
The black hole of South-East Asia: strategic decision making in an informational void

George T. Haley

Senior Lecturer, Faculty of Business, Queensland University of Technology,
Brisbane, Australia

Chin-Tiong Tan

Associate Professor, Faculty of Business Administration, National University of
Singapore, Singapore

Proposes that most managers and researchers acknowledge that emerging and newly industrialized markets do not have the same quantity of secondary data as the long-industrialized economies of North America and Western Europe. Presents the results of a search of available, business-related, secondary data on South-East Asia's rapidly growing economies; highlights how this dearth of data has resulted in an informational void that affects the practice of strategic management in the region. Also delineates how regional managers cope with and adapt to the informational void, and to the region's fast-changing business, cultural and competitive environments, by developing their unique, highly-intuitive style of strategic management. Finally provides some suggestions to bridge this informational void for management practice and for future research.

An old adage posits that the quality of one's decisions depends on the quality of one's information. The more complex the situation, the more important that one has appropriate data to analyse, to understand the situation better, and to make an optimal decision. Few organizations demonstrate more complexity than multinational corporations (MNCs), and few environments show more complexity than South-East Asia. Yet, with respect to the information necessary for sound strategic decision making, South-East Asia represents an informational black hole. This situation has led to a decision making and strategic management style that differs from that practised in the West.

In addressing the development of strategic management in the Asia Pacific, Nakamura argued[1] that strategic management in the newly industrializing economies of the region, including five of the Association of South-East Asian Nations (ASEAN) countries of South-East Asia, is developing in the same fashion as strategic management did in Japan. However, Nakamura[1] ignored some of the basic environmental differences between Japan during its post-Second World War developmental period and today's South-East Asian countries.

Though both the Japanese government then, and the South-East Asian governments more recently, chose the path of managed, export-oriented economic growth, differences emerge in the direction of their economic ties. Much is now being made of the Asiafication of Japanese trade; however, when the Japanese economy was at the different stages of development at which Nakamura[1] places the South-East Asian economies, it was almost entirely oriented towards exports to the West in general, and to the USA in particular. Although the South-East Asian economies depend heavily on trade with the industrial West, they have sought to emphasize a regional thrust to their developmental and trade ties – especially since their larger firms have grown large enough and their

economies advanced enough to expand internationally. For example, Singapore has negotiated economic growth triangles, or areas of focused investment, with its closest neighbours, Malaysia and Indonesia. Moreover, most of the region's exports to the West have occurred through foreign MNCs rather than local firms. Consequently, South-East Asian firms have the same informational advantages when investing in the West's industrialized, information-rich economies as their Japanese counterparts did; however, they have to deal with the informational vacuum of their own region when investing in what they consider their primary markets.

The lack of information, especially information on the external environments of firms operating in the region, poses a serious challenge to traditional forms of strategic planning and management. This lack of information has contributed to a unique, strategic management style for the region's major firms. Consequently, Western MNCs entering the region cannot base their expectations of their local competitors and potential strategic partners on their prior experiences with Japanese firms. The region also presents Western MNCs with substantial challenges to their traditional, information-rich, strategic-management techniques. In the balance of the paper, we will first consider what information Western theorists generally consider desirable for strategic decisions. We will then present evidence of the South-East Asian informational black hole and compare the available information with that available in the USA. We will then discuss the strategic management and decision-making styles of South-East Asian managers, and finally, we will propose some implications for Western MNCs doing business in the region.

Traditionally-desired information

To understand the lack of environmental information in the region, we will first consider what strategic-planning theorists

The authors thank the Guest Editor, Dr Usha C.V. Haley, two anonymous reviewers, and Comet, for their excellent comments and suggestions.

Management Decision
34/9 [1996] 37-48

© MCB University Press
[ISSN 0025-1747]

regard as information desirable for effective strategic planning and management. We will then compare it with the information that South-East Asian firms use. Finally, we will contrast the availability of information in the region with that available in the USA to sketch how much and what kind of secondary information and analysis strategic planners and managers can expect.

Wheelen and Hunger[2] define strategy formulation as, "the development of long-range plans for the effective manipulation of environmental opportunities and threats, in light of corporate strengths and weaknesses" [2, p. 13]. To formulate strategies, management must scan external environments, both societal and task, and also scan internal environments. Wheelen and Hunger[2] identify several key variables to scan: in the societal environment – socio-cultural, economic, technological and politico-legal forces; in the task environment – suppliers, competitors, employees and/or labour unions, customers, special interest groups and communities, among others; and in the internal environment – structure, corporate culture and resources.

Hofer and Schendel[3] include a much more detailed set of factors and variables to consider, broadly grouping them under: opportunities and threats that identify market, industry and supply factors; environmental variables that highlight demographic trends, technological changes, socio-cultural trends and political-legal factors; the different functional activities within the firm.

In his strategic marketing text, Jain[4] also includes a two-page list of "possible strategic factors in business" [4, pp. 64-5] for strategic planners to consider in their decision making. He classifies the factors under the subheadings: General managerial; Financial; Marketing; Engineering and production; Products; Personnel; and Materials.

The black hole

Tables I and II present the results of a literature search of the ABI-Inform database – probably, the most commonly available database, worldwide, of published articles. The topical keywords we used in the search do not constitute a comprehensive list; however, the keywords do represent many of the different kinds of information that strategic planners and executives seek to understand new environments into which they, and their firms, are entering.

Three things should be noted. First, the topic titles in the tables frequently represent more keywords than those the titles indicate: for example, "Market research" represents

searches we conducted using the keywords marketing research, market research, market data and marketing data. Second, we screened the results of the search presented in Tables I and II to eliminate spurious hits unrelated to management issues and to ensure that the articles addressed the subject matter, or its application, in the countries we searched. Probably the most common problem of this sort related to Vietnam where many articles profiling particular executives or firms mentioned the executives being Vietnam War veterans or the firm's Vietnam War-related activities; however, as authors researching and/or writing about the business environments in any of the South-East Asian countries rarely consider this focus important, we eliminated it from our search. Finally, for the purposes of this study, the term South-East Asia refers only to the seven ASEAN countries, Myanmar (Burma), Laos and Cambodia, as indicated in Table III.

Ironically, researchers have focused most intensively on Singapore, the smallest state geographically in the region, with the second smallest population. Singapore also has an advanced economy and domestic market, with one of the most homogenized and Westernized business communities and environments in South-East Asia. This focus approximates the drunk looking for his keys under the lamppost, because he finds light there, rather than searching for them on his unlit doorstep where he dropped them.

To contrast the available information from South-East Asia and the USA, we use some data to show how the region compares to the USA in terms of population and economic size. In Table III, we can see that the GDP of South-East Asia, at US\$1,424 billion, represents 22.3 per cent of the US economy's, US\$6,380 billion. South-East Asia also has a significantly smaller land mass, representing only 45.3 per cent of the US land mass.

Although investing firms often consider such broad data, an economy's market segments, various corporate and societal cultures, and myriad environments, economic, competitive, political and legal, form the foci for firms' strategic planning. When we look at population figures, we find that South-East Asia has a significantly larger population – almost 497 million to the US's 264 million, or about 188 per cent of the US population. With its melting-pot population, the USA arguably constitutes the most culturally-diverse single nation in the world; however, it lives under, basically, the same set of business, economic, competitive, political and legal environments. One cannot assume this of South-East Asia's populations that do not form one nation. Each country has its own rich

historical, cultural, economic, legal and ethnic backgrounds that, with the exception of Thailand, have been mixed with the corresponding backgrounds of the various colonial powers that controlled segments of South-East Asia.

This mix of native and foreign backgrounds gives the region a complexity that can challenge even the most culturally adept corporate management. Given the region's inherent complexity, the amount of research and publication on the region seems exceedingly small. The comparison of research and publication between the nations of the region and the USA, presented in Tables IV, V, VI and VII, seems to indicate a profound void where the few articles on the region's various competitive and business environments spiral into a black hole of ignorance about the region's markets.

Tables IV-VII indicate the significant imbalance in the relative amount of published knowledge about the USA and South-East Asia. When we look from Table IV to V and VI, we notice the increase in publications on South-East Asia from one time period to the next. However, total publications and publications on the USA also increase substantially[6]. The combined increases confound our ability to determine whether the increased numbers of publications on South-East Asia represent an actual increase in the proportion of articles covering the region. Such a proportional increase would reflect the increasing importance of the region economically and politically. If the increase merely demonstrates an increase in the numbers of publications, without an actual increase in the proportion of total publications, the increase probably only reflects an increase in total articles published, and/or an increase in publications tracked by ABI-Inform. By taking the percentages of publications listed in Tables IV, V, and IV, and subtracting them from the percentages in Tables V, VI and VI, respectively, one gets a series of positive (+), negative (-), or no change (/) results. A signs test can then be used to determine if actual increases in publications have occurred relative to the USA and to total publications. If publications on South-East Asia have continued to increase significantly, relative to the USA or to total publications, plus (positive) signs should dominate; if not, minus (negative) signs or slash (no-change) signs should dominate. Perfect chance would be represented by equal numbers of plus and minus signs. A Z-score can then be developed to determine if the variance from chance is significant.

In considering Table VII, we see that plus signs do not dominate; most signs emerge negative when comparing publications on South-East Asia with publications on the USA. In testing the Z-score for plus signs, we found that the negative trend runs extensively and deeply. Even after the widespread drop in publications from period A to period

Table III

A comparison of South-East Asia and the USA

	Population ^a	GDP ^b (billions \$)	Area (square miles)
Brunei	292,266	2.5 ^c	2,226
Burma	45,103,809	41.0 ^d	261,228
Cambodia	10,561,373	6.0 ^d	70,238
Indonesia	203,583,886	571.0 ^d	741,052
Laos	4,837,237	4.1 ^d	91,429
Malaysia	19,723,587	141.0 ^d	127,584
Phillipines	75,265,584	171.0 ^d	115,860
Singapore	2,890,468	42.4 ^d	247
Thailand	60,271,300	323.0 ^d	198,115
Vietnam	74,393,324	72.0 ^d	127,246
Total	496,922,834	1,424.0 ^d	1,665,057
USA	263,814,032	6,380.0 ^d	3,679,192

Notes:

^a = Derived from [5]

^b = International Monetary Fund, purchasing power equivalents unless otherwise noted

^c = 1991 figure

^d = 1993 figure

Table IV

South-East Asia business publications trends, Period A – 1987-1989

Topic	South-East Asia			USA	Total on topic
	Number	Percentage of USA	Percentage of total	Number	
Marketing	79	2.9	0.56	2,681	14,012
Pricing	16	2.6	0.48	612	3,367
Promotion	20	3.4	0.66	585	3,037
Distribution	37	2.6	0.55	1,416	6,710
Product development	5	0.9	0.22	505	2,306
Channels of distribution	4	3.1	0.64	130	626
Buyer behaviour	0	0.0	0.00	1	13
Consumer behaviour	3	1.5	0.23	196	1,280
Demographics	15	2.4	0.76	629	1,983
Advertising	22	1.6	0.36	1,390	6,070
Product management	0	0.0	0.00	29	226
Sales management	0	0.0	0.00	15	222
Point-of-purchase	1	1.8	0.27	56	370
Business research data	2	3.7	0.64	54	311
Management research data	0	0.0	0.00	16	288
Market research data	11	13.1	0.35	84	3,183
Consumer research data	1	4.3	0.44	23	228
Business-to-business	1	1.1	0.14	87	697
Transport/logistics	31	4.4	1.14	698	2,715
Strategic management	1	2.5	0.28	40	357
Management decision making	0	0.0	0.00	13	118
Culture	30	4.7	1.14	645	2,642
Media habits	0	0.0	0.00	4	13
Mass media/communications	1	4.2	0.86	24	116
Strategic planning	15	2.4	0.43	632	3,528
Total on region	1,391	4.9		28,443	

George T. Haley and
Chin-Tiong Tan
*The black hole of South-East
Asia: strategic decision mak-
ing in an informational void*
Management Decision
34/9 [1996] 37-48

B, the drop between period B and period C remains significant at the 0.06 level. Though the second score does not provide the strongest endorsement, considering the drop in the number of plus signs between the first two periods, it remains significant. As plus

and minus are not mutually exclusive, and as a substantial number of no changes occur in our middle column, we conducted a second signs test for minus signs. Here we found that changes between periods A and B are significant only at the 0.06 level, and that changes between periods B and C are not significant at all. Changes between the beginning and end of the time period studied showed that the negative trend in coverage is highly significant.

When comparing publications on South-East Asia with total publications on the topics, the region fares better. Overall, a trend of increased coverage on South-East Asia has occurred relative to total publications. Interestingly, both the overall increase, as measured by the number of pluses, and the increase between period A and period B, as measured by the number of pluses, are significant only at the 0.08 level, and virtually all of the overall increase comes in the first period (B-A). In comparing the change in publications between periods B and C, we find that the number of pluses is significantly (at the 0.02 level) below chance. Although none of the analyses show the number of minuses above the chance level (12.5 in this instance), they would seem to indicate that the 1990s has seen a leveling off, or perhaps even some reduction, in the relative number of articles published on South-East Asia. This trend occurred regardless of the much greater interest the private sector has shown in the area through its investments in the region. With increasing foreign investment in the region aimed at serving local markets, rather than markets in the industrialized countries, the overall trend in research and publication is puzzling.

Table V
South-East Asia business publications trends, period B – 1990-1993

Topic	South-East Asia			USA Number	Total on topic
	Number	Percentage of USA	Percentage of total		
Marketing	219	1.0	0.75	21,174	29,297
Pricing	41	0.9	0.63	4,661	6,530
Promotion	76	1.9	1.35	4,100	5,648
Distribution	117	1.3	0.88	8,739	13,271
Product development	32	0.6	0.47	5,321	6,852
Channels of distribution	10	1.4	1.00	725	999
Buyer behaviour	0	0.0	0.00	21	31
Consumer behaviour	17	1.2	0.71	1,474	2,387
Demographics	25	0.9	0.73	2,789	3,422
Advertising	73	0.6	0.46	13,164	15,984
Product management	1	0.5	0.34	186	298
Sales management	0	0.0	0.00	195	260
Point-of-purchase	2	0.3	0.25	685	812
Business research data	1	0.2	0.13	442	787
Management research data	0	0.0	0.00	212	491
Market research data	19	0.7	0.39	2,789	4,828
Consumer research data	19	10.4	5.54	183	343
Business-to-business	8	1.1	0.78	721	1,021
Transport/logistics	83	1.8	1.12	4,726	7,406
Strategic management	5	1.0	0.61	482	826
Management decision making	1	1.2	0.65	83	154
Culture	111	3.0	1.81	3,707	6,142
Media habits	0	0.0	0.00	20	30
Mass media/communications	2	0.9	0.68	226	296
Strategic planning	162	2.4	1.57	6,784	10,320
Total on region	5,444	2.5		216,016	

Table VI
South-East Asia business publications trends, period C – 1994-mid 1995

Topic	South-East Asia			USA Number	Total on topic
	Number	Percentage of USA	Percentage of total		
Marketing	155	1.0	0.65	15,739	23,766
Pricing	29	1.0	0.77	2,894	3,750
Promotion	60	2.3	1.63	2,647	3,672
Distribution	63	1.0	0.73	6,472	8,683
Product development	17	0.3	0.34	4,974	4,974
Channels of distribution	4	0.5	0.42	845	958
Buyer behaviour	0	0.0	0.00	11	14
Consumer behaviour	9	1.0	0.70	867	1,292
Demographics	10	0.6	0.55	1,573	1,826
Advertising	60	0.5	0.36	11,461	16,490
Product management	0	0.0	0.00	109	153
Sales management	0	0.0	0.00	254	280
Point-of-purchase	2	0.4	0.37	457	545
Business research data	3	1.1	0.76	262	393
Management research data	1	0.6	0.29	179	350
Market research data	11	0.7	0.44	1,512	2,483
Consumer research data	0	0.0	0.00	108	156
Business-to-business	7	1.4	1.13	483	620
Transport/logistics	64	1.9	1.29	3,361	4,978
Strategic management	1	0.3	0.21	324	477
Management decision making	0	0.0	0.00	32	53
Culture	91	3.6	2.39	2,521	3,808
Media habits	0	0.0	0.00	8	11
Mass media/communications	2	1.5	0.89	134	225
Strategic planning	83	1.3	1.02	6,197	8,126
Total on region	4,430	2.3		189,610	

Operating in the black hole

The analyses indicates that South-East Asia as a region does indeed constitute an informational black hole. The tables also show that the more industrially developed nations in the region received better coverage than less industrially developed ones; however, as expected, the amount of information on any country does not quite correspond with its stage of economic development. For example, Singapore, ranked ninth in per capita GNP worldwide (higher than the UK, Australia and New Zealand), has a significantly lower level of information published about it than New Zealand, which has about the same population.

One can understand better the black-hole phenomenon by examining the history of business development in the region. South-East Asia has had three major clusters of large businesses: the state-owned or government-linked corporations (GLCs), the

George T. Haley and
Chin-Tiong Tan
*The black hole of South-East
Asia: strategic decision mak-
ing in an informational void*
Management Decision
34/9 [1996] 37-48

overseas Chinese family businesses, and MNCs. All three groups have prospered despite the lack of local business and market information. Historically, these clusters have not advocated for more and better information; given their primary markets and situations, they adjusted their strategies and management accordingly, and coped quite adequately with their environments.

The first cluster of businesses, the state-owned corporations or GLCs, played a major economic role in many industries in their respective home countries. Many GLCs started as suppliers of products or services in protected, if not monopolistic, domestic market environments. With strong domestic demand, and lack of serious competition, many of these businesses flourished. For such businesses, strategic planning and management were often patterned after the countries' plans for economic growth and development; market information and industry data never formed critical success factors. Hence,

information has not historically assumed a top priority for the businesses.

The next cluster of businesses, the overseas Chinese family businesses, probably constitutes the single, most-dominant, private, business grouping in South-East Asia. Figure 1 indicates the overseas Chinese as respective percentages of their local populations, and their respective degrees of participation in the local economies of several South-East Asian countries. As can be seen, in virtually every country in South-East Asia, the degree of the overseas Chinese participation in the economy far outstrips their numbers in the population. Today, they have used their various networks to extend their reach to many parts of the world.

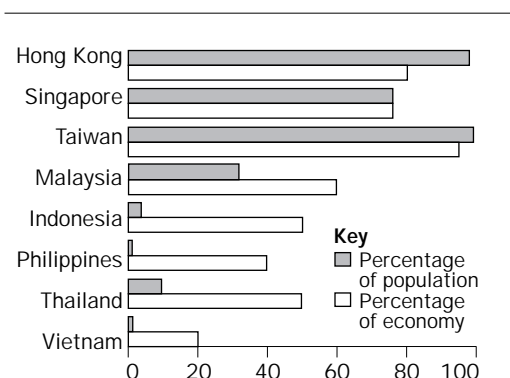
Historically, many overseas Chinese started their businesses as merchants and traders. They quickly moved into property-related businesses, and before long, diversified into almost any business deemed profitable. These businesses were characterized by an intuitive, entrepreneurial and fast decision-making style, and paternalistic management. Due to their low level of education, especially of business education, founders of these businesses made decisions to invest, grow and compete almost solely on the basis of business sense, experience and their individual propensity to take risks. The requirements of business information and detailed analyses of business ventures rarely occurred, if at all. On occasions when truly difficult decisions had to be made, and additional information was considered necessary, the Chinese businessmen usually depended on their network of friends and/or well-connected government officials to supply them with the relevant information. Trust and loyalty formed central concerns: they still do. Desired information need not have included hard data, but frequently involved subjective views or

Table VII
The signs test

Topic	Compared to USA			Compared to total		
	B-A	C-B	C-A	B-A	C-B	C-A
Marketing	-	/	-	+	-	+
Pricing	-	+	-	+	+	+
Promotion	-	+	-	+	+	+
Distribution	-	-	-	+	-	+
Product development	-	-	-	+	-	+
Channels of distribution	-	-	-	+	-	-
Buyer behaviour	/	/	/	/	/	/
Consumer behaviour	-	-	-	+	-	+
Demographics	-	-	-	-	-	-
Advertising	-	-	-	+	-	/
Product management	+	-	/	+	-	/
Sales management	/	/	/	/	/	/
Point-of-purchase	-	+	-	-	+	+
Business research data	-	+	+	-	+	+
Management research data	/	+	-	/	+	+
Market research data	-	/	-	+	+	+
Consumer research data	+	-	+	-	-	-
Business-to-business	/	+	-	+	+	+
Transport/logistics	-	+	-	-	+	+
Strategic management	-	-	/	+	-	-
Management decision making	+	-	-	+	-	/
Culture	-	+	/	+	+	+
Media habits	/	/	-	/	/	/
Mass media/communications	-	+	-	-	/	+
Strategic planning	/	-	-	+	-	+
Total on region	-	-	-			
Number of plus signs	3	9	2	15	9	15
Z-scores for plus signs	-3.92	-1.57	-4.31	1.41	-1.98	1.41
Probability	0.000	0.058	0.000	0.079	0.024	0.079
Number of minus signs	17	12	19	6	12	4
Z-scores for minus signs	1.57	-0.39	2.35	-3.68	-0.28	-5.72
Probability	0.058	0.348	0.009	0.000	0.390	0.000

Notes: + = positive change; - = negative change; / = no change

Figure 1
The overseas Chinese



Source: [7]

beliefs that the businessmen used to increase confidence levels in their decisions.

This somewhat holistic, yet intuitive, decision-making style corresponded well to an information-scarce environment; it also served to exclude effectively new entrants who lacked the overseas Chinese business community's experience and network. For instance, many South-East Asian banks have historically had community bases – that is, they serve particular groups, or networks, of people, not groups of people who live within specific geographic areas; these community bases continue today. Consequently, individuals who apply for business loans from banks in Indonesia often find that all the information included in their applications has been transferred to the banks' related companies in the same business as the applicants'; and, that the related companies have not only moved into the business, but have even implemented the business plans submitted with the application[8]! Observers have attributed the rapid growth of many overseas Chinese family businesses in the region to their amazing speed of decision making[9]; this speed and ability to dominate access to information made the ability to seize major business opportunities possible.

The third cluster, foreign MNCs, arrived in the region much later. In South-East Asia, European trading houses have existed for decades. However, the trading houses have not contributed as much to the region's economic growth and activity as the manufacturing-based MNCs that entered the region in large numbers much more recently. Manufacturing-based MNCs, unlike the trading houses, originated from all the industrialized regions and have served as key contributors to the export-led economic growth of many of the region's countries. Since the Second World War, when MNCs were rationalizing their low-cost manufacturing policies worldwide, many found South-East Asia an attractive option. With attractive tax incentives, investment benefits, and cheap labour offered by host countries, many MNCs transferred some of their manufacturing operations to the region.

The MNCs' managers seldom found decisions to relocate to South-East Asia difficult to make; in many instances, the host governments compiled and offered to the MNCs information relevant to such decisions. The MNCs did not design their manufacturing operations to serve local markets, but rather to obtain production cost advantages in their worldwide operations. The products manufactured were generally intended for export markets. Hence, the MNCs' managers either did not encounter the unavailability of

information on South-East Asian markets; or, they did not consider the informational void important. Their decisions to relocate manufacturing operations constituted internal decisions to maximize operational efficiency rather than decisions to serve local markets; decisions regarding the latter require much greater understandings of the local environments.

In sum, the informational black hole in South-East Asia appears tangible. It exists because of the manner in which business has historically been conducted and because of participants' goals. As the key decision makers have not actively sought out more objective, empirical data and information in the past, the region has remained an informational void.

Lack of knowledge and its effects

This lack of available knowledge has led to major differences in the manner in which strategic decisions are made and undertaken in South-East Asia. The significant contrasts in available knowledge between South-East Asia's and Japan's primary export and domestic markets also create serious doubt about Nakamura's[1] conclusion that strategic planning in South-East Asia is developing as it did in Japan. The limited published information on South-East Asia, along with much of the general literature on international management, lends support to our argument.

Hofstede[10] provides interesting insights into the variations in strategic management by describing some of the cultural and ethnic differences in the practices of strategic management worldwide. In doing so, Hofstede differentiates between Japanese and other Asian management practices (primarily the Chinese), and also between the mainland and the overseas Chinese who exercise such great influence in the South-East Asian economies. Haley and Stumpff[11] have shown that managers of differing personality types favour different decision-making styles. Haley[12] also found evidence that different countries' managerial cadres may consist of significantly different proportions of the various personality types.

Ghosh and Chan[13] conducted a study on strategic-planning behaviours among emergent firms in Singapore and Malaysia. Although not MNCs, some of the firms had international operations, Ghosh and Chan concluded that planning activities in these firms generally appeared *ad hoc* and reactive. If one considers the data collected from the managers involved in the study, the only factor that addresses the issue of

environmental scanning, market research, or any other kind of research, is "CEO's personal knowledge of market", that ranks as the fourth most important factor in contributing to the success of planning. While a CEO's experience is important in any situation, one must consider how many failures must occur before the CEO attains that experience. If the CEO's personal knowledge of the market forms the sole source of market or environmental knowledge, one must also wonder how a firm could expand beyond its local or domestic market.

In their study of strategic planning of franchising in Singapore, Chan *et al.* [14] ignored all market or environment-related factors. This lack of importance given to environmental scanning may have been understandable when the world was frozen into two opposing economic, political and military camps striving for domination - though nothing was ever as static as this position would seem to indicate; however, it seems incomprehensible when these studies occurred. With the fall of the Soviet Communist Bloc, and the economic liberalization that has occurred among the Chinese Communists, the economic and business environments are experiencing such high rates of change that environmental scanning and marketing research have become more crucial than ever [15]. This seems especially true of a South-East Asia that includes the fastest-growing world economies; and where the major economic powers, the USA, Europe and Japan are vying for influence and market share with the economically resurgent, geographically closer, and in many instances, culturally closer, People's Republic of China and Asian Tigers.

Implications for international managers

A typical MNC forms a complex network of structures, systems, processes and stakeholders. Its normal work routines are analytical, procedural and systematic. On an average day, elaborate compilation of data, sophisticated analyses of data, and systematic approaches to problem solving constitute the norm.

A young executive joining such an environment, to be successful, must learn his or her company's corporate business procedures and practices. By the time the executive has obtained sufficient seniority to merit an overseas posting, he or she will have acquired great competence in the firm's corporate approach to business management. The executive will likely appear a highly analytical, rational decision maker, prone to rely on relatively dependable and abundant information. Such a manager is likely to be most

effective when competitive dynamics and environments are fairly stable and relatively transparent due to the abundance of reliable data and data analysis on which to base decision making.

Although numbers of MNCs from newly industrializing and developing economies are increasing, the bulk of MNCs originate from industrially developed, mature economies. Mature economies provide abundant data, and often the time in which to collect and analyse the data before developing business strategies and taking action. When sent overseas, executives from such environments are expected to deliver the same top performance as they did in their home markets. However, their training and experience provide them only with the same skills with which they have obtained their previous successes. Unfortunately, if their assignment is to a region like South-East Asia where the market dynamics are in constant flux, business opportunities move quickly, and environmental information seems generally unavailable, their previous training and experience will not reflect the requirements for success in the region.

Such experiences appear common among MNCs' executives newly assigned to South-East Asia. Consequently, inquiries assume critical importance into how international managers can acclimatize themselves to such situations rapidly; and how MNCs can better obtain the skills to function more effectively in regions that form informational voids.

Judging from South-East Asia's rapid growth, and the recent aggressive international expansion of many firms from the region, one may attribute success in the region to ability in making fast decisions and seizing business opportunities [16]. South-East Asian executives' swift darting in and out of businesses, their quick execution of strategies, and their constantly doing new things in an environment where little or no information seems available often puzzles professionally trained managers; the latter often express disbelief and shock that decisions appear made in such haphazard fashions. Undoubtedly, many successful South-East Asian executives' decision styles do not correspond to the conventional, corporate analytic model taught in business schools and used so successfully in more mature economic and informational environments. The South-East Asian style approximates an experience-based, intuitive, idiosyncratic model, well suited to an uncertain environment with little information.

To be effective in South-East Asia, Western managers need to study holistic/intuitive decision making, and to learn it fast.

Although social psychologists and popular gurus have studied differences between Eastern and Western thought processes, learning capabilities, and decision-making styles, little knowledge exists of South-East Asia's holistic/intuitive decision-making styles. In part, this stems from the lack of management research in the region. Drawing on our observations and study of Asian executives in consulting and executive development seminars, we propose that several salient characteristics are common to such an experience-based holistic/intuitive approach to decision making. They are: hands-on experience; transfer of knowledge; qualitative information; holistic information processing; action-driven decision making.

Hands-on experience

To make quick decisions comfortably, without detailed analyses of hard data, a manager needs extensive knowledge and experience in the strategic environment. The manager must almost be a hands-on, line manager who has gone through the firm's work routines and processes, and knows first hand the product, market, business environment and industry. If he or she forms staff, without sufficient exposure to the detailed workings of the trade, the manager will have difficulty putting things in perspective quickly enough to make timely decisions. Consequently, and quite commonly, many senior Chinese businessmen running huge companies remain active in all aspects of their businesses. This level of involvement appears necessary for an executive to make comfortably the right decisions without data support. Wada[16] gives an example where a Chinese businessman in Hong Kong responded within 15 minutes to an offer by Mr Li Ka Shen, chairman of the Hutchinson/Cheung Kong conglomerate, to enter into a joint venture. The businessman's confidence in Mr Li's judgement, his ability to trust Mr Li's word, and importantly, his in-depth knowledge of the business and markets under consideration allowed him to make such a rapid decision.

Transfer of knowledge

Managers often have difficulties making new decisions within new environmental contexts. However, in South-East Asia, companies often diversify successfully into new businesses, which are totally different and considered non-core. This runs contrary to conventional business wisdom of staying within one's core business and pursuing related diversification.

For an executive to function and to succeed in a completely new industry in which he or she has no prior experience, the executive must have the ability to make generalizations

from past experience. The executive must also be able to transfer those generalizations into the new context. The dexterity to extract knowledge and the perspective to help one to tackle new problems in different situations involves conceptualization skills different from analytical skills. Successful South-East Asian executives have the ability to see the big picture, and to sense intuitively winners from losers. Whether one believes or not in the continuation of this characteristic decision making style, it forms an accepted part of business activity in the region[9]. Chu and MacMurray[9] believe that this aspect of business in South-East Asia must change; yet, many businessmen in the region feel it contributes importantly to their firms' growth. For example, Thailand's Charoen Pokphand (CP Group), owned by the Chearavanont family started in poultry farming, and has since branched out into property investments and telecommunications in order to continue its rapid growth rates. It has done so while maintaining levels of profitability almost unheard of in the West.

Qualitative information

South-East Asian executives appear to take unnecessary risks by not undertaking sufficient research or analysis before acting; however this appearance may prove misleading. The executives often process myriad bits of information and consider several alternatives in depth before they take action. They differ from their Western counterparts in that for the South-East Asian executives the process may occur, almost completely, internally. Although their decision making may contain high degrees of articulation, the South-East Asian executives may not present the results in detailed, written, analytical forms.

The executives almost always use external sources of information when making strategic decisions. Our experience indicates that executives will actively seek out information and search for the critical pieces that will impact their final decisions. However, executives are less likely to refer to documented evidence or data in published forms. They refer to sources of often qualitative, even subjective information, such as friends, business associates, government officials, and other people in whose judgement they trust, and in whom they personally trust. They may often travel to local scenes to check personally on the reliability of local information, rather than rely on secondary information. Their contacts and connections among local sources often consist of people who can supply up-to-date, accurate information that may not be published. Such first-hand information

from original sources may prove superior to any other available alternatives. Consequently, with hindsight, many of the decisions that the South-East Asian executives make appear correct.

Network building goes beyond linking oneself to some senior government official or great industrialist. South-East Asian businessmen, while criticized for not building their firm's internal base of managerial talent, often seek out promising individuals who they feel will prove valuable contacts in the future. For example, several years ago, Mr Liem Sioe Liong of the Salim Group, the largest, and probably the most successful of the overseas Chinese conglomerates, met a young army lieutenant he thought showed promise. He maintained contact with the lieutenant, and offered him his support during his military, and subsequent political, career. The promising young lieutenant is now President Suharto of Indonesia and remains Mr Liem's close friend.

Holistic information processing

Conventional analytical problem solving, as taught in business schools and universities, tends to stress sequential, systematic and step-by-step approaches to solving problems and making decisions. This approach proves most effective when, at each step, managers can obtain the proper inputs for use. The approach may be optimal in situations where managers can readily generate or purchase needed data. In an informational void situation, managers may find the approach unworkable.

Alternatively, the experience-based intuitive model views the problem in totality; managers take a general approach to problems, define parameters intuitively, and explore solutions in holistic manners. Such an approach appears to resemble Asian thinking and learning processes. It forms an alternative mode of decision making that works well in many situations, especially in those environments in which it has developed.

Action-driven decision making

Speed constitutes one key characteristic of decision making in the South-East Asian business context. Executives often make key decisions without consulting anyone. Their preference appears to revolve around action. Several stories exist of well-known South-East Asian executives who decided on important matters in minutes and implemented the results almost immediately. The quickness also reflects the empowerment and accountability of the executives' actions. Executives often have great latitude in deciding matters.

Long debates and committee meetings rarely occur.

The South-East Asian decision-making model does reflect an authoritative management style. However, when one person has responsibility in a situation, and the authority to make final judgement, a little assertiveness can move things more quickly and get work done faster. This formed Mr Kazuo Wada's conclusion also, and the main reason why he moved the headquarters for his firm, Yaohan, from Japan to Hong Kong, and the international headquarters for all operations outside of Hong Kong and China, to Singapore; the domestic Japanese operations remain the only ones with headquarters still in Japan.

MNCs' options

Can MNCs learn new skills and equip their staff with them to make more effective international managers in South-East Asia? The answer forms a definite "Yes!" Managers can embark on several courses of action:

- When necessary, managers must change the traditional analytical model of management development training to a more experience-based method. Training can assist a manager in learning and practising a holistic way of processing information, and in making decisions in situations where informational vacuums exist. Action learning programmes are increasingly available.
- As fast decision making is critical, managers must have close links on the ground in each country to accelerate decision making. Using more locals, having strong connections in the local community, and building trust-based relationships constitute some of the ways to establish stronger links to local information. Managers should also learn to recognize the evolution of relationships. Unlike many other networks in different cultures around the world, an individual's acceptance within a Chinese network is flexible, and can vary based on developments on which the individual has no influence; acceptance does not depend totally on the individual's actions alone, but also depends on the actions of others who influence the situation(s) in which the individual interacts with the network. Executives of Western MNCs do not have total freedom to undertake some of the behaviours that will help to cement their position with a network. (This has nothing to do with bribery, but more to do with freedom to act independently and to involve their families in the business relationship as completely as ethnic Chinese networks often do.)

- Managers must encourage staff to develop different skills that fit different environments. More importantly, management may need to change its preference for an analytical approach to a more flexible methodology. In situations where a less analytical approach may prove beneficial, managers must agree to it and appreciate it. In the event of failures, which will occur when decisions are made in uncontrollable environments, managers must refrain from meting out severe punishment. The culture must encourage more intuitive decision making when necessary.

Finally, this lack of information has influenced Chinese business culture: the culture draws on superstitious learning, symbolism and luck. For example, Feng Shui forms a common practice in Hong Kong and Singapore: it consists of the art of proper positioning of buildings, entrances and furniture in daily business and life; rituals and custom determine the objects' precise locations. Many Chinese also feel they can generate good luck by having successful first negotiations of the day. Hence, Western businessmen may have more successful dealings by scheduling important appointments for early morning hours: their Chinese associates may strive for successful conclusions to the negotiations, and may even surrender more than usual for the purpose. Chinese business communities also frequently associate numbers, including price tags, car plates and office addresses with homonyms' characteristics: For example, two is associated with the word "easy", four with "death", and eight with "money" as they sound the same in Cantonese. An office address of 28 may prove very desirable with an association of "easy money"; with an office address of 24, however, one may wish to get a Post Office Box!

Note and references

- 1 Nakamura, G.-I., "Development of strategic management in the Asia Pacific region", in Hussey, D.E. (Ed.), *International Review of Strategic Management*, Vol. 3, John Wiley & Sons, West Sussex, 1992, pp. 3-18.
- 2 Wheelen, T.L. and Hunger, J.D., *Strategic Management and Business Policy*, 4th ed., Addison-Wesley, Reading, MA, 1992.
- 3 Hofer, C.W. and Schendel, D., *Strategy Formulation: Analytical Concepts*, West, St Paul, MN, 1978.
- 4 Jain, S.C., *Marketing Planning and Strategy*, 4th ed., South-Western, Cincinnati, OH, 1993.
- 5 US Census Bureau, *World Population Profile*, 1995.
- 6 The base of information in Tables IV-VII is different than in Tables I and II. The number of publications on the USA for some topic areas is so large that it was impossible to screen them as they did for I and II. To ensure comparability, the publications for South-East Asia are also the unscreened totals.
- 7 Kohut, J. and Cheng, A.T., "Return of the merchant mandarins", *Asia, Inc.*, March 1996, pp. 22-31.
- 8 East Asia Analytical Unit, *Overseas Chinese Business Networks*, AGPS Press, Department of Foreign Affairs and Trade, Canberra, 1995.
- 9 Chu, T.C. and MacMurray, T., "The road ahead for Asia's leading conglomerates", *McKinsey Quarterly*, No. 3, 1993, pp. 117-26.
- 10 Hofstede, G., "Cultural constraints in management theories", in Hussey, D.E. (Ed.), *International Review of Strategic Management*, Vol. 5, John Wiley & Sons, West Sussex, 1994, pp. 27-47.
- 11 Haley, U.C.V. and Stumpf, S.A., "Cognitive trails in strategic decision-making: linking theories of personalities and cognitions", *Journal of Management Studies*, Vol. 26 No. 5, 1989, pp. 477-97.
- 12 Haley, U.C.V., "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), *Leadership and the Myers-Briggs Type Indicator: Theory, Research and Applications*. Consulting Psychologists Press, Palo Alto, CA (forthcoming).
- 13 Ghosh, B.C., and Chan, C.-O., "A study of strategic planning behavior among emergent businesses in Singapore and Malaysia", *International Journal of Management*, Vol. 11 No. 2, pp. 697-706.
- 14 Chan, P.S., Soon, J.F.K. and Quek, G., "An investigation of the strategic and competitive aspects of franchising in Singapore", *International Journal of Management*, Vol. 11 No. 3, 1994, pp. 778-85.
- 15 Stanat, R., "Trends in data collection and analysis: a new approach to the collection of global information", in Hussey, D.E. (Ed.), *International Review of Strategic Management*, Vol. 3, John Wiley & Sons, West Sussex, UK, 1992, pp. 99-132.
- 16 Wada, K., *Yaohan' Global Strategy, the 21st Century is the Era of Asia*. Capital Communications Corporation, Hong Kong, 1992.

(George T. Haley is Senior Lecturer in the School of Marketing and International Business at the Queensland University of Technology, Brisbane, Australia; and Chin-Tiong Tan is Associate Professor of Business, Head of the Marketing Department at the National University of Singapore, Singapore.)