

THE IMPACT OF ETHNICITY AND CULTURE TOWARD THE CORPORATE GOVERNANCE FOR CHINESE INDONESIAN BUSINESS

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Abstract

In the highly competitive business today, good corporate governance is a must for every company to thrive in the future. The principles of good corporate governance are developed to be believed as the values of success in each company. On the other hand, ethnicity and culture is a given condition that has already existed, even cultivated inside each company for many years. The businesses operated by Chinese, even for overseas Chinese are still heavily influenced by their ethnicity and culture, including for Chinese Indonesian (*Tionghoa*). This business practice conceptually is known as Overseas Chinese Business (OCB) model. This study tries to explain the relationship and impact of ethnicity and culture of Chinese Indonesians on the practice of corporate governance in their business. The study implemented as grounded descriptive-interpretive study to some prominent Chinese Indonesian businessmen in Surabaya. Interestingly found that the ethnicity and culture of Chinese Indonesian businessmen in Surabaya are not totally consistent with the model of Overseas Chinese Business, but the business practices are reflecting the good corporate governance.

Key Words: ethnicity, culture, Chinese Indonesian (*Tionghoa*), corporate governance, Overseas Chinese Business model.

Introduction

In spite of the small number among the major ethnic groups in Indonesia, Chinese Indonesians (also called as *Tionghoa*) are considered moderately high impact ethnic group in Indonesia. The findings of Suryadinata et al. (2003) revealed that by the year of 2000, some of the major ethnic groups in Indonesia are the Javanese (41.71%), the Sundanese (15.41%), and the much smaller groups such as the Melayu (3.45%), the Madura (3.37%), and the Batak (3.02%), while the Chinese is estimated from 1.40% to 1.99%. Brown (1994) mentioned that there are more than 400 ethnic groups in Indonesia as well as the cultures. However, Heryanto (1997) considered that the Chinese Indonesians are the most discriminated against politically and socially during the New Order era (1966-1998), but some of them are very prominent as one of the major engines in Indonesian economic development. Although they are minority, it is estimated that their share of total private domestic capital could exceed that of any other ethnic group in the country. (Kwik, 1978; in Chalmers and Hadiz, 1997).

Historically, the strong economic position and the ethnicity of the group in Indonesia are in part the legacy of the Dutch colonial period of more than 300 years. Then, the 20 years after of independence era did not change the constellation. In the New Order era, some of Chinese Indonesians' economic role became significance for more than 30 years. Consequently, their ethnicity become a dominant issue and institutionalised in various social, cultural, political, and economic aspects of the ethnic group.

Studies about business practices in the context of Chinese business and the Southeast Asian region are increasingly considered as important in today's business environment because Chinese business is one of most powerful economic forces in the world today (Redding, 1993; Yeung, 1999). Some of the major economic engines of Southeast Asian countries including Indonesia are Chinese business organizations. Unfortunately, studies of ethnic Chinese business in Southeast Asia (Indonesia included) tend to be restricted to cultural issues, i.e. how the Confucianism influence the business practices and gives rise to their success (Mackie, 2000; Chan, 2000). A small number of literatures examining Chinese Indonesian business from a

purely political economy perspective are also available (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, the 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 is modified by local cultures and the ethnicity of Chinese Indonesian in shaping their managerial practices. Nevertheless, further study by Efferin & Pontjoharyo (2006), using the five dimension of Chinese Business (managerial ideology, organizational structure, managerial function, inter-firm relation, business development), showed that there are pro as well as contrary to the Overseas Chinese Business Model. This study revealed that there is no fixation for the Overseas Chinese Business Model based on ethnicity and culture, since the big influence of local history and condition. Hence, more studies that use grounded investigation from the perspectives of Chinese Indonesian businessmen are still needed in this area.

In the other hand, the proliferation of practising corporate governance becomes more and more obvious in Indonesia, as the response to globalization. The term of good corporate governance is *conditio sine quanon* (prerequisite) for any company to be recognized as 'well-managed' company especially the publicly held ones. But the issue of corporate governance is very interesting for private companies to be studied further. Hence, the study by Schleifer and Vishny (1997) revealed that the practice of corporate governance could ensure the shareholder for their better return on their investment. While the study of Black, Jang and Kim (2005) showed the better market value of the firms in Korea through the corporate governance index used, as Silveira & Barros (2006) also proved that the quality of corporate governance had a significant role for the 154 public companies in Brazil.

This study is aimed at gaining understanding the practice of corporate governance for Chinese Indonesian business based on the ethnicity and culture from the perspective of the business actors. The sample for this study is the Chinese businessmen in Surabaya, because of several reasons. 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 hundred years ago. As a matter of fact, some large and influential Indonesian companies from Surabaya are owned and managed by Indonesian Chinese. Secondly, the reason is access. The researchers have already known many influential Chinese Indonesian businessmen in Surabaya who have local and international businesses and are willing to cooperate and support this study. The convenience of the respondents is imperative for their information quality as well as the success of this study. This study, indeed, is also the extension of previous study by Efferin and Pontjoharyo (2006) with pinpointing the context of corporate governance. 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 related to the corporate governance point of view?
2. To what extent do the ethnicity and culture vis-à-vis business scale influence their business behaviours in the context of good corporate governance?

Theoretical Review

1. Ethnicity of Chinese Indonesian

Perspective of Ethnicity

Fenton (1999) mentioned that ethnicity is dealing with social classifications emerging within relationships in which people distinguish themselves from others-as the distinction between *us* and *them*. This 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, i.e. 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 characterised 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. Further Eriksen (1993) stated that in many post-colonial societies, there has been a high correlation between ethnic identity and class membership.

The perspective above 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 are called by *pribumi* (Skinner 1963). Therefore, the definition of who is and who is not Chinese is, to some extent, about social identification when the person functions as a member of, and identifies with, Chinese society.

From Efferin (2002) study, based on historical and cultural perspective, 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 Soekarno regime (1945-1966) and the New Order era (1966-1998). The consequence of this situation is a social 'division' between the ethnic of *Tionghoa* and *pribumi* giving rise to a sense of ethnic prejudice and insecurity. The 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* (Suryadinata, 1974 & 1978) and its meaning has 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). The later categorization now is between *totok* and *jiaosen* (Efferin 2002). *Totok*, in this sense, means those who still practise traditional Chinese/Confucian values in their daily life, speak Mandarin/other Chinese dialects, educate their children based upon these values, and celebrate Chinese traditional events (e.g. Chinese New Year, the Moon Cake Festival, and the Visiting 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* usually embrace Christianity/Catholics and few embrace Islam. These current categorizations and meanings of *totok* and *jiaosen* will be used throughout the rest of the study.

There is a tendency for the majority of younger Chinese generations to become increasingly *jiaosen*. 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 *jiaosen*. 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 the Christianity and Catholicism focuses on faith and relationships with God. Unfortunately, there is no study specifically examining the 'degree' of Chinese values for them and the specifications of business culture emerges from the above combination.

Post New Order Era (After 1998) and Globalization

The fall of Soeharto in 1998 dramatically changed the situation in Indonesia including the social environment of Chinese Indonesians. 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. 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 of *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 recognised as one of various Indonesian ethnic groups instead of as a foreign-origin ethnic group (Piliang, 2001; Thee, 2006). The word *Tionghoa* has been used by many mass-media to replace the controversial word Cina, which is considered derogatory by many people.

Wang (2004) compares ethnicity with nation-state. Ethnicity is described as a process of long-standing, historical and evolutionary involving a sense of cultural identification whereas 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 further, 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 recognised as their civilisation. To move from a culture-based people to a state-based people, needs a mental process that is not easy and takes time.

There is another great theme knocking the door of changes, the name is globalization. According to Wang, globalization makes the Southeast Asian Chinese to 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 strategy 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. Tan (2004) seems has rather different perspective. According to her, Chinese Indonesian has had long involvement in the nation-building process since before the independence of Indonesia. Winarta (2004) and Dahana (2004) also suggest Chinese Indonesians to enter non-economic fields as a way to eliminate ethnic tensions and discriminations. Hence, empirical studies about this matter are needed to gain deeper understanding about the way Chinese Indonesian businessmen think and act in the context of corporate governance.

2. Corporate Governance

The rise of globalization put the pressure of implementing good corporate governance for any company that consider to sustaining in the future. Corporate governance is the management system to ensure that every practice is due to the good business practice and to be well controlled company. Organization for Economic Cooperation and Development (OECD) has developed the general principles to be specified for each particular condition in every country. The four most popular principles to be applied are fairness, transparency, accountability and responsibility. Shipley and Kovacs (2008) mentioned the broad definition of good governance as mode or model of governance that leads to the social and economic results sought by citizens. The principles of good governance that are used in this study, according to Institute on Governance (2003 in Shipley and Kovacs, 2008) are legitimacy and voice, direction, performance, accountability and fairness. Furthermore, the practice of corporate governance is beneficial for both to the company and also to the stakeholder.

Some of particular benefits can be obtained from the practice of corporate governance were studied in various countries. Schleifer and Vishny (1997) finding is the practice of corporate governance could ensure the shareholder for their better return on their investment. Then Black, Jang and Kim (2005) proved that using the corporate governance index makes the better market value of the firms in Korea, while Silveira & Barros (2006) showed that the quality of corporate governance had a significant role for the 154 public companies in Brazil. But the most interesting is one of the findings by Klapper and Love (2002), that the practices of corporate governance for companies in developing countries have more significant results than in the developed ones.

3. Confucianism and Overseas Chinese Business (OCB) Model

The principles of good corporate governance for Chinese Indonesian can be measured through the values in their culture and ethnicity known as Confucianism and Overseas Chinese Business model. According to Suryadinata (1974), Confucianism is a philosophy concerned with social, moral and governmental problems. Further, *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).

Operationally, Confucianism is divided into two interrelated 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 (e.g. 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 inscriptive responsibilities and duties. Hence, individuals bearing these names have inscriptive 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 (e.g. 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.

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, characterises 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: 155-166), 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, i.e. centralising 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 deductive roles in organizations. Finally, this idea/belief requires reciprocal vertical obligation between superiors and subordinates. A

superior/employer has the responsibility for 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 showing 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: 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 stabilise the structure and damp down the resentment of subordination, which is otherwise institutionalised in industrial relations structures (e.g. 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 reinforce as well as is a result of family business form. In Indonesian context, ethnic suspicion and antagonism between Chinese Indonesian 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 Aston organizational studies' approach in describing organizational structure (Redding 1993: 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 OCB tends 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 specialised 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 OCB tends 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 regularised 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 over-ride. It is argued that OCB tends to have low standardization (Redding 1993).

Formalization refers to the extent to which activities are formalised through paperwork system. It is argued that OCB tends to have 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 vs staff personnel. It is argued that OCB tends to have low configuration (Redding 1993). This may be due to the pragmatism of OCB which refuse to spend money unless it is highly necessary. Supporting functions are seen as frills since they do not directly produce profit.

Management Control

Redding (1993: 168) reveals that in Indonesia and Hong Kong, the OCB put more emphasis upon (tighten up) controlling people and production activities compared to other managerial functions. The fact that planning and control are directed primarily towards the production activities reflects 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 about the OCB especially in Southeast Asia by management control category: 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 to the deviants in the group. The OCB is said as putting emphasis more upon 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 cultural approach is often used by Chinese Indonesian superiors to control their subordinates and cope with possible ethnic antagonism in the company.

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: 150-151; Whitley 1991). Chan (2000: 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 upon. 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

Based on Yu (2001), the traditional Chinese culture believes that a successful business depends on three external factors: luck, compatible environments and harmonious social relations; while the new generation nowadays actively pursue strategies that attempt to "match" with these three factors. Whitley (1991) provides some characteristics of the OCB. The OCB tends to restrict their business to a particular area in which their specialised 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.

4. The Overseas Chinese Business (OCB) Model and Corporate Governance

There are five dimensions of OCB model, start from managerial ideology, organizational structure, management control, inter-firm relations, and finally, business development. This

OCB model through its dimension of measurements is used to explain the business practices in the context of corporate governance.

The variable of patrimonialism is showing on both principle of legitimacy and voice, and also the direction in corporate governance. The personalistic relationship impacts the principle of direction in corporate governance. The limited and bounded trust is related to the principle of fairness in corporate governance. These three variables are belong to the managerial ideology in the OCB model.

Meanwhile, the second dimension, organizational structure reflects the corporate governance on the principle of direction and performance. Furthermore, the third dimension of OCB model, that is the management control, proves the principle of accountability for corporate governance. The fourth dimension of OCB model, inter-firm relations, is related to the principle of performance. Finally, business development is related to the principle of direction for corporate governance.

Research Method

This is a grounded descriptive-interpretive study using observations, interviews questionnaires for data collection methods. Observations and interviews were conducted with six Tionghoa (Chinese Indonesian) businessmen to get in-depth understanding of what they did in managerial works in the context of corporate governance as well as 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. Since the culture of the Chinese that usually tend to protect the confidentiality of their business practices and managerial information, this study uses convenient sampling.

The dimension used to categorise the sample for ethnicity (Tionghoa) is by cultural orientation, to be classified into *Totok* and *Jiaosen* for 4 and 2 respondents each. The reason for this classification is to ensure the 'representativeness' of different components among Tionghoa businessmen which may have different impacts upon the way they do business and to examine whether there are different patterns among them.

Empirical Findings and Analysis

All of analysis will be based upon the results from observations, questionnaires and interviews. The results of the methods applied are described and discussed as follow.

Managerial Ideology

Patrimonialism

In the perspective of good corporate governance, patrimonialism is characterized by the highest source of authority, company objective, ownership of assets, leadership successor, ideal role of employer, responsibility of employer, ideal role of employee and responsibility of employee (Efferin and Pontjoharyo, 2006). The relevance of patrimonialism on corporate governance is on both the principle of legitimacy and voice as well as direction in good corporate governance.

The majority of Chinese Indonesian (Tionghoa) respondents assume that the highest source of authority is the owner of the company which means ownership is power. Therefore, similar responses also happen in viewing company's objectives, ownership of assets and successors. The majority of Tionghoa regard that company's objectives are owner's objectives, company's assets are owner's private property, and leadership successors must come from family circle. This opinion happens to be similar both to *Totok* and *Jiaosen*.

Interesting results happen in viewing the ideal roles and responsibilities of employer. Common description that OCBs favour autocratic-paternalistic leadership is not supported. Cultural orientation matters more to *Totok* than *Jiaosen*. By contrast, fulfilling formal obligation and other kinds of responsibility are more dominant to *Jiaosen* than *Totok*. Also, *Jiaosen* tend to support the employee's submissive role more than *Totok*. Most of Tionghoa businessmen regard that unquestioning obedience is the main responsibility of employees.

Hence, patrimonialism in the Tionghoa businessmen appears only in the aspects of the source of authority, company's objectives, the ownership of company's assets and leadership successors. The four aspects can be seen as the legacies of the so-called Confucian managerial ideology that are still common in Tionghoa businessmen. However, they tend to have participative-empowering managerial thoughts in viewing employers' roles and responsibilities (mainly *Jiaosen*), and employees' roles and responsibilities, that was beyond OCB model. Interesting statements are made by three of the respondents (Efferin and Pontjoharyo, 2006):

"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." (Mr Sing, 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, 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 and communication between employers and employees smooth. Thus, 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, Confucianism is more about ways of communication rather than managerial ideology.

In the context of corporate governance, the patrimonialism is representing the practice of the principle of legitimacy and voice, and also direction, but it is not totally effective enough, since it is not the corporate-wide values. Therefore, the principles of good corporate governance should be internalized through the leadership of top management.

Personalistic Relationship

In the point of view of corporate governance, personalistic relationship is measured by first step in building working relationships, expected loyalty and most important criterion in assigning vital jobs/duties (Efferin and Pontjoharyo, 2006). This personalistic relationship is related to the principle of direction in the context good corporate governance. From the perspective of cultural orientation, *Totok* place employee's educational background as the most popular alternative. By contrast, employee's past achievement is the most popular alternative for *Jiaosen*. Loyalty towards employer personally is the option representing the OCB model whereas loyalty towards formal duties represents Western/bureaucratic model. Strong support for loyalty towards duties is also evident in all of respondents. The following interesting statements are made when asked about loyalty towards employer vs loyalty towards duties (Efferin and Pontjoharyo, 2006):

"Surely, loyalty is towards duties. I often practice 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, 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 'take and give' principle." (Mr Sam, Jiaosen)

According to the conventional OCB model, personal relationships and feelings about employees come before more objectively assessment of their abilities and the upward flow of employees' loyalty and conformity is vital to stabilise the structure and damp down the resentment of subordination. However, the results do not support this since the majority of respondents in all categories prefer to use more measurable criteria (such as educational background and past achievement) rather than personal characters in building work

relationships. Most of them also prefer employees' loyalty towards their duties rather than towards employers personally. Many interviews reveal that personal characters are 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 characters and loyalty to hold responsibilities in strategic positions. Personal characters 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. This result is in line with the principle of direction in good corporate governance context.

Limited and Bounded Trust

The variable of limited and bounded trust plays very important role in good corporate governance, especially in principle of fairness. It is measured by most trustable persons, recruitment, and general perception of Chinese ethnic (Efferin and Pontjoharyo, 2006). In responding the question the most trustable persons for doing business, they prefer 'can be anyone' to family members and close person.

The majority regard that they can be from anyone depending upon the individual characters, except *Totok* believe more that family circle and close friends are the most trustable ones. This reveals that the assumption of limited and bounded trust among the ethnic Chinese is questionable. As mentioned by three Tionghoa businessmen (Efferin and Pontjoharyo, 2006):

"I have had many bad experiences of doing businesses 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, *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, *Jiaosen*)

The limited and bounded trust among the Chinese is often considered as ethnic based-trust. Surprisingly, some think that the Chinese are in extreme position (they are always either "much better" or "much worse" than other ethnic groups), most of them possess more objective thought believing that ethnicity does not have any relation with trustworthiness. Relatively similar pattern can be found in all categories of respondents. The following statements are noteworthy (Efferin and Pontjoharyo, 2006):

"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 they are Chinese." (Mr Sam, *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 Chinese employee is merely for communication purposes." (Mr Welly, *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 Sing, *Totok*)

Hence, limited and bounded trust only applies to emergency conditions such as in 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.

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 tie. The measures draw 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 tie is weaker than shared experiences since many of them also have negative stereotypes of Chinese from certain areas in Indonesia to whom they avoid to do business.

A substantial percentage of respondents even believe that Chinese have much more potentials to be either much better or much worse than other ethnic groups. The view of the ethnic Chinese' extreme potentials indicate 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 upon him/her. A larger percentage of respondents also believe that individual characters are more relevant than ethnicity. Ethnicity, for them, is not a dominant dimension in doing business. Hence, those interactions give opportunities to them to learn about different personal characteristics of other people from different ethnic groups. When those variables are related to the fairness as one important principle in good corporate governance, it is proved that limited and bounded trust put a high impact to the practice of good corporate governance.

Organizational Structure

There are criteria used for organization structure: decentralization, formalization of job description, standardization, formalization in written records, and configuration (Efferin and Pontjoharyo, 2006). Moreover, these criteria are highly relevant to the principles of good corporate governance, since the better application of organizational structure, the higher quality of good corporate governance implemented, especially in direction and performance.

The outcomes of respondents that can best describe the extent of their preferences for the dimension of organizational structure reveal that generally, Tionghoa businessmen tend to favour centralization rather than decentralization in decision making. More specifically, surprisingly, *Totok* tend to favour decentralization slightly more than *Jiaosen*. The following statements are noteworthy (Efferin and Pontjoharyo, 2006):

“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 on the bottom so they only have partial view. That's why all strategic decisions and policies are made by me myself.” (Mr Ali, 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, Jiaosen)

The results challenge the theoretical OCB model since, generally, Tionghoa businessmen tend to favour specialization, particularly the *Jiaosen* tend to favour specialization slightly more than *Totok*. The results of formalization likeness 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 tends to be more common in *Jiaosen* than in *Totok*.

In standardization, 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. Interestingly, *Totok* takes standardization more serious than *Jiaosen*. About configuration, as the respondents' perception of the relative importance of the roles played by line vs staff personnels in creating efficiency and generating profit for their organizations, Tionghoa businessmen tend

to favour low configuration. Furthermore, the *Jiaosen* tend to favour higher configuration than *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 *Totok*). However, 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, the result on organizational structure, whether is consistent with the OCB model or not, but the consequence of organization structure existence gives a positive impact on principle direction for good corporate governance.

Management Control

In management control, there are two areas being measured: area of control and most important control type (Efferin and Pontjoharyo, 2006). In the context of good corporate governance, the management control is the important variable for the principle of accountability for corporate governance. 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 are, *Totok* and *Jiaosen* do not show substantial different pattern of their priority. It seems that different technical environments require different strategies and priorities of control.

Culture and ethnicity are more important in determining the perception of control effectiveness. Most of the respondents regard that the most important control to use is informal control emphasising upon the creation of mutual understanding based upon collectively shared cultural values (i.e. personal/cultural control). As mentioned in the following interviews (Efferin and Pontjoharyo, 2006):

"We cannot watch them (employees, ed.) 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, *Totok*)

"Do you know why many of my employees have been working here for more than 20 years? It's 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, *Jiaosen*)

From the findings, there are shown that only one type of control is exercised by the company. The three controls can be 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. However, *Totok* also tend to rely upon personal/cultural control more than *Jiaosen*.

Hence, type of control emphasised (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.

Inter-Firm Relations

It is previously stated that the OCBs rely very much upon personal/familial bonds called *guanxi* since trust must be built beforehand. In this inter-firm relation, the criteria used for this variable are the main business partners, main origin of business network, criterion to assess business proposal, main business information source, and main business partners based upon ethnicity (Efferin and Pontjoharyo, 2006). Interestingly, the percentage of *Totok* having partners mostly from personal/familial bonds is much less than *Jiaosen*. By contrast, there are much more *Totok* having partners outside personal/familial bonds than *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 or more reliable vendors and buyers. Consequently, they must look beyond their existing friends/relatives to ensure the growth of their businesses.

Apparently, ethnic identity is not an imperative consideration in choosing main business partners. This reveals 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 very large *Totok* businessmen develop their *guanxi* through formal socio-cultural associations based upon surname (great family tree) 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* (for preserving the traditional Chinese stage drama) and some funeral associations (such as for Cantonese, Hokkian and Tio Ciu). 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. 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, are no longer serve as the means for doing social and business activities. Their current ethnic identity is largely constructed by the New Order's discriminatory policies that lead to their concentration in economic activities mixing them together regardless of their kinship and other sub-ethnic characteristics. As a whole, Tionghoa received the same treatment and faced the same consequences of becoming ethnic Chinese in their daily life. Thus, kinship, ancestry and places of origin are 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 Tionghoa's paradigm of business networking. The following interviews reveal the shift (Efferin and Pontjoharyo, 2006):

"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, Jiaosen)

"My father told me that a trustable partner has certain characteristics such as physical appearances or places of origin. However, I have some experiences about this. A person recommended by my father finally deceived me... He might be 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, verbal gentleman agreement was enough. But I always ask written legal contract now... Guanxi is still important to help us. But we cannot rely solely upon personal recommendation. (Mr Ming, Totok)

Another interesting finding related to the use of formal legal contracts. The conventional OCB model mentions that for the majority of business transactions, legal properties (e.g. written contracts) are ignored due to the mutual trust among the Chinese. However, result from most respondents is balance combination between mutual verbal trust and legal contracts is the most popular choice, whereas there is no substantial difference between *Totok* and *Jiaosen*.

Therefore, business scale matters more than culture in determining 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 still important, these do not necessarily replace the use of formal legal written contracts as a form of protection. The Tionghoa build long-term relationships based

upon track records rather than ethnicity and their guanxi serves as a source of information to minimise potential risks.

Business Development

Business development is representation of growth and sustainability as good corporate governance is being implemented accordingly. Therefore, this variable is measured by the field(s) for developing businesses, and the intensive and personal involvement when developing new business (Efferin and Pontjoharyo, 2006).

Different patterns between *Totok* and *Jiaosen* appear. *Totok* tend to develop their business in related field(s) and any field(s) with good prospects. *Jiaosen* prefer to develop field(s) related to their current businesses followed by current business field(s)/intensification and any fields 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. Interestingly, *Totok* tend to be less conservative than *Jiaosen*, especially in which the choice of businesses development in any field(s) with good prospects is one of the most popular.

With regard to daily personal involvement in managing new businesses, most of respondents regards that their personal involvement is absolutely necessary. Interestingly, there is almost no different pattern between *Totok* and *Jiaosen*. The results reveal that personal involvement in the daily management of new businesses is still considered as important. However, the personal involvement still has its limitation to develop the business opportunity and affect the overall performance as one important principle of good corporate governance. As stated by some of businessmen as respondents:

"If I expand my business, I prefer the related one, since the availability of raw materials (rattan, ed.) as Indonesia's abundant resources, and also there is still a spacious business opportunity. Governance in business development means letting the most capable one to develop the business. For sure, I am the most knowledgeable about strengths and weaknesses of this business..." (Mr Budi, Totok)

"To me, good governance means long term view. Making new business development is the important step to grow and survive in the future. That's why, in situation like this we cannot let others, even they are intelligent, but still there is 'tuition fee' should be paid for a good decision learned. We cannot tolerate this for investment decision just like business development. It is a very critical decision that should be accountable and responsible to the stakeholder, particularly shareholder...." (Mr Welly, Jiaosen)

For the Tionghoa, business development/investment decisions have no relationship with cultural and ethnicity ties. Many respondents have stated that they are more familiar with and identify themselves as a part of Indonesian environment. The need to run the business well and sustainable is highly imperative for Tionghoa business regardless the ethnicity and culture. This means practising good corporate governance in business counts more than the cultural and ethnicity. Therefore, for all of the respondents, being a Tionghoa means *being a Chinese Indonesian rather than an Indonesian Chinese*. To some extent, emotional ties exist among the Tionghoa in Indonesia, but not found between Tionghoa and Mainland Chinese or other overseas Chinese.

Conclusion

This study attempts to gain a deeper understanding about the qualitative impact of ethnicity and culture of Chinese Indonesian (Tionghoa) on the practice of good corporate governance in their business. The ethnicity and culture of Chinese Indonesian (Tionghoa) in business in the context of corporate governance are measured in five dimensions: managerial ideology, organizational structure, management control, inter-firm relations and business development.

In the dimension of managerial ideology, patrimonialism in 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 (such as educational background and past achievement) generally precede personalistic relationship when building work relationships in their organizations. Trust-based personal relationships are only used in emergency condition such as in recruitment where there is no ideal candidate. Those aspects of managerial ideology, to various extents, are influenced by cultural orientation (*totok* and *jiao sen*). Therefore, in managerial ideology, it can be justified that the findings are not so consistent with the OCB model, although considered positive in the context of corporate governance.

In the dimension 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 has 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. The justification for this dimension in the context of corporate governance is still acceptable.

In management control function, the Tionghoa tend to emphasize upon personnel/cultural control as more informal control rather than bureaucratic control as formal control. The Confucian cultural dimension of collectivism is rather dominant here, although Confucian value is unrealized by those Chinese Indonesian businessmen. Certainly, the result of management control is consistent with OCB model. However, there is no special pattern in the emphasis of the area to control in their managerial works that can be regarded as another typical characteristic of Tionghoa businessmen' control system. This management control is really a guarantee for the existence of corporate governance.

In the dimension of inter-firm relations, beyond the expectation, the roles of family circles and ethnicity are not very dominant. Interestingly, some very large *Totok* businessmen 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 Tionghoa, their main business partners generally consist of people from various backgrounds. In this outwardly dimension, the inter-firm relations have their own manifestation in line with the principle of corporate governance, but 'against' the conventional OCB model.

Finally, in the dimension of business development, the majority of the Tionghoa do not plan to focus their businesses upon a particular area. Different from what is prescribed by the conventional OCB model, they are willing and confident enough 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.

The above findings have revealed how Chinese Indonesian (Tionghoa) business characteristics are quite different from the conventional OCB model. In this sense, Confucianism cannot be used directly as a source of explanations whereby all business practices stem from it. 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 explain 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 deeper understanding of the Tionghoa business practices in the context of good corporate governance.

This study reveals some other 'surprise' for the generalization of conventional OCB that probably should be redefined, depending on the further studies being developed. The assumption of influences of Confucianism are attempted to be pointed out by categorizing the respondents into *Totok* and *Jiaosen*. But the result apparently does not matter for cultural orientation

difference as well as their concern to practice the business upon the principle of corporate governance under the umbrella of typical Chinese Indonesian business model. There are some reasons to explain this 'unexpected' finding.

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, most of the Tionghoa (both *Totok* and *Jiaosen*) nowadays, are highly educated and have had formal management training or employed many graduates of business schools. The knowledge acquired has provided them with many state of the art techniques to help them solve their business problems as their businesses develop. Consequently, many of their traditional practices that were used, even successful one in the time of starting up become obsolete and irrelevant.

Secondly, culture is not static but dynamic and so is the ethnicity, thus, subject to modifications or adaptation from its environments. The state's cultural repressions in the past have westernized Tionghoa's ways of thinking and behaving in various spheres, including business practices (especially for western style of good corporate governance). These changing and formal prohibition of Chinese identities pushed the Confucian values were only passed on younger generations through parental education and often taught as merely proper conducts in family/private affairs. Hence, the westernisation processes have transformed many core of Confucian values into peripheral values (or even abandoned) which, then, constantly lost its legitimation and diminished systematically in daily interactions in public spheres. Therefore, Confucianism was vanishing as Tionghoa value, as well as in the business culture.

Last but not least, there has been a tendency of premature degradation of equalizing Chinese business with small traditional family business in many conventional literatures. From the previous study, it was proved that the conventional OCB model, also the degree of corporate governance applied were relatively matched with those of small/medium Tionghoa companies. Such companies are usually started as family businesses but some of them transformed tremendously to be large companies. Consequently, their management values as well as practices will develop as a response to the demands of their technical environments. There are many examples in Indonesia, as well as Surabaya, of how previously small/medium family businesses turn out to be among the largest Indonesian companies from Surabaya and show fundamental transformation of their management values and practices, such as Maspion Group, Wismilak, Sampoerna (has become a public company and just sold to Philip Morris), Wings Group, and so on.¹

Just like other studies, the limitations of this study are recognized. Although there have been so many studies of ethnic Chinese business in Southeast Asia, there is a tendency to simplify the stereotyping about their business characteristics, assuming that the ethnicity and culture is simply homogenous. Such stereotypes are described in this study as the conventional Overseas Chinese Business (OCB) model that can be a generalized model. As a matter of fact, 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 overseas Chinese business behaviours from the Chinese of Malaysia, Singapore or other Southeast Asian countries. Hence, the results of this study may not be fully applied correctly to such countries. Moreover, this study does not want to claim for explaining, even predicting the behaviours of all overseas Chinese. More grounded, in-depth case studies are needed to enrich the understanding of the Chinese Indonesian business.

Furthermore, the rising issue of good corporate governance put more and more pressure for business sustainability, including for any Chinese business. The awareness to practice corporate governance will grow in different forms. Consequently, the implementations become more and more personalized accordingly to the specific need of the overseas Chinese. This condition of course, will invite more studies and make the corporate governance model more complicated and unpredictable at one side, but more interesting and colourful at the other side.

¹ Two of them are among the interviewees of this study.

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KANTOR CABANG JAKARTA
GUNUNG SAHARI



JAMSOSTEK
Pelindung Pekerja Mitra Bangsa

The Programs

Wednesday, November 12, 2008

Welcoming Dinner

Venue	Balai Agung Building – Pemprov DKI
Host:	DKI Jakarta Governor
19.00 – 19.30	Registration
19.30 – 21.00	Table Manner Dinner: Opening Speech by Rector Speech by Host Cultural Shows

Thursday, November 13, 2008

Conference Day

Venue	Sari Pan Pacific Hotel, Jakarta
07.00 – 08.00	Registration
08.00 – 08.15	Speech by Conference Chair Speech and Opening Ceremony by Dean
08.15 – 08.45	Keynote Speech: "The Impact of National Legal and Institutional Environment on Corporate Governance" By: Minister of State-Owned Company, Republic of Indonesia or his representative
08.45 - 09.45	Plenary session "Good Corporate Governance and Enterprise Risk Management: An Alternative Approach to the Assessment of the Success of Corporate Governance Implementation" By: Brenton B. Hill (Expert Staff and Consultant in Governance)
09.45 – 10.00	Coffee Break

- 10.00 - 12.30 Panel Session: Implementation of Business Ethics and Sustainable Enterprise
1. Dissemination on KEPPRES No.80/2003 on Procurement on Good and Services Presented by LKPP (Lembaga Kebijakan Pengadaan Pemerintah/Agency for Government Procurement Policy) by Mr. Agus Prabowo-Deputy of Strategy and Policy Development
 2. Opportunity and Challenges in Corruption Prevention by Prof. Dr. Syamsa-General Secretary of Commission for Corruption Eradication (Komisi Pemberantasan Korupsi)
 3. Sharing Experience: Implementation of Business Ethics
 - a. Mr. Mas Achmad Daniri – Vice President Director PT Panasonic Manufacturing Indonesia.
 - b. Mr. Jeffry Mulyono - Chairman of Indonesian Mining Association.
 4. Discussion, Conclusion and Recommendation.
- 12.30 - 13.30 Lunch time
- 13.30 - 15.30 Concurrent Session 1: Research Papers
- 15.30 - 15.45 Coffee Break
- 15.45 - 17.45 Concurrent Session 2: Research Papers
- 17.45 - 18.00 Best Paper Award and Closing Ceremony

Friday, November 14th 2008

Post Conference Tour

07.30 Start from Sari Pan Pacific Hotel

Session I

A. Corporate Governance and Financial Report

1. The Effect of Good Corporate Governance to Income Smoothing Practice in Bank Industry at IDX
(*Riffa Syarifah Sancati & Sunaryo*)
2. The Impact of Good Corporate Governance Practice to Earnings Management Motive
(*Endang Kiswara*)
3. The Impact of Corporate Governance Structure to Voluntary Disclosure
(*Muhammad Devano Arifin*)
4. Accounting for Restructuring under Common Control Entities: An Analysis of the Implementation of Accounting Standard.
(*Edi Eko Cahyono & Desi Adhariani*)

B. Governing CEOs and Top Management Teams

- 5 1. Board Governance and Firm's Leverage: A Resource Dependence Perspective
(*Rina Fatma Julia & Niki Lukviarman*)
- 3 2. The Significance of Internal Auditors in The Implementation of Enterprise Risk Management (ERM) in Malaysia
(*Mohd Arif Bin Kasim, Asmah Abdul Aziz, Siti Rosmaini Binti Mohd Hanafi, Isahak Bin Kasim*)
3. Board Committees, Characteristics, and Governance Mechanism; The case of Publicly Listed Banks in Indonesia Stock Exchange
(*Putri Ranie Pratiwi & Niki Lukviarman*)

C. Corporate Governance and Firm Performance

1. Board Compliance and Firm Performance; Towards Substantive Governance Implementation
(*Vita Fitria Sari & Niki Lukviarman*)
2. Board Governance and Characteristics; Impact on Company's Performance
(*Dewi Rahmawati & Niki Lukviarman*)
3. Good Governance Implementation Firm Size, Leverage, and Net Income
(*Eko Suwardi*)
4. The Relationship of Corporate Governance, Corporate Social Responsibilities and Corporate Financial Performance in One Continuum
(*Etty Murwaningsari*)

D. Corporate Governance Determinants

1. Corporate Governance: The Roles of Enforcement Functions of Companies Commission of Malaysia (SSM)
(*Mohd Haswadi Hassan, Zuraidah Mohd Sanusi & Takiah Mohd Iskandar*)
2. The Impact of The Ethnicity and Culture Toward the Corporate Governance For Chinese Indonesian Business
(*Wiyono Pontjoharyo*)
3. The Analysis of Motivational Factors Affecting Turnover Intention of Accounting Staff
(*Arief Rahman & Nuriat Adzariat*)

Session II

A. Corporate Governance and Firm Performance

1. The Analysis of Determinants of Going Concern Audit Report
(*Oni Currie Masyitoh & Desi Adhariani SE.Ak, MSi*)

2. The Internal Governance Mechanisms and Performance of Indonesian Banks Listed in Jakarta Stock Exchange
(*Meghi Tressa & Niki Lukviarman*)
3. Corporate Governance Compliance; The Effects on Firm's Performance
(*Yolanda Pratiwi & Niki Lukviarman*)
4. The Relevance of Corporate Governance Disclosure in Explaining Earnings Management, Financial Condition, and Market Performance
(*Deni Darmawati*)

B. Ownership Structure and Governance

1. Ownership Concentration and dividend Policy: The Case of Listed Banks in The Jakarta Stock Exchange
(*Haryadi Pratama S.E & Prof. Niki Lukviarman*)
2. Corporate Governance in Family Businesses: The Case of Malaysian
(*Noor Afza Amran & Ayoib Che Ahmad*)
3. Ownership and Controls in Family Businesses: The Case of Malaysian
(*Noor Afza Amran & Ayoib Che Ahmad, Mohd Hanafi, Isahak Bin Kasim*)

C. Governing CEOs and Top Management Teams

- # 2 1. The Impact of Board Independence on Dividend and Debt Policies of Family Controlled Firms
(*Lukas Setia Atmaja*)
2. Board Characteristics and Bank Performance; Towards Sound Governance Implementation
(*Nidia Nanda Sari & Niki Lukviarman*)
3. Governing Audit Quality in Small and Medium Audit Practices: Implementation Process of ISQC 1 Self-Assessment Checklist
(*Yusarina Mat Isa, Zuraidah Mohd Sanusi, Aida Hazlin Ismail, Roszana Tapsir, Syazlina Kasim, Kamaruzzaman Muhammad, Nor'Azam Mastuli and Normah Omar*)

THE IMPACT OF ETHNICITY AND CULTURE TOWARD THE CORPORATE GOVERNANCE FOR CHINESE INDONESIAN BUSINESS

Wiyono Pontjoharyo

(Universitas Surabaya, Indonesia)

In the highly competitive business today, good corporate governance is a must for every company to thrive in the future. The principles of good corporate governance are developed to be believed as the values of success in each company. On the other hand, ethnicity and culture is a given condition that has already existed, even cultivated inside each company for many years. The businesses operated by Chinese, even for overseas Chinese are still heavily influenced by their ethnicity and culture, including for Chinese Indonesian (*Tionghoa*). This business practice conceptually is known as Overseas Chinese Business (OCB) model. This study tries to explain the relationship and impact of ethnicity and culture of Chinese Indonesians on the practice of corporate governance in their business. The study implemented as grounded descriptive-interpretive study to some prominent Chinese Indonesian businessmen in Surabaya. Interestingly found that the ethnicity and culture of Chinese Indonesian businessmen in Surabaya are not totally consistent with the model of Overseas Chinese Business, but the business practices are reflecting the good corporate governance.

Key Words: ethnicity, culture, Chinese Indonesian (Tionghoa), corporate governance, Overseas Chinese Business model.