prescribed by many literatures. Nevertheless, the *Tionghoa* have relatively high level of specialization and moderate standardization which make them relatively similar to the so-called Western model. Thus, high centralization is the only salient characteristic which can distinguish them from Western organizational structure.

In management control function, the *Tionghoa* tend to emphasize personnel/cultural control rather than bureaucratic control. The Confucian cultural dimension of collectivism is at play here. However, there is no special pattern in the emphasis of the area to control (production/operation, marketing, finance and HRM) that can be regarded as another typical characteristic of *Tionghoa* businessmen's MCS.

In finance, another interesting finding emerges. Different from the conventional OCB model, the *Tionghoa* tend to use market penetrating strategy based upon quality and differentiation rather than low margin and high volume. Banks are also regarded as the most important financial source. Family relationship is often considered as a potential source of

conflict and banks are seen as a way of protecting family assets from Indonesia's unstable political situations.

In HRM, the conventional view that the Chinese put low emphasis on using professionals is not supported. Recruitment/selection to get professionals is considered as crucial for the *Tionghoa*. They have realized that, in today's business environment, the growth and survival of a company depend very much upon the availability of professionals. Thus, generally, there is no dichotomy between the concepts of family business and professional business for them in viewing the roles of professionals.

In operation/production management, there is no indication that Confucianism leads to some typical characteristics. Operation/production is a matter of technicalities. Most *Tionghoa*, to various extents, are familiar with and have used quality control, production/operation scheduling and research and development. The latest is less common and this may be due to limitation of resources rather than cultural reasons.

The marketing activities of the *Tionghoa* are considerably different from the conventional OCB model. Standard display, standard sales policy, distribution channels, market research, standard trade marks and product catalogue are quite common for them. However, constant use of standard trade marks and product catalogues are much more common in LEs than SMEs. LEs generally have products with stronger brand positioning in market whereas many of the SMEs do not use their own brands for their products. Building brand image, for the SMEs, has not been a first priority yet since they still focus on getting orders. Thus, the characteristics of their marketing function have more relationship with pure business problems than ethnicity.

In terms of inter-firm relations, the roles of family circles and ethnicity are not very dominant. Business scale has more influence than culture in determining *Tionghoa's* pattern of business interaction and decision-making. In most cases, verbal contracts based on mutual trust have been replaced by written legal contracts especially for LEs. Furthermore, LEs tend to be more open in developing their networks than SMEs. Interestingly, some very large *totok* businesses utilize formal ethnic-based associations for their business networking but the majority of the *Tionghoa* develop their networks through informal/daily interactions. Hence, for the majority of the *Tionghoa*, their main business partners generally consist of people from various backgrounds (either previously known/recommended or unknown, Chinese and non-Chinese).

In terms of business development, the majority of the *Tionghoa* do not focus/plan to focus their businesses upon a particular area. Different from

what is prescribed by the conventional OCB model, they are willing to enter new area although they have to learn new knowledge/skills. However, personal involvement in the daily management of new businesses is still considered as crucial. Regarding the rise of China, rational business considerations are commonly used in viewing it. China is seen as one of places available for business rather than a place to which they have strong emotional ties. The popularity of China as a place for investment is not very high since most of the *Tionghoa* have little knowledge of the country. Indonesia is still the most popular choice since they know the country well.

Furthermore, the rise of China is seen by the *Tionghoa* as the rise of a competitor with positive and negative impacts. Those who view it positively argue that a new market is now available to sell products there. Those who respond negatively argue that many of Indonesian industries are not ready to compete with China. However, for some *Tionghoa*, the rise is responded to positively due to pragmatic political reasons. As a new global player, China has irresistible economic and political potentials which make the Indonesian Government keen to maintain good relationship with the country. Consequently, the government will have to abolish state discrimination completely towards the *Tionghoa*. This view expresses a pragmatic thought rather than an ideology of loyalty towards China. To some extent, emotional ties exist among the *Tionghoa* but not between *Tionghoa* and mainland Chinese or other Overseas Chinese. The *Tionghoa* tend to identify themselves as Chinese Indonesian rather than Indonesian Chinese.

The above findings reveal how Chinese Indonesian (*Tionghoa*) business characteristics are different from the conventional OCB model. In this sense, Confucianism cannot be used directly to explain all business practices. To various extents, the philosophy has been transformed into the *Tionghoa*'s societal values together with various local values but it does not become the ultimate business culture of the community. Obviously, culture solely cannot explained comprehensively the *Tionghoa* business practices. Their business culture is also shaped by various factors such as Indonesia's formal education, the past state's discrimination and erasures of all the cultural identities of the society, their ethnicity, and simply business technical environments. They all need to be taken into account to gain a deeper understanding of the *Tionghoa* business practices.

The influence of business technical environments are highlighted by categorizing the respondents into two groups based upon business scale: Small/medium business enterprise (SME) and large business enterprise



(LE). The influence of Confucianism is demonstrated by categorizing the respondents as *totok* or *jiaosen*. It is apparent that business scale matters much more than cultural orientation. The question is why? There may be, at least, three reasons for this phenomenon.

Firstly, culture needs to be seen as merely one of the resources available to cope with business problems. Confucianism is a general philosophy rather than a specific business philosophy. Hence, culture is referred to when other resources (such as management knowledge/techniques) cannot provide adequate answers to solve problems such as the lack of ideal persons to fill strategic positions, information to make rational calculation and guidance of successful methods in certain situations. Many of the *Tionghoa* have had formal management training or employed many graduates of business schools. The knowledge acquired have provided them with many specific techniques to help them solve business problems when their companies grow. Consequently, many of their traditional practices that were used when starting up their organizations for the first time are left behind.

Secondly, culture is not static but dynamic and, thus, subject to modifications from its environment. The state's cultural repressions in the past have Westernized the *Tionghoa's* ways of thinking and behaviour in various spheres (business included). Anything related to the expression of a Chinese identity was confronted and discouraged by the state. Confucian values were only passed on to younger generations through parental education and often taught as merely proper conduct in family/private affairs. Hence, the Westernization process has transformed many core Confucian values into peripheral values (or even abandoned) which then lose their legitimacy and are easily diminished in daily interactions in the public sphere. Thus, Confucian culture and business culture become increasingly separated.

Thirdly, there has been a seemingly premature deduction of equating Chinese business with small traditional family business in many conventional literatures. Many aspects of the conventional OCB are relatively similar to those of small/medium *Tionghoa* companies. Such companies are family businesses but once they grow to be large companies, their management philosophies and techniques will develop in response to the demands of their technical environments. There are many examples in Indonesia of how previously small/medium family businesses developed to become the largest Indonesian companies and showed fundamental transformation of their management practices, such as the Maspion Group,

Wismilak, Sampoerna (which has become a public company and just sold to Philip Morris), Wings Group, and so on.<sup>4</sup>

Furthermore, globalization and the rise of China do not imply that the *Tionghoa* identify themselves as belonging to the global Chinese community. *Tionghoa* generations born after the 1950s have received an Indonesian education and have been familiar with their identity as Chinese Indonesian rather than Indonesian Chinese. They tend to see the two phenomena as economic phenomena and, hence, their responses are more towards business calculations. Although the reformation era (post 1998) in Indonesia has given the *Tionghoa* freedom to learn and practise Chinese culture openly, it is difficult to expect that they will have strong emotional ties towards any global Chinese entity. Business is always about rational calculations and the *Tionghoa* community is no exception.

It is hoped that this study demonstrates how combining data collection based on surveys with in-depth interviews can provide more insights into the relationships among culture, ethnicity and Chinese Indonesian business. The aim is to complement conventional literatures — not to discount it. Studies of ethnic Chinese business in Southeast Asia are important due to their significant roles in the economy of the region. However, there has been a tendency to make simple stereotypes about their business characteristics. Such stereotypes are described in this study as the conventional Overseas Chinese Business (OCB) model. Chinese communities are actually plural and there is no simple one-to-one relationship between Confucianism and business practices. Local context, to some extent, determines the way they do business and this may distinguish *Tionghoa* business behaviours from the Chinese of Malaysia, Singapore or other Southeast Asian countries.

Nevertheless, this study also has its limitations. Firstly, the results of this study may not be fully applied to such countries. This study does not claim that it can explain and predict the behaviours of all *Tionghoa*. Individual differences in their business philosophies and attitudes exist due to their different degrees of internalization of Confucianism and the perceived senses of ethnic insecurities. Hence, more in-depth case studies are needed to enrich our understanding of the Chinese Indonesian business. In this sense, it is hoped that the results of this study could be useful in providing an initial understanding of how their technical and institutional environments have been intertwined and manifested in their businesses.

Secondly, the method of self-acknowledgement used in this study may be a source of another limitation. It is possible that their self-

identification contains some biases in categorizing themselves as *totok* or *jiaosen*. However, such possible biases have been minimized by explaining to them the differences between those two categories. Furthermore, almost all of the respondents were very sure in identifying themselves even before the explanations were given, showing that the terms make sense to them. Nevertheless, defining categories of ethnic Chinese in Indonesia is always problematic. Suryadinata (2002) has offered several possible ways of doing so, including objectively-defined, society-defined and self-defined approaches. Whilst self-definition has been chosen in this study, future studies in this area needs to consider this matter and its implications carefully.

Thirdly, the sample size of this study is rather limited. Thus, problems of representativeness may exist. However, this is the first study aimed at gaining the actual thoughts of Chinese Indonesian businessmen in viewing their businesses in relation to their culture and ethnicity. The findings, at least, have provided a rather different picture from the so-called OCB model, that could inspire further, more focused studies in Chinese Indonesian businesses and opened up more critical enquiries into the relevance of the conventional OCB model in explaining overseas Chinese businesses. Thus, the results need to be followed up by a series of further research and should not be used as a sole, conclusive source of understanding Chinese Indonesian businesses.

## Notes

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- <sup>2</sup> The term Chinese Indonesian rather than Indonesian Chinese is used to stress the social affiliation of the ethnic group, which identifies itself as Indonesian people who have Chinese origin rather than as a part of Chinese overseas society. However, they still, to various extent, maintain and practise Confucian values.
- <sup>3</sup> The term *pribumi* was politically created in the era of Dutch colonialization. It refers to ethnic groups that are said not to have

foreign origins (pure local origins/indigenous). The term ignores the fact that what are presently known as indigenous groups are, at least partially, the descendants of the intermarriage between various ethnic groups, including the early Chinese immigrants. The use of the term *pribumi* in this study is merely for the sake of practicality.

<sup>4</sup> Two of them are among the interviewees of this study.

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