

New Asian Emperors: an interview with Usha C. V. Haley

Interview by Alistair Craven



Usha Haley is Asia Programs Fellow at the Ash Institute for Democratic Governance and Innovation, Harvard Kennedy School, Harvard University and Research Associate at the Economic Policy Institute in Washington DC.

She has been Professor at the University of New Haven and prior at University of Tennessee-Knoxville, New Jersey Institute of Technology, Australian National University, National University of Singapore and ITESM-Monterrey, Mexico.

She has more than 150 publications, presentations and books including *Multinational Corporations in Political Environments* and *The Chinese Tao of Business*.

Usha has testified before the Congressionally mandated US-China Economic and Security Review Commission and the Committee on Ways and Means, and presented before the US International Trade Commission. She serves on several corporate and government boards.

Southeast Asia has a population of more than half a billion, yet its economy is dominated by about 40 families, most of Overseas Chinese descent. Their conglomerates span sectors as diverse as real estate, telecommunications, hotels, paint, computers and sugar plantations.

Usha Haley's new book *New Asian Emperors* – co-written with George T. Haley and Chin Tiong Tan – shows how and why Overseas Chinese companies continue to dominate the region and have extended their reach in East Asia, despite the Asian financial and SARS crises of the past decade.

AC: Can you tell us about your background?

Usha Haley:

In 2009 I am an Asia Fellow, focusing on business-government relations in China, at Harvard University's Kennedy School of Government. I am also a Research Associate at the Economic Policy Institute, a Washington DC think-tank, where I am working on trade issues with China. In summer I was a Distinguished Guest Professor at ITESM in Mexico and taught international negotiations.

I am an expert on international business/strategic management. My strong belief in the importance of a global perspective led me to seek richer global experiences. I have lived and worked on five continents in both academic and private-sector jobs, and held full-time faculty positions at leading universities around the world.

I also believe that academic research should strive for broader social impact. So, I have worked with senior executives and officials in major companies, universities and

government organizations in the USA, Europe, Latin America, Asia and Australia/New Zealand. I serve on the boards of companies and government agencies, and have testified on my research on China and other emerging markets to US Congress as well as presented on it to agencies such as the International Trade Commission and the National Intelligence Council.

For almost the past two decades, my research has focused on strategy in volatile, transitional and emerging markets (including China and India), business-government relations, sanctions, subsidies and non-tariff barriers. My educational background spans international business, strategy, political economy, political science, economics, and communications, and my research reflects this interdisciplinary training.

AC: What inspired you to write this book?

Usha Haley:

When I worked in Southeast Asia, I noticed that Asian managers and companies did not behave as Western managers thought they should or as Western researchers and analysts said they would. I also noticed that Western companies continue to rely on data and analytical methods that have been developed in the West, with only minor modifications along the fringes for local conditions. This misunderstanding of local competitors' arsenals and strengths, I surmised, contributed to Western companies' being less profitable than they could be. Conversely, most Southeast Asian companies display weaknesses when they leave their home environments, especially for the shores of Western, developed countries. Indeed, one can count on the fingers of one hand the number of Asian (not Japanese) companies that have demonstrated consistent profitability outside Asia.

I also noticed that though many academics and analysts spoke of Asian strategic management, and many had noted that strategic decisions were made at the very top in these companies, no one had actually interviewed these companies' senior managers. Instead, they had relied on accessible, often misleading surveys of middle managers, who they had noted had little impact on strategic decisions. The rush for hard, publishable data on the subject had led to garbage in – garbage out. Therefore, I thought we had an opportunity to shed some light on the area by actually speaking to the secretive managers who made strategic decisions in Southeast Asian countries, observing their management styles and analysing their efforts to mould their competitive environments.

AC: How well (or otherwise) would you say Western business leaders understand the business philosophies and practices of the Overseas Chinese?

Usha Haley:

Despite some understanding of Confucian societies, many Western managers fail to comprehend the philosophical and historical bases for strategic decisions made by the Overseas Chinese that dominate the Southeast Asian economies; they also fail to recognize that Confucianism provides an economic as well as social and political philosophy. Yet, their history and philosophy have a direct influence on the Overseas Chinese business culture including their strategic management and negotiation styles. Many Western managers also confuse the management styles of the Overseas Chinese with that of the Japanese, whose cultural nuances many Americans have learned to understand – only after vivid cultural blunders and misunderstandings impeded business success. Yet, as we point out in our book, significant cultural, philosophical, historical and ethical differences distinguish the Japanese, Chinese and Indians from each other and other Asian ethnic groups. These differences should shape how we interact with them in business situations and our expectations regarding successful business outcomes.

AC: You note that the Overseas Chinese tend to practise an “exclusionary style of business.” What does this mean exactly?

Usha Haley:

As we explain in our book, the Overseas Chinese operate through their networks; breaking into these networks presents considerable obstacles for foreigners as well as for locals. Contrary to many popular beliefs, Southeast Asia’s data-poor environment – what we term the black hole for strategic information – has not arisen from technological backwardness or poor infrastructure. Rather, over a century, the networks have deliberately constructed the black hole to restrict access to strategic information to those that the networks support and to enhance the networks’ powers.

Our interviews with successful CEOs revealed for the first time that at least three types of networks exist in East and Southeast Asia; staying abreast of developments in these networks, after gaining entry, also constitutes a full-time occupation. Through their close collaboration with governments in Southeast Asia, the networks have worked to build markets for information with structures which support their intuitive, hands-on style of leadership. Consequently, Western companies and other outsiders have great difficulty adapting to these business environments or even understanding their operations.

Through our research we found that despite exhortations on transparency and good governance by supranational agencies such as the World Bank after the Asian financial crisis, little has changed substantively in Southeast Asia’s information-poor environment or in the major economic players’ composition and characteristics.

AC: In the book you comment that many people believe the Overseas Chinese do little or no strategic planning. What is your take on this?

Usha Haley:

For the most part, people see what they expect to see; in this instance, they expect to see the Overseas Chinese as engaging in little or no strategic planning. In my opinion, underestimating one’s competitors handicaps Western companies. Our research showed that the Overseas Chinese do plan remarkably well for the turbulent business and economic environments in which they operate and which they helped to create and to maintain.

The Overseas Chinese managers appear to engage in emergent planning, responding to opportunities and threats and key information as they gather it. However, Overseas Chinese strategic planning differs significantly from prescribed methods in Western business schools. For example, rather than moving linearly from mission to goals to plans, these reflexive practitioners adapt their tactics almost instantaneously to changing conditions; their lean, top-down companies, replete with line managers, help them to achieve strategic speed. Their strategic planning relies far less on quantitative data and more on experience, intuition and what we in the West would term insider information. In Southeast Asian business environments, these strategic planning approaches appear effective.

AC: In doing business with the Overseas Chinese, you note that foreign managers should garner as much information as possible on the individuals they deal with. Can you elaborate on why this is important?

Usha Haley:

In more developed countries, managers conduct business within rules-based systems, in publicly verifiable manners, and under widely-known and consistently enforced laws.

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But, businesses in most Southeast and East Asian countries operate in relation-based systems. Business transactions occur on the strength of personal agreements and not contracts. Consequently, foreign managers need to check thoroughly persons' backgrounds, status, assets and values before embarking on business with them. Foreign managers encounter extremely high marginal costs to find, screen and monitor potential partners.

For instance, they have to manage personally their valued relationships and not delegate these tasks.

That's why one finds so many senior managers of Asian companies personally answering their phones, rather than having secretaries answering them. Impersonal or second-hand due diligence on companies' histories and finances fails to acquire key nuanced information for trust-based relations in these societies.

On the other hand, personal relations and assessments assume more importance and shed more light than generally accepted due-diligence processes. Also, as we point out in our book, trust in Southeast Asian business communities, and throughout East Asia, resides in individuals, rather than in companies or in their roles. When these individuals leave the networks or companies, they take with them most of their contacts and sources of information. So, to acquire the highest quality information for strategic decisions, and to establish trust-based relations, effective managers need to interact personally with the individuals with whom they conduct business, preferably across many networks.

AC: To quote the book, "local Asian markets constitute an informational void for market-related information on which so many corporate decisions depend in the West." Can you explain what you mean by this statement?

Usha Haley:

During the 1997-98 Asian financial crisis, my co-authors and I identified that Southeast Asia was a black hole for strategic information. Our research showed a glaring lack of hard data on major markets in Southeast Asia, especially for what we in the West would consider strategically important information for business decisions.

Indeed, the city-state of Singapore, the smallest market in the region, and about the size of Chicago, had the most market information. *The Economist* highlighted this research as important and explored the implications for managing in the region.

After the crisis, much scrutiny ensued of Southeast Asian governance and information used for investment and business decisions. However, when we updated and extended this research late last year, we found that almost nothing had changed in Asia's markets for strategic information! This finding impacts how strategic data should be gathered in the region and how effective executives (almost all of them local) make their best strategic decisions. In these turbulent times, we have less freedom to make bad strategic and investment decisions.

AC: Intriguingly, you note that many Overseas Chinese businesses made investment decisions almost solely on the basis of business sense, experience and individual propensity to take risks. Many Western managers would perhaps look upon this as, at the very least, a dubious or unsafe way to conduct business. What is your take on it?

Usha Haley:

I think managers have to choose the most effective strategic tools and processes available – ones that provide their companies with the most benefits and have the greatest potential for making profits. In Southeast Asia's markets, intuitive, holistic, decision making processes, that rely on experiential data and networks, provide greater access to key information that affects businesses. In these turbulent and opaque business environments, managers' blind reliance on comforting quantitative data can often mislead

them rather than provide insights. Indeed, quantitative, hard data, and the analytical procedures they support, seem akin to the drunk looking for his keys under the bright street lamp, rather than outside the poorly lit door where he lost them – just because the light is better on the street!

AC: Why do you think it is that many businesses in Southeast Asia successfully diversify into totally different industries when their Western counterparts often struggle gravely to do the same thing?

Usha Haley:

Several structural reasons exist for successful unrelated diversification of the Overseas Chinese companies, some of which we elaborate in our book. For example, unrelated diversification, through forward and backward integration, provides control over key inputs and outputs for companies operating in turbulent business environments. When we interviewed them, some CEOs described their acquisition and growth decisions as stemming from heuristics that draw on reasoning by analogy, or seeing similar characteristics in ostensibly dissimilar circumstances. The lateral thinking they described draws on analogies and nuance, approximating the creative processes we see in the arts and sciences. Skilled managers, drawing on their experience and networks, see opportunities where others do not and can see similarities between their past and present experiences. Many of the Overseas Chinese companies are also much smaller and nimbler than Western multinationals with whom they compete, and often have to deal with less diverse workforces.

AC: Having studied Overseas Chinese management practices in detail, what is your overall assessment of their strengths and weaknesses?

Usha Haley:

The Overseas Chinese strengths include their *guanxi* or trust-based relations, and speed in making decisions. Their weaknesses include their lack of professionalization. For a more complete list, please see an excerpt from *New Asian Emperors* at <http://www.newasianemperors.com/NewAsianEmperorsExcerpt.pdf>. Both their strengths and weaknesses stem in part from their networks. These also appear to complement Western companies' strengths and weaknesses, so many opportunities exist for collaboration and learning.

AC: In researching the book you interviewed hundreds of CEOs and senior executives in Overseas Chinese companies. Can you share with us some of your most interesting findings?

Usha Haley:

For the book we specifically drew on in-depth interviews with over 20 major Overseas Chinese CEOs operating in East and Southeast Asia, including Li Ka-shing (Hutchison Whampoa), Stephen Riady (Lippo), Sukanto Tanoto (RGM), Stan Shih (Acer), and Victor Fung (Li & Fung). Most of these CEOs had never granted interviews before to researchers or the media. We interviewed the same CEOs over a period of a decade, as well as multiple generations within these family-run companies and long-term senior executives who had managed through the two Asian crises. I found most fascinating their abilities to take calculated risks, the passion they invested in their work, their hands-on involvement in every aspect of their work, and their distrust of MBAs.

The business models and management practices of these family-run conglomerates present many lessons for Western companies doing business in the region and also in other emerging markets. We concluded that no one best style of management exists across the world. As Western companies make forays into the East, and conversely their companies engage in outward foreign direct investment into developed countries, a strategic decision model that fuses the best of both offers the greatest chance for

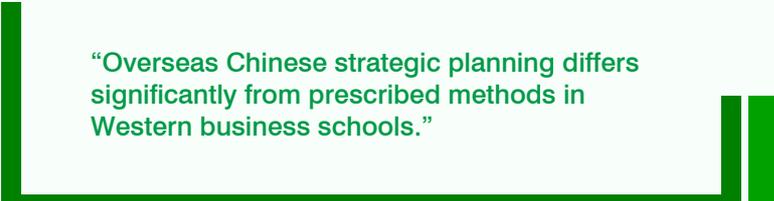
competitive advantage and strategic success. In our book, we offer such a model, which we label the Adaptive-Action Road Map or ARM.

AC: Do you have any closing comments you wish to make?

Usha Haley:

We greatly enjoyed working on this book, and disconfirming so much conventional and academic wisdom. More information on our book, including reviews and media interviews with us, can be obtained at <http://www.newasianemperors.com> □

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