Boxing with shadows: competing effectively with the Overseas Chinese and Overseas Indian business networks in the Asian arena

George T. Haley
Marketing and International Business Programs, University of New Haven, USA and
Usha C.V. Haley
School of Management, New Jersey Institute of Technology, USA and Managing Business in Asia Program, The Australian National University, Australia

Introduction

> He who in action sees inaction and in inaction sees action, he is wise among men (Lord Krishna explaining the meaning of work to Arjuna in the *Bhagavad Gita*).

Foreign multinational corporations (MNCs) investing in or expanding business operations in China, South and Southeast Asia often find themselves sparring with local business groups. These business groups constitute unknown and unpredictable competitive opponents for many foreign MNCs: the local business groups' operations differ from familiar competitive behaviors; and their managers subscribe to novel assumptions about environments and strategies (Haley, 1997a; Haley and Haley, 1997; Shigematsu, 1994). Consequently, many foreign MNCs do not anticipate their local competitors' reactions, miss with their punches and are knocked out of the competitive arena (Haley, 1997a): most foreign direct investment projects in Asia and with Asian partners fail to achieve projected expectations. This chapter serves as a preparatory primer for organizational restructuring in the turbulent Asian arena by indicating how MNCs' managers may compete successfully with local business groups.

Through established procedures, Asian and Overseas Asian business people create specific kinds of social networks composed of family members, friends and trusted colleagues that influence business operations and environments (Haley, 1997a, b; Haley and Haley, 1997). These social networks appear as clusters of interconnected firms that we refer to as business networks. In South and Southeast Asia, two major overseas Asian business networks, the Overseas Chinese and the Overseas Indians, hereafter collectively referred to as "the

Journal of Organizational Change Management, Vol. 11 No. 4, 1998, pp. 301-320, © MCB University Press, 0953-4814

Networks", dominate and influence competitive environments. The Networks have also become major investors in China and India (*The Economist*, 1996) and with very few reported bankruptcies (unlike the Korean *chaebols*), appear to be successfully weathering the recent Asian economic crisis (Vatikiotis and Daorueng, 1998). To compete successfully in the Asian arena, MNCs' managers must understand these networks' moves and be able to predict their punches.

First, we measure the sparring rings in Asia by exploring the historical conditions that contributed to the networks' fighting stances and to Asian business environments. Next, we spotlight specific Asian competitors by elaborating on cultural differences between the Networks. In the ensuing section, we predict the networks' movements in the ring by analyzing their unique management and strategic decision-making styles. Finally, we prepare for the bell, by discussing the implications of the networks' business practices for MNCs' strategies and organizational restructuring in the Asian arena.

Measuring the ring: historical and environmental influences on competitive environments in Asia

Haley (1997a) and Haley and Haley (1997) indicated some important characteristics that distinguish successful Overseas Chinese and Overseas Indian business networks' firms operating in South and Southeast Asia:

(1) little differentiation exists between the controlling families and the firms;

(2) the firms have very strong familial and informal networks;

(3) the firms exhibit good relationships with the often-enormous public sectors in these countries; and

(4) the firms appear highly diversified often undertaking unrelated diversification, thereby contravening mainstream, Western theoretical notions.

In this section, we elaborate on the historical circumstances that generated the competitive rings in which foreign MNCs must spar – specifically comprising the environments that perpetuate the Networks' firms unique characteristics and strategic stances.

Strategic decision making in Asia differs from that in the West (Haley *et al.*, 1998, in press; Hofstede, 1994); these differences mold the networks' management and decision-making styles and practices. Researchers have posited various explanations for the differences that emerge between Asian and Western strategic decision making. For example, Haley and Tan (1996) and Haley and Haley (1997) suggested competitive advantage as a possible explanation. Hofstede (1994) argued that ethnic and cultural factors separated decision-making styles; alternatively, Haley and Stumpf (1989) traced differences in decision making to personality-type differences. Later, Haley (1997c) detected significant personality-type differences between managerial cadres from different countries thereby supporting Hofstede's arguments.

A potent understanding of the Networks' styles probably incorporates facets from the diverse explanations. However, Haley and Tan's (1996) categorization of Asia as an informational void relative to the amount of information available in industrialized economies lies unquestioned. This informational void has led to a unique, strategic-management style for many Asian firms. Consequently, the major differences in Asian decision making stem from the information that Asian decision makers have available and desire: this information often differs significantly from that used by Western managers and strategic theorists (Haley, 1997a; Haley and Tan, 1996). This section explores some of the historical and environmental influences that have bolstered the informational void in the Asian arena.

Traditionally, three major business clusters have dominated the Asian economic arena: government-linked corporations (GLCs), either wholly or partly controlled by regional governments; family firms; and manufacturing-based MNCs. In South and Southeast Asia, the family firms have generally been controlled by Indians, Overseas Indians and Overseas Chinese. Historically, none of the three clusters in Asia have desired local-market information, and have generally adapted their strategies to their information-poor environments.

GLCs usually began as suppliers of products and services in protected, domestic markets. For GLCs, strategic planning synchronized with governmental plans for economic growth and development. Market information rarely comprised a critical success factor; hence, information gathering did not assume top priority. Although MNCs first entered Asia over two centuries ago, those in manufacturing had the greatest impact and entered primarily after the Second World War; this latter group invested mainly to rationalize manufacturing costs for products intended for Japan and the West. Not seeking to serve local markets, the manufacturing-based MNCs neither needed nor sought more local-market information (Haley, 1997a; Haley *et al.*, 1998 (in press)).

The Overseas Chinese business networks (hereafter referred to as the Overseas Chinese) probably constitute the single, most dominant, private business grouping in Asia outside of China, Japan, and South Asia. The Overseas Chinese form 3.5 percent of Indonesia's population, 29 percent of Malaysia's, 2 percent of the Philippines', 10 percent of Thailand's, and 77 percent of Singapore's – yet control respectively 73 percent, 69 percent, 50-60 percent, 81 percent and 81 percent of listed firms by market capitalization in these countries (Vatikiotis, 1998). Increasingly, the Overseas Chinese are facing fierce competition from the manufacturing-based MNCs, now interested in the rapidly growing and increasingly prosperous local markets, and from the Overseas Indian business networks (hereafter referred to as the Overseas Indians).

Many Overseas Chinese started as merchants and traders that moved into property-related businesses, and then into any business deemed profitable. Their firms generally exhibit an entrepreneurial, intuitive and fast decision-making style, and paternalistic management. The founders of the Overseas Chinese firms generally had little formal education and even less formal, Western-style business education: their business education originated from their experiences (Chan and Chiang, 1994). Table I presents a small sample of Overseas Chinese families and the businesses in which they operate.

Today, the Overseas Indians form an extremely viable business force in Asia. For example, Indian businessmen account for one-tenth of Hong Kong's exports, even though they comprise less than 1 percent of its population (Cragg, 1996). Yet, efforts to chart the Overseas Indians' influence often fail. Few from this business network assume prominent or high-profile public positions, often preferring to operate behind the scenes. Also, where the business climates allow,

Family/leader	Primary businesses
Hong Kong	
Li Kai Shang	Ports and infrastructure, retailing, manufacturing, telecommunications, property development, energy, finance and investment
Peter Woo/Pao family	Real estate, cable television, infrastructural development, transportation
Indonesia	
Liem Sioe Liong	Cement, processed foods, flour milling, steel, banking, real estate, investments
Eka Tjipta Widjaja	Diversified
Oei Hong Leong	Beer, tires, consumer products
Mochtar Riaddy	Property, banking, insurance
Suhargo Gondokusumo	Agri-industries, property
Prajogo Pangestu	Timber, car assembly
Malaysia	
Robert Kuok	Plantations, sugar and wood processing, media, hotels
Quek Leng Chan	Finance, diversified
Lim Goh Tong	Casinos, real estate
Vincent Tan	Leisure, manufacturing, investment
Philippines	
Lucio Tan	Beer, tobacco, banking, investments
Henry Sy	Retailing, cement, investments
Alfonso Yuchengco	Banking, insurance
Antonio Cojuangco	Telecommunications, real estate
John Gokongwei	Real estate, diversified investments
Singapore	
Kwek Leng Beng	Real estate, hotels, financial services
Lee family	Banking, plantations
Thailand	
Chearavanont family	Agri-business, real estate, telecommunications
Kanjanapas family	Real estate, transport, finance
Ratanarak family	Cement, banking, telecommunications
Sophonpanich family	Banking, real estate, investments
Lamsam family	Banking, real estate

Table I.
Some families and businesses in the Overseas Chinese business networks

Overseas Indians tend not to report specifically their firms' structures. Some families, like the Hindujas, have a reputation for extreme secrecy about business operations, discussing them only in encrypted fax and e-mail messages, taking long walks in parks to avoid being overheard and sometimes (as in the case of Srichand Hinduja) refusing to divulge return addresses on business correspondence. These tendencies often obfuscate researchers' and competitors' efforts to ascertain the firms' ownership, structure and strategies.

Almost all Indian émigrés arrived in their new homelands with few material assets. Often beginning as traders or retailers, they formed close communities for support and to create natural markets for goods and services (Haley and Haley, 1997). Like the Overseas Chinese, the Overseas Indians also generally adopt an entrepreneurial and fast decision-making style (Gidoomal and Porter, 1997). Frequently, the Overseas Indians decide to invest, to expand, and to compete mainly on business sense, experience, and individual propensities for risks (Piramal, 1996; Shigematsu, 1994). Protected competitive environments and the informational void in which these firms operate have bolstered the Overseas Indians' decision-making propensities (Haley and Haley, 1997). Table II presents

Family/leader	Primary businesses
Hong Kong	
Harilela family	Property development and management, financial trading, hotels, restaurants
Amitabha Chowdury	Media
Mahabir Mohindar	Media
Indonesia	
Lakshmi Mittal	Steel
Malaysia	
Ananda Krishnan	Telecommunications, multimedia, property development, gaming
Singapore	
Chanrai family	Steel, textiles, hotels, fashion
Jhunjhnuwala family	Hotels, property development
Thakral family	Textiles, electronics, trading, hotels, property development
Philippines	
Hiro Asanadas	Textiles, garments
Nari Genomal	Textiles, garments
John Daswani	Textiles, garments
Chanrai family	Textiles
Ferdinand Nanki Hiranand	Restaurants
Robin Wasvani	Lens manufacturing
Thailand	
Bharat and Vijay Shah	Diamonds, real estate, construction, movies

Table II.
Some families and businesses in the Overseas Indian business networks

a small sample of Overseas Indian families and the businesses in which they operate.

With difficult business decisions, when additional information seems necessary, the Overseas Chinese and Overseas Indians usually depend upon their webs of friends and government officials for information (Haley, 1997a). Trust and loyalty form central concerns for the Networks. Desired information often reflects subjective views or beliefs that raise the managers' confidence in their decisions (Haley and Haley, 1997).

Availability of suitable managers seems to prompt the direction of the Overseas Indians' diversification much more than detailed understandings of the industries (Gidoomal and Porter, 1997): Overseas Indians often expand into industries in which they feel that trusted people have the skills to manage the new ventures successfully. As Table II shows, many Overseas Indians have undertaken unrelated conglomerate diversification, though not as consistently as the Overseas Chinese.

The Networks' somewhat-holistic, intuitive, decision-making styles conform well to information-scarce environments including those providing poor quality market-survey data; these styles concurrently serve to exclude new entrants without the established communities' experiences and webs of contacts. For instance, many Asian banks have historically served particular communities or networks, not geographic areas; these community bases persist today. Consequently, in Indonesia, for example, individuals applying for business loans from banks often find that the information in their applications has been transferred to the banks' related firms, controlled by the Overseas Chinese, in the same business as the applicants'; and that the related firms often have even implemented the submitted business plans for entering the applicants' projected markets (East Asia Analytical Unit, 1995)!

The Overseas Indians often prefer to use internal labyrinths of business contacts over outside sources of funding to finance their ventures (Gidoomal and Porter, 1997). When borrowing from these internal contacts, interest rates competitive with prevailing banks' rates accrue. The business contacts issue *hoondies* or bills of exchange that constitute private financial circles' instruments to control and to honor debts. Each *hoondie* has payment dates and maturity dates. Despite bypassing traditional banking systems, the *hoondie* system based on honor and reputation appears functional and continues in South Asia and wherever Overseas Indians operate.

Many researchers and managers attribute the rapid growth of the Networks' businesses in South and Southeast Asia to their unique processing and channeling of information (Gidoomal and Porter, 1997; Haley and Tan, 1996). Chu and MacMurray (1993) argued that in Southeast Asia, decision-making speed and control of information constitute primary competitive advantages for the Overseas Chinese, aiding them in seizing major business opportunities; similar advantages accrue to the Overseas Indians (Piramal, 1996). Thus, the informational void in Asia exists because of historical business practices and participants' goals. As the key decision makers have not desired more objective information, the region resembles an informational black hole for those who do (Haley and Tan, 1996). Consequently, the Networks' firms roam the ring with a sound knowledge of their sparring partners' capabilities and their ring's size and floor characteristics; yet, new entrants have little reliable information about their local competitors' boxing styles and slugging power, or about the ring's slippery spots. The next section elaborates on the cultural influences that have shaped the Networks' fighting stances.

Differentiating the competitors: cultural influences on the Networks

Foreign MNCs operating in Asia often assume that the Networks' firms should demonstrate strategic and operational characteristics similar to the now well-studied and relatively well-understood Japanese firms. These assumptions about their competitors' behaviors cause many missed punches in the Asian economic arena. This section elaborates on the region-specific characteristics that differentiate the Overseas Chinese and Overseas Indians' cultures from their Japanese competitors' and each other.

Like the Japanese, most of the managed Asian economies have depended primarily on export-led growth. Japanese firms have always formed Japan's principal sources of exports; until recently, Japanese exports focused mainly on North America and Europe. Alternatively, with the exception of South Korea, manufacturing-based MNCs have formed the non-Japanese Asian nations' principal sources of exports to Western nations; local firms have concentrated on the local markets that Western MNCs now perceive as so important (Haley and Tan, 1996). Firms from most Asian nations, outside of Japan, have built their size and managerial expertise within the informational void described in the previous section – rather than in competition with Western MNCs as Japanese firms did. Table III summarizes some significant cultural differences between the Chinese, Indians and Japanese; these cultural differences have influenced the Networks' firms, their concepts of loyalty as well as the bases for commercial trust in business dealings with them.

Firm-related attributes

Merchants. The Japanese, Chinese, and Indian cultures exhibit divergent attitudes towards merchants. The Japanese culture incorporates an economic philosophy of growth that exalts merchants. A major influence on the Overseas Chinese, the Confucian culture, also includes an economic element; however, Confucian economics incorporates a subsistence philosophy that exalts peasants and reviles and persecutes merchants. For example, ancient Chinese customs prohibited merchants from wearing silks and riding horses or in wagons; these customs required merchants to dress in coarse fabrics and travel on foot. Confucian philosophers frowned upon merchants whom they perceived as excessively concerned with profits rather than the "way" (Lau, 1995; Waley, 1996); the philosophers also saw merchants as mobile, and thus unreliable supporters of rulers. Not surprisingly, innumerable waves of Overseas Chinese

Table III. Cultural similarities and differences between the Chinese, Indians and Japanese

Attributes	Chinese	Indian	Japanese
Firm			
Merchants	Reviled	Specialized	Exalted
Primogeniture	None	Very strong	Strong
Firm's life-span	Short	Medium	Long
Loyalty			
Family definition	Blood	Blood	Role
Focus	Individual	Group	Institution
Intensity	Low	High	High
Filial piety vs. patriotism	Opposed	No relationship	Equivalent
Commercial Trust			
Ethical foundation	Five relationships and social harmony	*Dharma*	Mutual self-interest
Ethical focus	The Way	Family	Service to father figure
Expectations of benefits	Immediate and up-front	Immediate and up-front	Long-term and delayed

flooded South and Southeast Asia over the centuries: every wave corresponded to a period of persecution against the merchants.

Alternatively, since ancient times, Indian cultures have encouraged and provided specialized places for thriving merchant classes. Many Overseas Indians come from the *Vaisya* or *Jain* merchant castes of India that encouraged business within the broad Hindu system. Others emanate from small, highly-prosperous, niche, non-Hindu communities, such as the Parsis, that local rulers protected and encouraged. Several Overseas Indians, such as the Shah brothers from Palanpur, in the Western state of Gujarat, have parleyed their traditional occupations, in their case that of diamond merchants, into major multinational operations: today, the Shah brothers rank among the world's largest diamond dealers with operations in Belgium, Thailand and India (Piramal, 1996).

Primogeniture and firms' life-spans. Another difference between Chinese, Japanese and Indian customs revolves around primogeniture or the emphasis on single heirs, usually the eldest sons. These customs have influenced firms' life-spans. Confucian customs emphasize large families and ban primogeniture; consequently, an ancient Chinese saying prophesies that "no fortune survives the third generation". Most of today's major Overseas Chinese firms have survived only as far as the second generation of managers (Chu and MacMurray, 1993). Alternatively, Japanese customs emphasize primogeniture; however, according to customs, the eldest sons need not necessarily inherit regardless of competence, and consequently, the Japanese firms have built concentrated and continued wealth. Japanese firms, especially large ones such as Mitsubishi, have survived for a considerable time in some form. Some of Japan's major firms began hundreds of years ago as family firms that evolved through growth into the Japanese *keiretsu* conglomerates.

The Indians emphasize primogeniture even more than the Japanese do. Many Overseas Indian firms have evolved from traditional, small, family businesses into third or fourth-generation family-controlled conglomerates (*Business Today*, 1998). The eldest sons often succeed their fathers as heads of the family firms, regardless of their competence or aptitudes, thereby debilitating top-management cadres and increasing the need for professionalization. Consequently, Gidoomal and Porter (1997) noted that succession forms a major concern among the Overseas Indian firms.

Loyalty-related attributes

Family, focus and intensity. In Japanese cultures, loyalties, though very strong, have functional bases: family members owe filial loyalties to the bread winners, not to the actual fathers. Conversely, in both Chinese and Indian cultures, family members owe filial loyalties to the fathers, regardless of who actually constitute the breadwinners; members of the Networks' cultures share highly personalized, as opposed to functional, bases for loyalties. The Indian cultures glorify loyalties that members may transfer to groups within the extended families and their businesses. In the Chinese cultures, however, loyalties accrue to individuals; members often do not transfer loyalties to friends or employers and hence employees' loyalties do not survive individual managers.

Patriotism. The relationships that the Japanese, Chinese and Indians perceive between individuals and societies also differ; these associations affect the ways in which the Overseas Chinese and Overseas Indians contribute to their adopted and native countries. A Japanese adage posits that "to be a good patriot is to be a good son". Alternatively, the equivalent adage in China argues that "one cannot be both a good patriot and a good son". In Indian cultures, no relationship exists between patriotism and filial piety.

Trust-related attributes

Ethical foundations. Concepts of ethics differ significantly between the three cultures (Haley, 1997b; Haley and Haley, 1997), affecting the bases of commercial trust. Although the Japanese view contractual duties as binding and familial and friendship ties as helpful, ties of personal and corporate self-interest prove paramount; trust in commercial relationships derives from perceived, mutual self-interest. Hence, the numerous social gatherings in which potential business associates seek out similarities in outlooks, perspectives and values.

In Confucianism, the major ethical influence on the Overseas Chinese, five relationships define ethical duty:

(1) sovereign and minister;

(2) father and son;

(3) husband and wife;

(4) elder brother and younger brother; and

(5) friends.

If relationships fall outside the above categories, then Confucian necessities to maintain social harmony, rather than normative ethical desires, regulate relationships. As Cheung Kim Hung, editor-in-chief of Hong Kong's leading Chinese-language news weekly summarized, "In Chinese business circles, the emphasis is on harmony. People agree to compete or not to compete" (Cheng and Vriens, 1996, p. 48). However, without familial or established friendship ties, trust rarely exists in commercial relationships with the Overseas Chinese: to work well with them, foreign business associates must build non-commercial ties of friendship or family. Hence, the Indonesian bankers from the previous section (that forward strangers' loan applications as strategically-important information to their business networks) are acting in accordance with Confucian ethics, despite violating Western ethics: strangers do not fall within the Confucian five relationships' purvey and often cannot disrupt social harmony in their disappointment and anger.

Dharma, which loosely translates from the Sanskrit to the natural law and incorporates duty, assumes centrality for many South Asian communities including the Overseas Indians. *Dharma* covers duties to families, to business partners, and to societies. Many Overseas Indians view succeeding financially as a familial duty (Gidoomal and Porter, 1997), especially for the eldest son. This association with familial duty transforms success into religious obligation. As Gidoomal and Porter (1997, p. 17) note, "as virtue brings its rewards, success as a religious obligation often becomes a religious blessing"; thus, among South Asians, financial rewards from business success provide overtones of personal virtue for successful people. At the turn of the century, American businessmen, drawing on arguments from social Darwinism, also associated financial success with virtue (Heilbroner and Singer, 1984); alternatively, South Asians strive for financial success primarily as fulfillment of familial duty. *Dharma* provides a special intensity to the Overseas Indians' drive and work ethics.

Ethical focus. The three cultures' ethics demonstrate different normative focal points. To the Overseas Chinese influenced by Confucian philosophies, individuals should behave in manners appropriate to their stations in life within the five relationships' frameworks; the Confucian philosophers refer to these collectively appropriate behaviors as the "way". To the Japanese, individuals should serve their superiors (their father figures), and through their superiors, patriotically, their emperors. But, to South Asians, including the Overseas Indians, families should provide the central concerns: codes of *Dharma* regulate the duties of individuals to their families.

Expectations of benefits. The Overseas Indians and Overseas Chinese differ from the Japanese in their expectations of benefits from contractual relationships. Among the Overseas Indians, legal principles and the rule of law appear to mold trust in commercial relationships. However, neither the Overseas Indians nor the Overseas Chinese will enter or maintain contractual relationships without minimal benefits and the expectations of making profits: when the benefits and expectations fade, so do contractual duties for the most part. Unlike the Japanese, although the Overseas Chinese and the Overseas Indians will invest time, money and effort, they expect to see tangible benefits up front (Redding, 1996; Shigematsu, 1994). Piramal (1996) and Gidoomal and Porter (1997) attributed local populations' animosities toward the Overseas Indians in Africa and the UK to the group's hard-edged negotiating style and its undisguised interest in making profits commensurate with its efforts. The Overseas Chinese, whose history includes many episodes of persecution in Southeast Asia, also exhibit similar negotiating styles and expectations (Redding, 1996). Because of their experiences with foreign populations, both groups emphasize earning fairly-immediate, tangible returns and maintaining substantial holdings of liquid assets (Haley, 1997a).

Although familial and friendship ties oil commercial relationships in Indian cultures, most Overseas Indians view contractual duties in commercial relationships as ethically binding as Westerners do (Gidoomal and Porter, 1997). Thus, commercial partners with signed contracts can have some confidence that the Overseas Indians will follow the contracts' terms. However, with the Overseas Chinese, signed contracts may often begin, rather than end, negotiations (Haley and Tan, 1996); consequently, commercial partners should expect some quibbling over the contracts' terms.

The next section elaborates on some of the unique ring movements of the Overseas Chinese and Overseas Indians.

Their fighting arsenal: the Overseas Chinese and Overseas Indian business networks' strategic-management styles

Drawing on their observations and study of Asian top managers, Haley and Tan (1996) and Haley and Haley (1997) posited that the following characteristics seem common to Overseas Chinese and Overseas Indians' strategic-management practices and styles:

(1) hands-on experience;

(2) lateral transfers of knowledge;

(3) reliance on qualitative information;

(4) holistic information processing;

(5) action-driven decision making; and

(6) emergent planning.

This section elaborates on the fighting arsenal that the Networks' firms bring to the ring.

Hands-on experience

To make decisions quickly, without detailed analyses of hard data, managers must approximate hands-on line managers who know the firms' work routines and processes as well as the products, markets, business environments and industries first hand. Without this intimate knowledge of the businesses, managers will not have the necessary perspectives and insights to make timely decisions. Consequently, many senior managers from the Networks remain active in all aspects of their firms; their successors often depend on their elders' experiences more than on professional managers' expertise. This level of experience and involvement contributes to making the right decisions without the supporting information most Western managers would desire. Kazuo Wada (1992) provided an example of a top manager from Hong Kong who responded within 15 minutes to an offer by Li Kai Shang, chairman of Hutchinson/ Cheung Kong, to enter into a major joint venture; the manager's confidence in Li's judgement and word, and his in-depth knowledge of the business and markets under consideration, allowed him to make such a rapid decision.

Lateral transfers of knowledge

Managers often have difficulties making decisions within new environmental contexts. However, the Networks' firms frequently diversify into totally different, non-core businesses (see Tables I and II), contravening given business wisdom of staying within firms' core businesses. To succeed in industries in which they have no prior experiences, managers must generalise from past experiences in other industries, and apply those generalisations in the new contexts. The abilities to tackle new problems in different situations involve conceptualisation skills different from analytical skills. Successful Networks' managers often see the big pictures, and intuitively separate winners from losers (Haley, 1997a). Chu and MacMurray (1993) argued that conglomerate diversification in Asia must change; yet, many managers in the region feel that it forms a major reason for their firms' enviable growth rates and risk-absorbing capacities.

Qualitative information

Many of the Networks' managers appear to take unnecessary risks by not doing sufficient research or analyses before acting; these appearances prove misleading. The managers often process myriad bits of information and consider several alternatives in depth before they act. They differ from Western managers in that they may conduct their analyses, almost entirely, internally: though they articulate their decision making, the Networks' managers may not present the results in written, analytical forms.

The Networks' managers almost always use external sources of information in making strategic decisions. Haley and Tan (1996) indicated that managers actively seek out critical information that will affect their decisions: however, the Networks' managers rarely seek published information, generally preferring qualitative, even subjective information supplied by friends, business associates, government officials, and others in whose judgment and character they trust. They prefer to visit localities personally to check on information rather than to rely on secondary information. Their local contacts can often supply up-to-date, accurate, unpublished information superior to available, published or traditional, primary, research alternatives. For example, on learning through his family's contacts that a foreign country would soon ban imports, Ram Gidoomal of the Inlaks Group committed his family's firm to sell a frozen-chicken consignment to the country's buyers (Gidoomal and Porter, 1997). Market research would not have revealed the information in time for his firm to react; his trust in his contacts allowed him to take advantage of the opportunity and to make a huge profit.

Holistic information processing

Conventional, analytical problem solving stresses sequential, systematic, and step-by-step approaches to decision making. These approaches work best when managers can obtain needed information. In informational-void situations, the analytical models often prove unworkable. With experience-based intuitive models, managers take general approaches to problems, define parameters intuitively, and explore solutions holistically: such approaches resemble Asian thinking and learning and the Networks' managers appear to subscribe to them. The intuitive models provide alternative modes of decision making that frequently work well, especially in those markets where they evolved: the models reduce risk, not through formal data-collection and analyses, but through collection of subjective information and incremental approaches to investments (Haley *et al.*, 1998, in press).

The initial investments in foreign markets by the Networks' firms almost never endanger the firms' survival if they fail. Consequently, the Shah brothers could walk away from their failed US$3 million investment in a diamond-cutting factory in Nepal; however, they continued to take investment risks, learning from their failed negotiations with the Nepalese government. Without what Western managers would consider adequate information, the Shahs empowered brother Vijay to invest US$5 million to start BV Diamond Polishing Works in Thailand, reportedly the world's largest diamond-cutting and polishing factory. Vijay Shah drew on his experiences in the diamond business and with regional governments, on assurances from the Thai government, and on his feel for the market's potential to make his investment decision. Peter Meeus, director of Beurs voor Diamanthandel, one of Antwerp's four diamond bourses, when speaking of the Shahs' decision-making style, said, "Vijay can take risks. I remember when they were thinking of setting up a factory in Bangkok – many were going to Thailand at the time – but everybody went in for small [stone] sizes, Jewish and Indians, but not Vijay. He thought they should be polishing medium stones. Everybody thought he would fail, but that factory is doing very well" (quoted in Piramal, 1996, p. 323).

Action-driven decision making

Speed constitutes a key characteristic of decision making in Asian business. Top managers often make key decisions without consulting anyone, preferring action to discussion. Many stories exist of well-known Networks' managers who decide on important matters in minutes and implement the results almost immediately. This speed reflects the managers' empowerment and accountability. As the managers often have great latitude in deciding matters, long debates and committee meetings rarely occur. In the above-mentioned example, Ram Gidoomal, under time constraints, committed significant financial resources from the Inlaks Group, including the most expensive ship-charter contract in its history, without contacting other directors (Gidoomal and Porter, 1997); he could do so because his family's faith in him provided him with the authority and power to act.

The decision-making models used by the Networks' managers reflect authoritative management. However, when responsibility coincides with authority, projects often progress faster in emerging and rapidly-developing markets. These conclusions prompted Kazuo Wada to move Yaohan's headquarters from Japan to Hong Kong, and the international headquarters for all operations outside of Hong Kong and China, to Singapore; he maintained only the headquarters for domestic Japanese operations in Japan. Wada has now similarly moved Yaohan's headquarters to Shanghai to reflect China's importance in the firm's future plans. Similarly, after wringing lucrative incentives, tax benefits and financial benefits from the Thais, Vijay Shah completed his Thai diamond factory in ten months – under schedule and in record time.

Emergent planning

The Networks appear to engage in what Mintzberg (1987; 1994) and Mintzberg and Waters (1985) termed emergent planning (Haley *et al*., 1998, in press). Strategies bubble-up through individual firms and also collectively through the Networks (Piramal, 1996). Typically, news, rumors or insider information will reach the Networks' managers and create interest. The managers will then seek confirming evidence, gauge available resources, make and implement decisions. As further information becomes available, the managers will modify strategies. The firms' strategies emerge from the managers' and the firms' learned business behaviors. If managers feel they need strategic partners, the firms will seek them out, preferably within their respective Networks; the potential partners' decisions to join hinge largely on their confidence in the proposing managers' judgment and abilities. After studying strategic-planning practices in Singapore and Malaysia, Ghosh and Chan (1994) also concluded that the planning activities of the Networks' firms appear *ad hoc* and reactive. "CEO's personal knowledge of market" seemed the only market-related factor of any importance contributing to success in planning.

As in other emergent planning (Mintzberg, 1994), the Networks' managers detect discontinuities, know their businesses intimately, manage patterns and reconcile changes with continuities. First, through their webs of associates, the managers determine potential changes in governmental policy or environments that can cause discontinuities and force strategic changes (Haley, 1997a). Second, the managers emphasize knowing their businesses through hands-on experience, and active, intimate participation in all important aspects of their firm's activities, products and markets (Haley and Tan, 1996). Because of this reliance on intimate, intuitive understandings of businesses and environments, strategic planning in the Networks emphasizes line management (Haley *et al.*, 1998, in press). Third, the managers rely on perceptions of holistic information, viewed as patterns; the patterns help the managers to infer the firms' present and future relationships with environments and to optimize benefits. By discerning general patterns of behaviors and requirements for success, the managers often extrapolate experiences across unrelated products and markets (Haley and Tan, 1996). Finally, through their webs of associates, the managers seek to enhance patterns of change and continuity – where possible pursuing preferential treatment, and lobbying for or against laws and regulations that affect their privileged positions within desired markets and industries. For example, the Philippines' Cojuangco Group has had great success in influencing or leveraging industry structures and regulations in its home markets; by skillful lobbying, the Cojuangco Group has amassed enormous wealth through key governmental franchises, such as the long-distance telephone franchise in the Philippines.

Like top boxers, the Networks' firms seek to enter the ring with established advantages over their opponents. The Networks' firms endeavor to control the ring through forming alliances, to manipulate opponents through controlling information, and to paralyze competitors through hiding their strengths and weaknesses. The next section discusses some implications for organizational change in the Asian arena and for MNCs' restructuring.

Waiting for the bell: implications for multinational corporations sparring in the Asian arena

The Networks' firms with their unique fighting arsenal and movements have profound influences on sparring in the Asian arena. This section identifies some implications for successful organisational change and restructuring by MNCs to improve their odds for success.

Reconstructing the ring

We have argued that the Networks form institutionalised mediums for political, social and economic activities; they serve as social constructions that reflect normative prescriptions for cohesive groups' formations. By placing the Networks in a comparative perspective, and showing differences and similarities between the Overseas Chinese and Overseas Indians, we have indicated that fuller understandings of the Networks must question Western economic and sociological theories and consequently, managers' formal understandings of the Asian competitive arena.

To enhance understandings of the Asian arena, researchers should enquire more specifically into how the Networks shape industrial structures. Many Asian developing countries' economic hierarchies arise from the Networks that control so much of these economies (Haley and Haley, 1997). Specific strategies to fashion the Networks appear to precede and to condition the capitalist markets' establishments (Redding, 1996). Consequently, in order to understand

and to predict the markets' evolution and development, researchers must more-fully comprehend the Networks' institutional and developmental roles in these markets.

The Network firms' strategies do not seem suited to all industries; their managerial practices have instituted wide-ranging structural changes that sometimes offer foreign MNCs advantages. For example, across East Asia, the financial crisis has adversely affected banks and forced the Overseas Chinese families that control them to reanalyze and to sell. Thailand had not granted a new full-service banking license in 40 years, creating a family-directed plutocracy of 15 families such as the Wanglees, that rivalled the Finance Ministry in their power. But today, many blame that insular system for the country's financial troubles. As noted earlier, family banks often make loans based on relationships – giving more weight to a patriarch's reputation and the collateral of his name than to business plans and the firm's cash flow. Critics say such outdated practices allowed the Thai firms to rack up too much debt and to pump air into real estate and stock-market bubbles. The Thai government is determined to change the system, clearing a path for Western banks in this long-cloistered market. The International Monetary Fund has made an overhaul a central condition of its US$17.2 billion bailout package. The changes are already striking. The central bank nationalized four banks this year, wiping out founding-family shares. One other bank has been sold to the Dutch banking giant ABN-AMRO and another to the Development Bank of Singapore. The era of family banking is over says Amaret Sila-On, head of a government body overseeing disposal of non-performing bank assets. "Whether the families like it or not, Thailand now needs professionals at the helm" (quoted in Kahn, 1998).

Reanalyzing the competitors

To more fully comprehend their Asian competitors, researchers need to develop theories that reflect the Networks' unique business practices and styles as well as their strengths and weaknesses: superimposed understandings from US business networks fail to explain the Networks adequately. For instance, the Asian Networks show much more resilience than the individual firms that make up the Networks (Redding, 1996); through interlocking directorates, marriages and joint ventures they often coalesce their interests to present one institutional interest to governments and competitors. By contrast, US business networks appear relatively weak and generally represent individual firms' short-term institutional interests (Mizruchi and Schwartz, 1987). Through an institutional perspective, the Asian economies appear network-based whereas the US economy appears firm-based. The Networks' configurations also differ systematically across the Overseas Indians and the Overseas Chinese; researchers can trace the differences to the distinctive and institutionally-rooted ways in which the Chinese and the Indians form social groups. Unlike the Western network theories propagated by researchers such as Nohria and Eccles (1992), the

Overseas Chinese and Overseas Indians do not seem to draw on practices or theories of voluntarism and individualism: the Networks seem normative, relational, hierarchical and substantive. Future researchers should enquire and elaborate on these characteristics to develop useful theories of the Networks and their movements in the Asian arena.

Rechoreographing movements

The Networks' firms and their unique decision-making styles influence MNCs' competitive environments and should influence their Asian strategies. Unlike Japanese firms, the Networks' firms move quickly and expect rapid decisions from their potential partners; MNCs that follow standard operating procedures will lose good opportunities in the Networks' markets. However, to move rapidly, MNCs cannot delay researching markets until they perceive potential opportunities: MNCs must have the information substantially on hand and "leverage to beat the odds" (Slywotsky and Shapiro, 1993) – that is, MNCs must generate multiple returns on investments from the same information. The Networks' unique strategic management and information-processing styles give them advantages in the Asian economic arena. To spar effectively against the Networks, MNCs must restructure and change key operations and processes.

First, MNCs' managers must determine which markets they aim to serve. While appropriate information appears scarce, it exists. For MNCs, research constitutes an investment that will produce substantial returns both in earning future profits and in avoiding future losses. The information should reveal potential products, markets and major competitive players. For example, several accounting firms in Hong Kong conduct "due diligence" research on Chinese firms to reveal their often disguised or undisclosed operations. The MNCs using these data can then determine which of those players would prove legitimate, beneficial business partners and which would not. MNCs should use information to move into products and markets alone, or rapidly with joint ventures should they identify appropriate partners.

Second, as rapid decisions assume critical importance, MNCs' managers must have close links in each Asian country and ready access to top corporate management to speed internal decision making. Using more local employees with strong local connections, and building trust-based relationships, constitute some of the ways through which MNCs may establish stronger links to relevant information. When MNCs cannot find appropriate Asian local managers, managers from other emerging economies may prove suitable. For example, Phillips selected a highly-trusted and historically-successful Mexican executive, Reinaldo Wences, from its Latin American operations as general manager of its Singaporean regional headquarters: Phillips assumed that the Latin American business environment's high uncertainty, poor information base, and highly-personal, autocratic style of management would better prepare top managers for Asia than the European business environment would; in this instance, judging from sales and profits, Phillips appears to have made the appropriate appointment.

Third, the competitive environments created by the Networks favor experience-based training and line managers over staff-based managers for MNCs' top management positions. Line-management experiences provide managers with the essential, in-depth familiarity with markets and operations to react rapidly in highly-fluid, uncertain situations. Line managers also often better understand their senior counterparts, with similar operational experiences, at most Asian firms (Haley and Tan, 1996). Consequently, line-management experiences should help MNCs' managers to build quickly local links with senior Asian managers. Also, MNCs' managers without line-management experiences will have based strategic decisions on formal data analyses that Asian competitors and partners generally do not undertake; consequently, these managers often will experience great difficulties in judging some strategies and propositions as valid or reliable.

Fourth, understanding the Networks should help MNCs to manage more effectively intellectual-property rights in Asia. Widespread lack of respect for intellectual-property rights severely affects product management in Asia. Among the Overseas Chinese and their government supporters, no historical or cultural precedence supports intellectual-property rights: Confucian economic philosophy ignores intellectual property. Consequently, local legal authorities often ignore intellectual-property-right grievances even when central governments supposedly support the rights. These differences in perceptions of rights, and attendant costs to MNCs, must influence MNCs' needs to move production as close as possible to major markets. Currently, in Asia, India, Singapore, Thailand, and Malaysia appear most successful in protecting intellectual property rights.

Finally, MNCs' managers should recognise that Asian relationships evolve seemingly unpredictably. Unlike other business networks, the Overseas Chinese acceptance of individuals can vary with events over which the individuals have no influence; acceptance includes the individuals – and others that affect situations in which the individuals interact with the Overseas Chinese. MNCs' managers have limited freedom to undertake some behaviors that may help to cement their positions with Overseas Chinese and Overseas Indians. For example, often the MNCs' managers cannot involve their families in business relationships as completely as the Networks do. Consequently, MNCs' managers must learn to recognise the cues emanating from the Networks' managers as indicators of relationships' conditions at any instance. Trust in relationships with the Networks may provide an environment for assessing cues; yet, trust arises slowly and focuses on individuals or management groups rather than institutions. Foreign MNCs' (especially US MNCs') practices of rotating managers every two or three years may pull them out of the ring just as they are forming trust-based relationships with competitors and collaborators, thereby hindering the MNCs from becoming fighting fit for the Asian arena.

References

Business Today (1998), "India's business families: can they survive?", 6th anniversary issue, January/February.

Chan, K.B. and Chiang, C. (1994), *Stepping Out. The Making of Chinese Entrepreneurs*, Prentice-Hall, Singapore.

Cheng, A. and Vriens, H. (1996), "Superman vs China", *Asia Inc.*, Vol. 5 No. 12, pp. 42-9.

Chu, T.C. and MacMurray, T. (1993), "The road ahead for Asia's leading conglomerates", *McKinsey Quarterly*, No. 3, pp. 117-26.

Cragg, C. (1996), *The New Maharajas. The Commercial Princes of India, Pakistan and Bangladesh*, Random House, UK.

East Asia Analytical Unit (1995), *Overseas Chinese Business Networks*, AGPS Press, Department of Foreign Affairs and Trade, Canberra, Australia.

The Economist (1996), "A survey of business in Asia", 9 March.

Ghosh, B.C. and Chan, C.O. (1994), "A study of strategic planning behavior among emergent businesses in Singapore and Malaysia", *International Journal of Management*, Vol. 11 No. 2, pp. 697-706.

Gidoomal, R. and Porter, D. (1997), *The UK Maharajahs: Inside the South Asian Success Story*, Nicholas Brealey Publishing, London.

Haley, G.T. (1997a), "A strategic perspective on overseas Chinese networks' decision making", *Management Decision*, Vol. 35 No. 8, pp. 587-94.

Haley, G.T. (1997b), "The values Asia needs", *Business Times* (Singapore), Editorial and Opinion Section, 24 December, p. 6.

Haley, G.T. and Haley, U.C.V. (1997), "Making strategic business decisions in South and Southeast Asia", *Conference Proceedings of the First International Conference on Operations and Quantitative Management*, Jaipur, India, Volume II, pp. 597-604.

Haley, G.T. and Tan, C.T. (1996), "The black hole of Southeast Asia: strategic decision making in an informational void", *Management Decision*, Vol. 34 No. 9, pp. 43-55.

Haley, G.T., Tan, C.-T. and Haley, U.C.V. (1998, in press), *The New Asian Emperors: The Overseas Chinese, Their Strategies and Competitive Advantages*, Butterworth-Heinemann, Oxford and Stoneham, MA.

Haley, U.C.V. (1997c), "The Myers-Briggs type indicator and decision-making styles: identifying and managing cognitive trails in strategic decision making", in Fitzgerald, C. and Kirby, L. (Eds), *Developing Leaders: Research and Applications in Psychological Type and Leadership Development*, Consulting Psychologists Press, Palo Alto, CA, pp. 187-223.

Haley, U.C.V. and Stumpf, S.A. (1989), "Cognitive trails in strategic decision making: linking theories of personalities and cognitions", *Journal of Management Studies*, Vol. 26 No. 5, pp. 477-97.

Heilbroner, R.L. and Singer, A. (1984), *The Economic Transformation of America: 1600 to the Present*, 2nd ed., Harcourt Brace Jovanovich Publishers, New York, NY.

Hofstede, G. (1994), "Cultural constraints in management theories", in Hussey, D.E. (Ed.), *International Review of Strategic Management*, John Wiley & Sons, New York and Chichester, Vol. 5, pp. 27-47.

Kahn, J. (1998), "Asian crisis humbles Thai dynasty", *International Herald Tribune*, 17 April, p. 2.

Lau, D.C. (1995), *Mencius Says*, Federal Publications, Pte Ltd, Singapore.

Mintzberg, H. (1987), "Crafting strategy", *Harvard Business Review*, July/August, pp. 66-75.

Mintzberg, H. (1994), "The fall and rise of strategic planning", *Harvard Business Review*, January/February, pp. 107-14.

Mintzberg, H. and Waters, J. (1985), "Of strategies, deliberate and emergent", *Harvard Business Review*, No. 6, pp. 257-72.

Mizruchi, M.S. and Schwartz, M. (1987), *Intercorporate Relations: The Structural Analysis of Business*, Cambridge University Press, Cambridge, UK.

Nohria, N. and Eccles, R.G. (1992), *Networks and Organizations: Structure, Form and Action*, Harvard Business School Press, Cambridge, MA.

Piramal, G. (1996), *Business Maharajas*, Viking Penguin India, India.

Redding, S.G. (1996), "Weak organization and strong linkages: managerial ideology and Chinese family business networks", in Hamilton, G.G. (Ed.), *Asian Business Networks*, Walter de Gruyter, Berlin, New York, pp. 27-42.

Shigematsu, S. (1994), "The study of overseas South Asians: retrospect and prospect", Working paper, Graduate School of International Development, Nagoya University, Japan.

Slywotsky, A.J. and Shapiro, B.P. (1993), "Leveraging to beat the odds: the new marketing mind-set", *Harvard Business Review*, September/October, pp. 97-107.

Vatikiotis, M. (1998), "The Chinese way", *Far Eastern Economic Review*, 26 February, p. 45.

Vatikiotis, M. and Daorueng, P. (1998), "Survival tactics", *Far Eastern Economic Review*, 26 February, pp. 42-5.

Wada, K. (1992), *Yaohan's Global Strategy: The 21st Century is the Era of Asia*, Capital Communications Corporation Ltd, Hong Kong.

Waley, A. (1996), *Confucius: The Analects*, Wordsworth Editions Ltd, Ware, Hertfordshire, UK.