

THE ROLE OF CULTURE IN PRESCRIBING BELIEFS AND PRACTICES FOR ACHIEVING SUCCESS

Chinese versus Javanese Managers in Indonesia

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This study is based on an exploratory empirical study (carried out in 2004-2005) investigating the impact of Chinese social institutions (guanxi and wulun) to managerial values and business practices for achieving success in organizational settings. The study tries to find answer behind the enduring history of the economic success of Chinese people in Indonesia. It follows Redding's suggestion that Confucianism is a key root cause of the economic success of overseas Chinese, including those in Indonesia. The study explores managerial values and business practices in Chinese-managed organizations as compared to Javanese-managed organizations. The study is also intended to construct factors representing managerial values and business practices that prevail in Indonesia. Research findings show there is only one variable that significantly differentiate Chinese and Javanese managerial values in Indonesia. This single variable may be helpful for enhancing our understanding of managerial values and business practices in the socio-cultural perspectives that prevail in Indonesia, and that it may be used for future research to build dimensionality of business cultures and management practices in different contexts.

Tulisan ini merupakan suatu studi empiris eksploratif (dilakukan pada tahun 2004-2005) dalam upaya mempelajari implikasi dari institusi sosial masyarakat Cina (guanxi dan wulun) pada nilai-nilai manajerial dan praktik bisnis mereka dalam meraih sukses dalam organisasi. Tujuan dari studi ini adalah mencari jawaban atas pertanyaan mengapa masyarakat Cina di Indonesia secara umum berhasil secara ekonomi. Dalam upaya tersebut, studi ini mempelajari nilai-nilai sosial budaya masyarakat Cina, yaitu Konfusianisme, sebagai akar keberhasilan ekonomi Cina perantau, termasuk yang berada di Indonesia, seperti yang dilontarkan oleh Redding. Dalam studi ini, nilai-nilai manajerial dan praktik bisnis yang berlaku dalam organisasi yang dikelola oleh manajer keturunan Cina dibandingkan dengan nilai-nilai manajerial dan praktik bisnis yang berlaku dalam organisasi yang dikelola oleh manajer keturunan Jawa. Tujuan lain dari studi ini adalah membuat suatu konstruk tentang faktor-faktor yang dapat digunakan sebagai representasi nilai-nilai manajerial dan praktik bisnis yang berlaku di Indonesia secara umum. Hasil studi menunjukkan bahwa hanya ada satu variabel yang secara statistik signifikan membedakan nilai-nilai manajerial dalam kedua jenis organisasi tersebut. Walaupun hanya ada satu variabel pembeda, namun variabel tunggal ini dapat memberi jawaban atas penyebab keberhasilan masyarakat Cina perantau yang berada di Indonesia.

Abstract



Keywords: social institutions, Confucianism, guanxi, wulun, social identity

Ethnic Chinese in Indonesia (Sometimes is also referred to as Chinese-Indonesians throughout the article) is about 5% of the total country population (Suryadinata, 1997). However, many of them have become successful economically since the Dutch colonial days and notably in the past five decades since the 1960s (Suryadinata 2001). This study is based on an empirical study (carried out in 2004-2005) investigating the role of culture in prescribing beliefs and practices for achieving success. It adopts the widely held position that culture, in particular Chinese culture, is a key root cause of this economic success. It follows Redding's (1993) suggestion that Confucianism is the foundation of Chinese people's socio-cultural values, and that this ancient Chinese perspective still influences Chinese social institutions in South-East Asian countries, including Indonesia.

In the past, several scholars have attempted to study the pervasiveness of *guanxi*-based network social institution in Southeast Asian countries and its relations with the region's high economic development (Redding, 1993; Hamilton 1996). However, these studies mostly concentrated on Chinese entrepreneurial firms, and thus, there are not many studies looking at Chinese-managed organizations (corporations) in Indonesia. In this study, Chinese managed organizations are referred to as organizations with majority of their senior managers having Chinese ethnic background. In line with that definition, non-Chinese-managed organizations are referred to as organizations with majority of its senior managers having non-Chinese ethnic background.

The unstable social political issues and

discrimination towards Chinese ethnic group in Indonesia (especially after the 1998 riots), had prevented scholars from having a closer look at Chinese business practices in the country, as many Chinese Indonesians are reluctant to share their business practices. Other scholars had attempted to analyze business practices in Indonesia in general, not particularly on Chinese-managed organizations. They were for example, Hofstede (1982), Young (1994), and Larasati and Habir (1999). These studies, however, were approached based on Western theoretical concepts not on Chinese backgrounds. Thus, the analysis of non-western behaviors has been done through a Western interpretive lens. This lens has generally relied on an often unacknowledged assumption that this Western perspective is superior (Ho, 2003); because it is believed that the analysis is to a large extent free from cultural bias. Questions have also been raised regarding the universality and adequacy of theories and research tools developed in the Western context (Doktor *et al.* 1991). It has also been suggested that researchers in Asian management contexts in particular should exercise caution when applying Western theories, and should instead favor a focus on relevant local issues and theory development (Tsui 2004).

Consequently, there are limited resources about Chinese business practices in the country, and that the underlying reasons behind the economic success of Chinese people in Indonesia are still insufficiently studied. This study is an attempt to partially remedy that deficiency by investigating managerial values and business practices of Chinese-managed organizations as compared to non-Chinese-managed

organizations in Indonesia. Since the Javanese people comprise of over 40% of Indonesian total population, the study has focused on Javanese managers/businesses, as the dominant cultural group to use as a comparison to the Chinese organizational model.

The study adopts Boisot and Child's (1999) suggestion to treat organizations as self-organized and adaptive social systems in a complex and unpredictable environment; and that agents from different socio-cultural backgrounds have different ways or strategies for dealing with information processing complexity which arises in social interactions. After a long period of time, agents from the same social group practice similar strategies as habits when interacting. Eventually these practices are institutionalized in their social interactions. Applying this conception and Confucianism, research questions underlying this study are: 1) What are the implications of social institutions to managerial values and business practices in an effort for managers to establish social identity and achieve success in organizational settings, as defined by their social groups; and 2) What are the contributing factors to Chinese-Indonesian economic success?

Organizations are social systems, in which people exchange information in their interactions, either in written or spoken form of communication (Wiener, 1967). There is a reduction in the amount of information that is transferred because each individual has his own subjective understanding and experience that can only be accessed by that individual. In consequence, any communication to another person involves a reduction in experiential richness of

that subjective experience, which means that much that is tacit (unspoken) can be assumed but not verified.

Boisot (1995) proposes a way of classifying this loss of tacit information in the communication act, as a process of codification and abstraction that is essential (and inevitable) in the process of information diffusion. He argues, despite the fact that each individual has his own idiosyncratic abilities in processing information, social institutions shape such process, thus, within a particular social setting some tacit knowledge is shared by members of that social group, making the information sharing potential of that social group more complex than the information sharing possible between different social groups. Within a given social group individuals are loosely coupled (being individually isolated in their subjectivity) but have the capacity for a more complex (a mixture of individual and socially derived) shared culturally mandated perspectives.

As Nonaka and Takeuchi (1995) and Holden (2001) have argued, agents process and give meanings to information differently, depending on their unique social cultural experience and knowledge, which has accumulated over time in social interactions among people of their social milieu. As a result, information means different things to different individuals. Secondly, information that is communicated and transacted in social systems is mostly of tacit - has low level of codification and abstraction (Boisot 1995; Nonaka and Takeuchi, 1995). It is personal, context-specific, and is therefore hard to formalize and communicate. For example, facial expression is difficult to be codified because it is tied to the senses, skills

in bodily movement, individual perception, physical experiences, social norms, and intuition, making it difficult to describe tacit knowledge to others (Boisot, 1995).

Information Processing Complexity

Boisot and Child (1999), based on their investigation of Chinese-managed organizations and Western-managed organizations in China, suggest that people from these two countries have different approaches in dealing with a complex and unpredictable environment, which are reflected in social practices, including in business practices, as strategies in dealing with complexity for processing information. They argue the differences are due to their social institutions as products of their social-cultural values as well as historical social interactions with other people in their embedded society.

According to Boisot and Child (1999), there are two quite different, yet complementary approaches to complexity in information processing. One deals with the content of information flows, referred to as *cognitive* complexity, and can be measured using the dimensions of *codification and abstraction*. Information that is highly codified/abstract i.e. more explicit, has lower level of cognitive complexity. On the other hand, tacit knowledge has higher level of cognitive complexity. The other one deals with the density and variability of interactions among coupled agents, referred to as *relational* complexity, which can be measured through the dimension of information *diffusion*. Relational complexity increases as relationship intensity (K) and the total number of interacting agents (N) increases (Boisot and Child, 1999) (Table 1). The more intensive the relationship

among agents, the more complex it is because it is more difficult for agents to make decisions independently. The overall level of complexity is managed either by increasing information codification to allow higher diffusion; or by reducing information codification to allow intensive relationships among sizable number of interacting agents. These two strategies are reflected in agents’ social institutions as products of their social cultural backgrounds. There are four types of social institutions: bureaucracy, market, fief and clan/network. Each of these social institutions has different level of complexities, as well as different cultural characteristics (Table 2).

High codification (low cognitive complexity) is possible in either bureaucratic or market types of social institution. Thus, the bigger a firm is, the higher is the need for information codification because it allows firms to achieve higher efficiency in organizational processes.

However, in many cases, as firms grow, they cannot escape from the dilemma of shifting to bureaucracy or market institution (Aldrich, 1999; Boisot, 1995), at the same time, there is a tendency for firms to pay more attention to organizational process rather than performance. Moreover, close personal relationships are difficult to maintain in either of these types of social institutions.

Based on Boisot and Child’s concept, this study explores Chinese and Javanese social institutions, as a strategy for managing information processing complexity, and relates those to their managerial values and business practices. For that purpose, social cultural backgrounds of influential

Table 1 The complexity of transactional structures in social institutions

Types	Social Institutions	Relational Complexity (K)	Cognitive Complexity	Overall Transactional Complexity
	Markets	High	Low	Medium
	Bureaucracies	Low	Low	Low
	Fiefs	Low	High	Medium
	Clans	Medium	High	High

Source: Boisot, M and Child, J., 1999

Table 2 Cultural characteristics of social institutions

Undiffused Information		Diffused Information	
<i>Codified</i>		<i>Information</i>	
Bureaucracies		Markets	
<ul style="list-style-type: none">• Information diffusion limited and under central control• Relationships impersonal and hierarchical• Submission to super-ordinate goals• Hierarchical coordination• No necessity to share values and beliefs		<ul style="list-style-type: none">• Information widely diffused, no control• Relationships impersonal and competitive• No super-ordinate goals – each one for himself• Horizontal coordination through self-regulation• No necessity to share values and beliefs	
<i>Uncodified</i>		<i>Information</i>	
Fiefs		Clans/network	
<ul style="list-style-type: none">• Information diffusion limited by lack of codification to face-to-face relationship• Relationships personal and hierarchical (feudal/charismatic)• Submission to super-ordinate goals• Hierarchical coordination• Necessity to share values and beliefs		<ul style="list-style-type: none">• Information is diffused but still limited by lack of codification to face-to-face relationships• Relationships personal and non-hierarchical• Goals are shared through a process of negotiation• Horizontal coordination through negotiation• Necessity to share values and beliefs	

Source: Boisot, M and Child, J., 1999

organizational decision-makers (i.e. senior managers) are observed. In this study, Chinese managed organizations are referred to as organizations with majority of their senior managers having Chinese ethnic background. In line with the definition, non-Chinese-managed organizations are referred to as organizations with majority of its senior managers having non-Chinese ethnic background.

Chinese Socio-Cultural Values

It has been suggested that Confucianism is founded on the *organismic view of the cosmos* (Needham, 1956). These Confucian

thoughts are believed to have combined the wisdom of the so-called Three Teachings: Ch’an Buddhism, the aesthetic sensitivity of Taoism, and the humanist concerns of Confucianism (Tu, 1985). However, for simplicity, in this study these teachings are referred to as Confucianism only. In the Confucian organismic conception, all things in the world (including humans) are unique and autonomous being, each having idiosyncratic characteristics and innate talents (including physical capabilities and affordances). This means, humans need each other to learn from and help others to realize and cultivate themselves (Tu, 1993).

In other words, humans need each other for self-actualization, which can only be carried out through self-awareness, self-realization and self-improvement. Thus, the definition of the self is very much emphasized in Confucian teachings; however, it is not an enclosed world of private thoughts (Tu, 1994). "This understanding of the self should not be considered as selfish or egoistic but instead it should be seen as the centre of a nexus of relationships. In order to establish oneself, one should try to establish others; in order to enlarge oneself; one should try to enlarge others" (Tu, 1985). In consequence, Chinese society is constructed out of morally binding relationships connecting all; and that humans and their environment are interconnected and inter-related as a whole complex cosmic system. Therefore, human's behavior is an effort to emulate that of the natural system as close as possible, which is to continuously grow, evolve and reproduce by actualizing their innate qualities through continuous learning. This notion in the Confucian teaching also means that everything goes forward and irreversible. There is no point of return, which suggests that a particular understanding of time is essential. What is important for Chinese people is the 'present' time, because it determines the future. Every step of an individual's actions is about building a history for the future. When the future is highly unpredictable, one can only learn and progress continuously by recourse to the learned strategies that were effective in one's own adaptive success in the past. Hence, human actions are pragmatic (Peirce, in Moore 1998). Continuous learning is therefore considered to be the most important thing for people to have a successful evolutionary process.

Furthermore, the Confucian Golden Rule in human relationship in bringing social order is based on reciprocity: Do not do unto others what you would not want others to do unto you (Tu, 1985). Since family is individuals' closest social world, Confucianism also treats family as the basic building block of ordered society. As a result, family is the central issues of all decisions, the idea of which is termed by Redding (1993) as familism. All efforts should be focused to make sure that family have the ability to serve as a stable basic building block by incorporating into the disciplines of hierarchy (Redding, 1993).

Based on the Confucian teachings, Chinese people manage the social interactions by practicing *guanxi* and *wulun* social institutions for people to grow and evolve in social harmony within an environment in which they are embedded. The following discusses these two social institutions.

Guanxi and Guanxi-based Network

Many have attempted to give a definition to *guanxi*. Some of the following definitions name a few. It is simply regarded as a good connection (Tsang, 1998). It is a friendship with implications of continued exchange of favors – it is more than a pure interpersonal relationship, and there is a reciprocal obligation to respond to requests for assistance (Pye, 1992). It involves cultivating personal relationships through the exchange of favors and gifts for the purpose of obtaining goods and services, developing networks of mutual dependence, and creating a sense of obligation and indebtedness (Yang, 1994). Other scholars treat *guanxi* as resources to reduce transaction costs (Standifird and Marshall, 2000), and to build sustainable

competitive advantage (Tsang, 1998).

In terms of the resource-based view of organizations, *guanxi*-relationships have all the characteristics necessary to be regarded as sustainable organizational resources. They are not easily imitable, valuable, and scarce (Tsang, 1998). However, *guanxi*-network has also been regarded as inhibitor for business success. For example, it is frequently regarded as nothing more than a connection of related/familiar people that is built and maintained by exchanges of gifts, nepotism, briberies, corruption, and is used to smoothen business transactions or to expand and strengthen business relations (Tsui, Fahr, and Xin, 2000). Based on the above definitions, we can see that the *guanxi*-network is not just any kind of network, but it's a kind of network that is based on *guanxi*, i.e. long-term trust-based personal relationship. It is established and maintained among family and extended family (not genealogical) (Tsang, 1998); with *ganqing* (emotional commitment) and *renqing* (personal favour) (Hwang, 1987); based on reciprocity and mutual benefits (Pye, 1992; Yang, 1994), personal trusts and credibility (Wong, 1988); and *mianzi* ('face' or respect) (Hu, 1944).

This study does not intend to give a new definition of *guanxi*, but instead, tries to make sense and give meaning to '*guanxi*' from the Chinese language point of view. Chinese ideograms are believed to be the reflections of the functional and practical meanings of the objects/situations (Hansen, 1993). The ideograms (words) for *guan-xi* [關係] are a combination of the words *guan* and *xi*. *Guan* [關] itself can be separated into two other independent words *men* [門] (two-leaf door/gate) and

guan [絲] (collections of fine silk threads braided on a loom). The word *xi* [係] is also composed of two separate words of *ren* 人 (human beings), *mi* (threads twisted together). *Guan* and *xi* can individually be combined with several other words having different meanings, for example: *guan-men* (close the door), *guan-jie* (joint), *guan-lian* (related/connected), *guan-shuo* (buy influence), *xi-lie* (series, sequence), *xi-tong* (system). Thus, from the language point of view, *guanxi* is interpreted as:

'A collection of selected people (through the two-leaf gate) having certain qualities (fine silk threads) joined together to take part in an inter-connected system (braided in a loom), and to complement to each other in making a contribution for the benefits of the network members (to produce a piece of fine silk)'

(Sunaryo, 2005).

This understanding implies why it is difficult to be a member of a *guanxi*-network, unless by invitations or referrals from existing members. However, once members are inside, while being connected and protected, are also expected to contribute for the benefits of the whole network. Members also go through a series of assessment processes in order to stay inside the network. Outside the gate, they are barely anybody. Thus, by understanding Chinese ideograms, we can get the feel of the real functional and practical meanings of the words and their application in daily lives.

Wulun-based Social Roles

The most important relationships in a

family are reflected in the five cardinal relationships, or [五倫] (*wūlún*), to show filial piety 孝 (*xiào*), literally means a child supporting old parent, or the way children behave towards their parents based on deep respect). Filial piety is considered to be the first virtue in Chinese culture; and these concepts are to be cultivated to children since early age.

Wulun regulates reciprocal relationships in a nested-hierarchical network-type of social structure (Bell, 2000) between:

1. Emperor and his subjects/ministers [君臣] (in modern times, this can be treated as the relationship between a leader and his subordinates). *The relation of righteousness.*
2. Father and son [父子]. *The relation of love.*
3. Husband and wife [夫婦]. *The relation of chaste conduct.*
4. Older brother and younger brother [兄弟]. *The relation of order.*
5. Among friends (individuals) [朋友]. *The relation of faithfulness.*

(Chang and Holt 1991: 253)

The more intensive the relationship among family members, the higher is the sense of obligation for reciprocity. *Wulun* also applies in business or non-business oriented organizations, which operate like a family, which does not have to be genealogical. Each member has his own roles and responsibilities according to his social position, either as a father, mother, elder brother, and so on as described above. Consequently, one person has a set of multiple roles and responsibilities, depending on his prescribed social position in any particular social context. For example, a person can be a leader in

a business organization, at the same time he is also a son to his parent, a brother to his siblings, a father to his children, a husband to his wife, as well as a citizen in his country. Thus, habitually, prescribed roles and responsibilities are practiced as social control mechanisms for people to regulate their behaviors for establishing and maintaining social harmony and stability (Hamilton, 1990). As pointed out by Needham (Needham, 1960: 290): "The notion of Order excluded the notion of law." This seemingly restricted and multiple social roles and responsibilities enable Chinese people to be adaptive in different social contexts according to their social positions. *Wulun* is operated together with *guanxi*-based relationship. The proposed definition of *guanxi* (discussed earlier) also explains that being unique is not enough for an individual to form a *guanxi*. Members' uniqueness has to be in complementarity, suggesting that there is a high degree of interrelatedness and inter-dependence among members. One needs to fit with the rest of the members; and once fitted, they are inter-locked together to keep on learning from each other and achieve the natural process of continuous growth, evolution and reproduction. Due to the high degree of complementarity and interdependence, when one member develops and grows, all members need to grow together to complement to each other; otherwise, the network's process of growing is disturbed. Thus, growing and evolution are carried out in a co-evolutionary process.

Within a family, complementarity is established by prescribing roles of each family member in reciprocity, as described in *wulun*, to enable them to co-evolve in harmony. Similarly, within an organizational

context, it makes sense that a leader's role is to organize, design, and coordinate organizational activities based on members' complementary talents and affordances based on *guanxi*, which are crucial for the evolution of the whole organization. Consequently, this kind of organization requires close personal relationships among organizational leaders (including managers, and supervisors) and members, such that all are able to conduct some kind of a SWOT analysis to build a pool of complementarity inter-connected resources.

Guanxi, Wulun, and Information Processing Complexity

Using the concept of information processing complexity, it is evident that *guanxi* has a high degree of relational complexity, which can be reduced by limiting the total number of members (N) by selecting them carefully (Kauffmann, 1995). Only agents with special attributes which fit with the rest of members in complementarity are invited in order to create wholeness. Social interactions within familiar people in a *guanxi* tend to be more informal, un-codified (tacit), and more efficient for decision making. On the other hand, interactions with out-group (unfamiliar people) may create a culture clash (Hall, 1960), and such interactions tend to be undertaken by codified knowledge. However, information transaction that is predominantly tacit creates instability, uncertainty and unpredictability or produce cognitive complexity (Boisot and Child, 1999). Based on the cultural characteristics (Table 1 and 2), *wulun* and *guanxi* can be categorized as a clan type of social institution. The limited number of N allows people in this kind of social institution to mitigate the degree of relational complexity. Thus, overall, Chinese social institutions

can be regarded as having high degree of cognitive complexity and medium degree of relational complexity.

To conclude, *wulun*-and *guanxi*-based social institutions can be considered as a social 'space' to enable individuals to continuously learn, grow and evolve by actualizing their innate unique qualities within a family. These social institutions allow people to emulate the process of the natural system in carrying out the most important purpose of live, which is to evolve and reproduce. Nonaka and Konno refer this kind of social system as a *ba*, or a shared social context and understanding for new knowledge creation (1998). In other words, Chinese people view the world based on unrestricted definition of a family. They deal with an unpredictable and complex environment (cosmic system) by absorbing and managing the inherent state of complexity by practicing *wulun*-and *guanxi*-based social institutions which are organized and practiced in line with the natural cosmic system. For them, success is associated with growth, as an outcome of continuous learning and adaptation in different social contexts. Winning, personal success and profits, important though they be, are secondary matters (Chia, 2003).

Javanese Socio-cultural Values

Javanese people's view of the world is also based on the 'oneness' of the cosmic system. Everything that happens in the world (including to an individual) is associated with the pertaining activities in the cosmic system. Thus, their social institutions are established and maintained in order to be in harmony with nature. Nuclear family (husband, wife and children) is regarded as the basic social group, and is an independent system economically. Unlike Chinese

people, special obligations and duties are due only to family members within this nuclear family. Normally, relationship with father is more formal. The father has the obligation to educate his children to behave properly, and in return, he should receive respect from his children (Suseno, 1997; Koetjaraningrat, 1985). For example, in family business, important decisions are centralized in the hands of the owner or are concentrated among nuclear family members (Geertz 1961: 77). Relationships among siblings are close and warm. Mutual assistance among siblings is obligatory, especially when there are problems. Elder siblings should take care of their younger siblings, especially when the latter have financial problems (White and Schweizer, 1998).

On the other hand, members of extended families, while may be expected, are not obligated to provide extended family members with help. If assistance is provided, it is carried out on a voluntary basis. Unlike the Chinese, the term kin does not indicate some specific institutionalized social groups/classes. It also does not show the degree of cohesiveness among family members, which varies depending on the particular circumstances of each family. Since family members are not obligated to help non-nuclear family, such relationship creates more independence among family members in arriving at important decisions. They do not have to consider offending other family members, except those who are in the same social structure (Suseno, 1997). Javanese social institutions are more defined based on one's social positions in a nuclear family, social rank or status, and certain kinds of behavior.

Applying Boisot and Child's (1999) conception of information processing complexity, there is a low relational complexity in the Javanese nuclear family. Overall relationship is not determined by the concept of kinship or extended family, but by status and prestige. The second social control mechanism in Javanese society is determined on one's social rank or status. Thus, one's proper behavior and etiquette is defined based on what is considered as being appropriate for his social status in the society.

In addition, there are two basic principles of values in Javanese social life are *rukun* (harmony), and *hormat* (respect). These principles, along with other additional etiquette are practiced in daily lives as the most important social control mechanism. The principle of *rukun* is expressed in behaviors showing calm, peaceful, and unity to avoid conflict/dispute in order to avoid social disrupt. One is expected to suppress his/her own feelings to show continuous effort for harmonized social relationships, even when there is a situation of disagreement. In Geertz' term, *rukun* is harmonious social appearance (Geertz, 1960). Should any dispute arise, it is important for the involved parties to express their ideas directly, however in a careful manner, and not to show confrontation in public. Any disagreement is usually dealt with through mediation and compromise. This does not mean however, that the Javanese does not have any respect towards individual differences, rights and preferences. In a larger community, the principle of *rukun* is practiced in a collective behavior mutual assistance called *gotong-royong*, in which people help each other and work together in pursuing certain common goals.

The second principle of life is *hormat* (respect), which is also intended to bring social order. One is expected to show *hormat* not only in behavior, but also in speech - as a *social etiquette* based on one's social status. This principle is based on the belief that all social relationships are ordered in *hierarchical* form (Geertz, 1960; Suseno, 1997). In general, there are two levels of Javanese language. The first level language (called *kromo*) is used for polite purposes and is used by the *priyayi* or when conversing with the *priyayi*. The second level language (called *ngoko*) is used more for or by the common or more familiar people. In addition, there are also 260 words of *kromo inggil*, which are only used for conversation with parents or other older people or those of higher (superior) position in al or social setting (Geertz 1960, Moedjanto, 1986; Suseno, 1997).

Although a social control mechanism in speech is more evident in the bureaucratic elite or Javanese aristocracy, or popularly known as the *priyayi* (the highest and admired class of society and the traditional legitimate elite), in some places, notably in Central Java, Javanese people of the lower social classes pattern their lifestyles after the *priyayis* (Geertz, 1961; Husken, 1991). The *priyayi* is also still found in many important government offices having high structural positions. In consequence, important and strategic government decisions are made based on their socio-cultural values and practices.

Besides the two principles of life *rukun* (harmony), and *hormat* (respect), the Javanese also recognize the unity of God and human as the high point of spiritual progress. They believe in acceptance of

destiny or fate. One's life is believed to be pre-determined by birth, social position and geographical living space in the surrounding environment (Suseno, 1997). As stated earlier, a person is expected to behave according to his social rank, as determined by tradition and society; and only by accepting destiny can one live happily. Consequently, Javanese people are regarded as being submissive (Goodfellow, 1997). All of these principles of life, especially the principle of *hormat*/respect, are taught to Javanese children since their early childhood. In line with these values, children are also introduced the concepts of *isin* (shame) (Suseno, 1997), *wedi* (fear), and *sungkan* (respectful politeness) (Husken, 1991), which are practiced to avoid conflict, and thus, establish social harmony. These principles are demonstrated in behavior of indirectness and subtlety. What is said does not always reflect the true meaning. For example, one might say 'yes' to any command, but may not be in total agreement in reality. Also, when there is unclear message, questions must be raised carefully to avoid offending other people (especially when communicating with people of higher status).

In terms of information processing complexity, communication is more rigid among people having different social class. This may inhibit the degree of adaptiveness for people of different social status to interact. Only those having esoteric knowledge about Javanese culture can possibly understand better (Baumard, 1999). As a result, there is high level of cognitive complexity. When compared to *guanxi*, relationship in Javanese perspective is loose and not durable. As a consequence, there is a low degree of relational complexity among

related people. The overall transactional complexity in Javanese society is considered as medium. These cultural characteristics are identified as characteristics of a fief social institution (Boisot and Child, 1999) as described in Table 2.

METHODS

The main survey instrument in this study is a questionnaire. Because there was no instrument available that tap the exact same construct the author needs to measure, the instrument was modified from a similar one developed by Adams G. and Vernon H. (2001) on business culture and practice in Thailand based on the theoretical basis of this study.

Data Collection, Demographic Data of Respondents, and Method of Analysis

Questionnaire was distributed directly to 334 respondents: 248 (74.25%) to Executive MBA students of a top private business schools in Jakarta; and 86 (25.75%) to participants of managerial In-Company Training program of the same school. A total number of 221 copies (66.17%) of completed questionnaire were collected. Data is run by SPSS and analyzed using factor analysis. Independent variable used in the study is majority of ethnicities of senior managers in a firm.

Factor analysis is employed for these reasons: 1) this study uses a social cultural approach. Factor analysis is widely used in psychology and social and behavioral sciences (Kline, 1994); 2) this study is an exploratory study, and the main instrument has never been tested in the past; 3) this analysis allows us to construct a validity test by simplifying a complex set of observable variables; 4) respondents' personal profiles and their

organizations backgrounds (organization types and activities) represent sufficient variability of the sample for conducting a factor analysis; and 5) the samples are representative and sufficient in size (Kline, 1994). ANOVA was applied to find whether there are statistical significant differences in the means of each dependent variable in each factor. In this study, the variables is checked at 95% confidence level, thus, if the significant value is less than 0.05 then the effect is said to be significant.

Direct data collection procedure was selected for questionnaire distribution, among others, for these reasons: 1) Jakarta is the capital city and the centre for business activities of various national and multi-national companies; 2) Majority of respondents (91.4 %) have undergrad qualification and 7.2% have Masters degree (Table 3); and 74.25% are currently pursuing an MBA qualification (stated above), thus, are familiar with the survey methodology.

RESULTS AND DISCUSSION

Two dependent variables used in the study are managerial values and business practices in different organizations; while independent variable is majority of ethnicities of senior managers in an organization. This study is an attempt to study Chinese-managed organizations as compared to Javanese-managed organizations, therefore, only managerial and business practices values of those organizations with Chinese and Javanese senior managers as majority ethnic groups are analyzed.

Cross-tabulation of Demographic Data of Respondents

Cross tabulation on kinds of organizations

Table 3 Respondents' profiles - Personal Information

Description	Percentage	Notes
1. Sex		
Male	77.4%	All currently live in Jakarta and its surrounding areas
Female	22.6%	
2. Age		
21-30	31.2%	
31-40	51.5%	
41-50	2.7%	
over 50 years	5.0%	
3. Nationality		All Indonesian
4. Ethnicity		
Javanese	48.0%	
Chinese	21.3%	
Sundanese	9.0%	
Batak	6.8%	
Padang	6.8%	
Other	8.1%	
5. Highest Education		
Under-graduate	91.4%	
Masters graduate	7.2%	
Other	1.4%	
6. Have foreign experience (work/education)		
Yes	16.3%	
No	83.7%	

(private-profit-making firms vs. State Owned Enterprises or SOEs) and respondents' ethnicities and kinds of organizations and ethnicities of respondents' **senior managers** were carried out to find the distribution of managers' ethnicities and the kinds of s they work in (Table 4 a and b). Data shows:

- All 47 of Chinese **respondents** in the sample work in private-profit making firms, none of them work in SOEs or Government offices; while 86 Javanese respondents work in private-profit firms (81.13 %), and 19 (17.92 %) work in SOE (Table 4a).
- 62 of the 63 Chinese **senior managers**

(98.4%) work in private-profit making firms; while only 1 person (1.6%) work in SOE; whereas there are 74.42% Javanese senior managers work in profit-making firm, and (24.42%) work in SOEs. Thus, Javanese senior managers dominate SOEs (Table 4b).

In terms of employment, majority of respondents (93.7%) work as employees and 84.2% of them work in private-owned profit making firms. In terms of positions, majority of respondents have managerial positions (56.1%) with majority of them having job tenure of more than 1 year. They are qualified inn terms of experience and job positions (Table 4c).

Table 4a Cross-tabulation of kinds of organization and respondents’ ethnicities

		Kind of organization			Total
		Private, profit making	Private, non-profit making	state enterprise (BUMN)	
ethnicity of respondent	Javanese	86		19	106
	Chinese	47			47
	Sundanese	17		3	20
	Batak	11		4	15
	Padang	8	1	6	15
	Other	17		1	18
Total		186	1	33	221

Table 4b Cross-tabulation of kinds of organization and ethnicities of respondents’ senior managers

		Kind of organizations		Total
Ethnicity of Senior Managers		Profit-making firm	SOE	
Javanese		N= 64	N= 21	
	% within kind of organization	74.42%	24.42%	100.0%
Indonesian-Chinese		62	1	
	% within ethnicity of Indonesian senior officers	98.4%	1.6%	100.0%

Table 4c Respondents’ jobs

Description	Percentage
1. Employment:	
Self-employed	6.3%
Work as employee	93.7%
2. Kinds of organizations:	
Private, profit making firms	84.2%
State-owned Enterprise	14.9%
Private, non-profit making	.5%
Indonesian Government Agency	.5%
3. Tenure	
0 -1 year	10.4%
1-10 years	65.2%
11-20 years	16.3%
over 20 years	8.1%
4. Job category in the organization	
Assistant Manager	14.9%
Manager	56.1%
Director	3.6%
Owner	3.2%
Other	22.2%

Table 4d Firms’ profiles

Description	Percentage
1. Firm’s main activities	
Services	66.1%
Manufacturing	20.8%
Sales (ex-import)	9.5%
Other	3.6%
2. Firm’s size (number of employees)	
1-100	24.0%
101-500	22.2%
501-1,000	7.7%
over 1,000	46.2%
3. Firm’s main products/services	
Oil and gas (incl. Mining)	17.5%
Banking and non-banking financial institutions	11.5%
Hospitality businesses	0.9%
Education (incl. Training firms)	2.3%
Telecommunication (satellite, devices)	17.5%
Food and beverage	2.8%
Automotive	2.8%
Health and medical	6.5%
Chemical	0.9%
Plastic	0.9%
Metal	0.5%
Building and construction	8.8%
Books, printing (incl. News paper and magazine)	2.3%
Entertainment	0.5%
Other	24.4%
4. Firm’s ownership	
Wholly Indonesian	50.7%
Partly foreign-owned	34.4%
Wholly foreign-owned	12.7%
Public firms	2.3%
5. Nationality of most Senior Officers/Managers	
Indonesian	79.6%
Japanese	2.3%
Chinese	2.3%
European	7.7%
American	5.0%
Other	3.2%
6. Ethnicities of most Indonesian managers	
Javanese	45.7%
Indonesian-Chinese	32.4%
Sundanese	3.2%
Other	18.6%

In terms of firms’ profiles, majority of respondents (66.1%) work in services business and 46.2% in large firms having more than 1,000 employees. Most of the firms (50.7%) are owned by Indonesian nationals, while 34.4% are partly owned by foreign investors. The nationality of their senior managers 79.6% are Indonesian

senior managers: Javanese (45.7%) and Indonesian Chinese (32.4%). In terms of respondents' firms' demography, the sample is sufficient to represent the total population (Table 4d).

Managerial values

Factor Analysis

The value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.873. Thus, data is adequate (great) to be used for factor analysis (Hutcheson and Sofroniou, 1999). Four factors of managerial values are extracted for further analysis. They have Initial Eigen values (total variance) of greater than 1: 5.221, 1.351, 1.207, and 1.047 respectively. A Scree-Plot Test (Figure 1) also shows the rate of change tends to decline fast from the first to the second factor, declines slowly in three and four, and then starts to level off in Factor 5.

Internal Consistency Reliability Test

Reliability tests (Table 5) show that except for factor 4, the first 3 factors have

Cronbach's alpha coefficient of more than 0.7 (Santos, 1999; Statsoft, 2003), implying that the variables in Factors 1 to 3 are positively correlated with each other, thus, are considered as consistent or reliable to be classified as a factor. The low alpha coefficient of factor four may be caused by the fact that it has only two variables, thus too few items or variables constructed in the factor. Since these variables are considered as important to give better meanings of the study, they are retained as a factor.

Rotated Component Matrix

The four extracted factors are rotated to give a simpler structure and to arrive at more meaningful and interpretable factors. Varimax rotation method with Kaiser Normalization and Principal Component Analysis Extraction Method (6 iterations) is used. Only factor loadings that have values of greater than 0.40 are used. The four factors are labeled as follows: Working Environment (5 variables), Social Order and Harmony (3 variables), Prestige and Security (4 variables), and Flexibility (2 variables).

Figure 1 A Scree Plot for Managerial Values

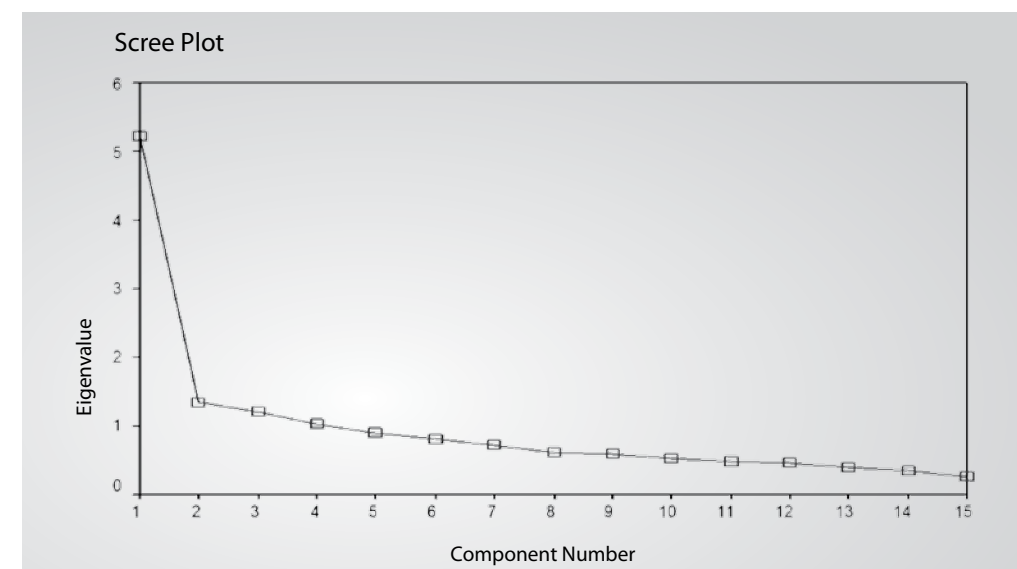


Table 5 Alpha scores

Internal Consistency Reliability Test - Managerial Values

Factors	No. of items	Means	Alpha
1. Working Environment	5	4.5285	0.7922
2. Social Order and Harmony	3	4.4148	0.7163
3. Prestige and Security	4	4.4819	0.7309
4. Flexibility	2	4.5520	0.5255

Table 6 Rotated Component Matrixes – Managerial Values

Component	1	2	3	4
Factor One: Working Environment				
1. It is important to work in an organization that has supportive and cooperative colleagues & staffs	.798			
2. It is important to work in an organization that has well-defined job situations & clear expectations	.781			
3. It is important to work in organization that promotes good working relationship with direct superiors	.766			
4. It is important to work in an organization that appreciates differences of, even conflicting opinions	.452			
5. It is important to work in organization that gives me sufficient time for personal/family live	.420			
Factor Two: Social Order and Harmony				
1. Maintaining social order and harmony is important, even though we (sometimes) disagree with other people's opinion		.784		
2. It is important to maintain good interactions & relationship between organizational members and external stakeholders (including social community)		.747		
3. It is important for employees to have their opinion about important work-related decisions		.734		
Factor Three: Prestige and Security				
1. It is important to work in an organization that is large, well-known, prestigious			.811	
2. It is important to work in an organization that provides employment security (including retirement plan and benefits)			.668	
3. It is important to work in an organization that provides opportunities for high earnings			.636	
4. It is important to work in an organization that provides opportunities for promotion			.575	
Factor Four: Flexibility				
1. It is important for an organization to have clear goals and objectives that are flexible. They can be changed whenever necessary				.831
2. Organizational routines & standards are important, however should be improved whenever necessary				.764

Analysis of Variance (ANOVA)

Analysis of Variance (ANOVA) of each factor was attempted to check the degree of significant differences among different

groups of senior managers in terms of their managerial values with 95% level of confidence (Table 7a – d).

Table 7a ANOVA for first factor - Working Environment

Factor 1: Working Environment 'It is important to work in an organization that'		Sig.
1.	has supportive and cooperative colleagues & staffs	.261
2.	promotes good working relationship with direct superiors	.195
3.	has well-defined job situations & clear expectations	.180
4.	appreciates differences of, even conflicting opinions	.414
5.	gives sufficient time for personal/family live	.204

Table 7b ANOVA for second factor - Social Order and Harmony

Factor 2: Social Order and Harmony		Sig.
1.	It is important for employees to have their opinion about important work-related decisions	.615
2.	It is important to maintain good interactions & relationship between organizational members and external stakeholders (including social community)	.479
3.	Maintaining social order and harmony is important, even though we (sometimes) disagree with other people's opinion	.427

Table 7c ANOVA for third factor - Prestige and Security

Factor 3: Prestige and Security 'It is important to work in an organization that'		Sig.
1.	that provides employment security (including retirement plan and benefits)	.094
2.	that is large, well-known, prestigious	.001
3.	that provides opportunities for high earnings	.329
4.	that provides opportunities for promotion	.580

Table 7d ANOVA for fourth factor - Flexibility

Factor 4: Flexibility		Sig.
1.	Organizational routines & standards are important, however should be improved whenever necessary)	.692
2.	that is large, well-known, prestigious It is important for an organization to have clear goals and objectives that are flexible. they can be changed whenever necessary	.682

Business Practices

Factor Analysis

Kaiser-Meyer-Olkin Measure of Sampling Adequacy shows that the value of KMO is 0.832, thus, adequate for conducting a factor analysis. Four factors were extracted for further analysis. They have Eigen values

bigger than 1 (3.969, 1.654, and 1.135). A Scree plot test (Figure 2) also shows that the rate of decline tends to be fast for the first two factors, declines slowly to the third factor, and then starts to level off after the third factor. Thus, only two factors are extracted.

Rotated Component Matrix

Varimax rotation method with Kaiser Normalization is used in this study and only factor loadings that have values of greater than 0.40 are considered as significant. Extraction Method: Principal Component Analysis with 5 iterations. Two factors were extracted to analyze business practices in different organizations based on ethnicities of senior managers, and they are labeled as: **Codified Rules and Regulations'** (8 variables), and **Personal Relationships** (6 variables) (Table 9).

MANAGERIAL IMPLICATIONS

Respondents' Demographic Profiles

All 47 of Chinese respondents in the sample work in private-profit making firms, none of them work in SOEs or Government offices; while 86 Javanese respondents (81.13 %) work in private-profit firms, and 19 (17.92 %) work in SOE. Also, 62 of the 63 of Chinese senior managers (98.4%) work in private-profit making firms; while only 1 person (1.6%) work in SOE. On the other hand, there is 74.42% Javanese senior managers work in profit-making firm, and (24.42%) work in SOEs. This implies two important issues that prevail in Indonesia during the time this study is carried out. First, Chinese Indonesians may still be reluctant to work in SOEs and other government offices where in almost all cases have 100% *pribumi* staffs. Second, Javanese senior managers still dominate SOEs and government offices.

What does the data imply? Does it imply that Chinese Indonesians are scared to work in the public sector because strong discrimination and resentment against Chinese Indonesians still prevail in the modern Indonesia? To get answers to

those questions, further studies have to be carried out. For example, several historical evidences can be used to explain it. Because this issue is outside the topic of discussions of this study, the following discussions of research findings mainly focus on the Chinese and Javanese socio-cultural backgrounds, based on some general perceptions and indicators.

In Indonesia, there is a general understanding that the salary level in SOEs is higher than that of private-profit making firms for similar kind of jobs. Besides, working in SOEs is also regarded as not as flexible as working in private—profit making firms. Based on both Chinese and Javanese socio-cultural values, the above-stated research data imply that it is important for men (which represent 77.4% of this study respondents) to work and be bread earners for their families (not limited to nuclear families). They have multiple duties and roles which have to be fulfilled at the same time: 1) as fathers and as heads of families, they are expected to be responsible for taking care of their families, providing them with sufficient wealth, proper education and be good exemplars to their families; 2) as sons (to their parents), men are expected to take care of their parents when the latter get older and are in need of assistance; 3) take care of their fathers' family members, *et cetera*, as discussed above. On the other hand, Javanese men have such duties and roles to only family members within their nuclear families. Hence, compared to the Javanese men, there is more pressure for Chinese men to work hard and learn hard in their effort to be a 'good' person. When the future is unpredictable, one of the best ways to deal with this state of uncertainty is to accumulate resources as much as possible

Figure 2 A Scree Plot for Business Practices Factor Analysis Business Practices

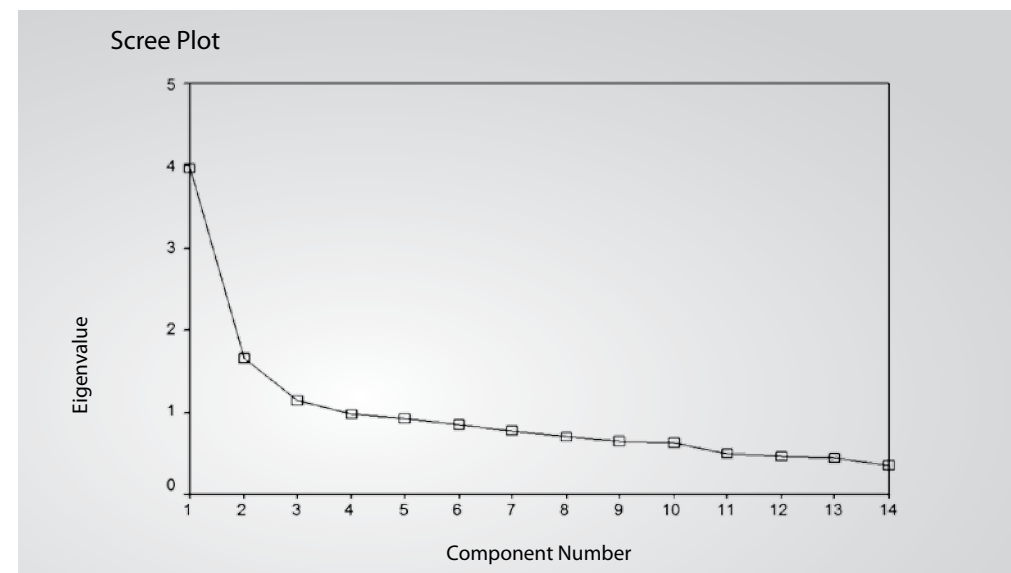


Table 9 Rotated component matrix- management practices

Variables		1	2	3
Factor One: Codified Rules and Regulations				
1.	Has standard operating procedures, routines and norms	.786		
2.	Has organizational chart for management structure	.727		
3.	Has regular formal performance assessments to key employees	.683		
4.	Has well-defined job description with clear expectation	.675		
5.	Maintain formal organizational long-term plans	.670		
6.	Managers are largely involved in preparing plans	.586		
7.	Has retirement plan and benefits for all employees	.575		
8.	Has market research	.572		
Factor Two: Personal Relationships				
1.	Recruitment and selections are based on personal relationship	.754		
2.	Suppliers are based on personal relationship rather than open bidding	.646		
3.	Decisions are consulted further	.613		
4.	Face-to-face communication and personal approach: more effective		.770	
5.	Conflicts are resolved based on collaboration rather than competing		.720	
6.	Maintains good relationship with customers		.466	

by way of saving money and wealth in case assistance is required in the future.

It makes sense for the Chinese men (respondents in the sample) to prefer working in private-profit making firms.

First, it gives them more freedom and opportunity to learn various different things and enable them to excel and actualize their innate talents and capacities to evolve and grow. Second, continuous learning enables them to go up the career

ladder for higher position. Third, by having the opportunity to explore their capabilities or competences, and earn more money (high salary), they are also happier. Not only they are able to operationalize their competences (having higher positions), but at the same time, they are also able to fulfill their social obligations, which is also important for social identity. The findings give answers to the two research questions underlying this study: 1) What are the implications of social institutions to managerial values and business practices in an effort for managers to establish social identity and achieve success in organizational settings, as defined by their social groups; and 2) What are the contributing factors to Chinese-Indonesian economic success?

Implications that can be derived from these findings: First, in terms of knowledge management issues, the literatures show that diversity in a work place can improve the performance of organizations through new knowledge creation; and promote practices that enhance productivity of all members. Therefore, if the overall environment in Indonesia is perceived by Chinese Indonesians as discriminatory and insecure, there is a tendency for Chinese to prefer working in private firms or multi-national firms rather than in SOEs and government offices. Second, in terms of diversity and social harmony, a country as diverse as Indonesia, harmonious environment enhances social interactions among Chinese and hundreds of other ethnic groups in the country. In consequence, misunderstanding and prejudice among each social group can be reduced to the minimum level and allows everyone to work together in building the country's

prosperity. Until such an environment exists in Indonesia, social conflicts among different ethnic groups, especially among Chinese and non-Chinese are inevitable and are difficult to manage. The economic success of Chinese Indonesians will create an on-going economic disparity which in turns, creating economic envy and social resentment against the Chinese.

Managerial Values

ANOVA with 95% confidence level shows that statistically, there is a significant difference of means of the second variable (0.001) - 'It is important to work in an organization that is large, well-known and prestigious.'

Because the difference is statistically significant, further investigation is carried out. In order to find out which groups have the significant mean differences, we conduct an Independent T-test among all groups. Out of the four groups, when group 1 (Javanese managers) is compared to group 2 (Indonesian-Chinese managers), these two groups show significant differences in the mean value as shown in Table 10a, b. While the mean value of Javanese manager is 4.3488, the mean value for Chinese manager is 3.8254 (Table 10a). The 2-tailed significant level is 0.00 at 95% confidence level (Table 10b).

This implies that statistically, Javanese managers consider it more important to work in large, well-known and prestigious organizations compared to Chinese managers. The data is in line with Javanese social cultural values where relationships are established and maintained based on someone's social strata. It is also shown in their social interactions which are based

Table 10a Means differences between Javanese vs. Indonesian Chinese respondents

Factor Three, Variable 2	Ethnicity of Indonesian senior officers	N	Mean
It is important to work in an organization that is large, well-known, prestigious	Javanese	86	4.3488
	Indonesian-Chinese	63	3.8254

Table 10b Independent T-test between Javanese and Indonesian-Chinese respondents

Factor Three, Variable 2		Sig. (2-tailed)	Mean Diff.
It is important to work in an organization that is large, well-known, prestigious	Equal variances assumed	.000	.5234
	Equal variances not assumed	.000	.5234

Table 11 Means differences btw. Javanese and Indonesian-Chinese managers for variable one in the third factor 'Prestige and Security.'

Factor 3 Prestige and Security, variable one		N	Mean
It is important to work in an organization that provides employment security (including retirement plan and benefits)	Javanese	86	4.7326
	Chinese-Indonesian	63	4.5238

on fief-type, characterized by: face-to-face personal and hierarchical (feudal/charismatic) relationships, submission to super-ordinate goals, and hierarchical coordination. Thus, only people of similar social status and esoteric knowledge of their beliefs and values are accepted in the group. It makes sense that it is important for Javanese to put all efforts in order to have high and prestigious positions in order to be accepted in a high class society.

Further, ANOVA of Factor Three, variable one (It is important to work in an organization that provides employment security, including a retirement plan and benefits) also shows a rather significant level (0.094). The mean is 4.7326 for Javanese respondents and 4.5238 for Chinese respondents (Table 11).

It implies that it is more important for Javanese than Chinese senior managers

to work in organization that provides employment security (including retirement plan and benefits). Employment security is grouped together with 'prestige,' because it is an important element to provide sense of 'self-esteem' and stability and to open up opportunity to reach higher positions in organizations. In other words, it is regarded as a motivator (Maslow 1970). According to Maslow (1970), there are two types of esteem needs: the first resulting from competence or mastery of a task; and second resulting from attention and recognition from others (similar to belongingness). Both types can be equated to the needs for admiration and power. Managers enjoy employment security for their self-esteem because they have the necessary competence to maintain their positions; as well as be able to maintain high managerial positions, either in the internal/external organizational environments, including in the family. High

ranking officials are regarded as bringing pride and power, to all family members. Thus, only by maintaining high social status, can these senior managers have high social identity and be accepted in the high-class society.

As discussed earlier, these findings are in line with Chinese and Javanese social cultural values. Chinese social cultural values which promote *guanxi*-based relationship including 'co-opting' with partners who have institutional influence to handle the external complexity which derives from bureaucracy and its manifestations of arbitrary behavior, allow Chinese to enhance their capability to be more adaptive and plausible (Boisot and Child, 1999). This is especially true in a highly complex and unpredictable environment. Thus, having *guanxi* with various agents (especially high-ranked government officers) makes it possible for Chinese to acquire important and scarce information.

On the other hand, Javanese tend to establish personal relationship based on hierarchy and social status, which are represented by occupations, positions, life-styles, and other social elements, as a consequence, close social relationship are maintained through these elements as well. When people lose their social status, there is a tendency that they will also lose such a relationship. It also makes sense that while they are holding important (and high positions) in an organization, there is a tendency for them to make use of that position for their own benefit, or known as '*aji mumpung*' in Indonesian version, so that they can maintain the high status as long as possible.

Implications of these values may be exhibited in various business practices, which include: hiring internal staffs of the same ethnic groups (and social status) that possess the cultural capital and knowledge of how to conduct appropriate behaviors, and evaluating subordinates' assessment based on this criteria, rather than performance. This may create difficulties in creating performance-based and competitive SOEs and government organizations. Externally, Javanese state-owned staff may establish personal and business relationships with 'well-to-do' and influential people (including Chinese Indonesians) to allow them to accumulate wealth and status. This also creates difficulties for government to create a clean and strong government.

Business Practices in Chinese- and Javanese-managed Organizations

Overall, analysis of variance shows that there are no significant statistical differences in the mean values of Chinese managers compared to Javanese managers in their business practices. However, managers of both ethnic groups consider all variables as important, as shown in the high value of average mean of each variable. This is has to do with the fact that the majority of those managers works in large firms (having more than 1,000 employees) (Table 4, discussed earlier). As we know, the bigger an organization is, the higher is the need for information codification to allow firms to achieve higher efficiency in organizational processes, thus, and there is a tendency to shift to bureaucracy or market institution (Aldrich 1979; Boisot, 1995; Boisot and Child, 1999). However, as firms turn into bureaucracy or market institution, there is also a tendency for firms to pay more attention to organizational process (for

efficiency) rather than performance (for creativity and innovation).

The bigger an organization is, the higher is the tendency to impose 'complexity reduction' strategy rather than 'complexity absorption' strategy, as discussed in Theoretical Background. As a result, all the benefits created by absorbing complexity (e.g., inter-dependency, close face-to-face relationship, efficiency, knowledge creation and creativity) are sacrificed for bureaucracy and impersonal relationship. For Asian societies where interdependence is more salient than independent, complexity reduction strategy may not be the best choice of strategy. On the other hand, complexity reduction strategy is not in line with Asian culture, and thus, may create lower satisfaction in workplace, and result in low performance. As suggested by Boisot (1995), high codification and abstract which is based on technology reduces face-to-face personal communication, and there is converging cultures which can result in loss of cultural variety and lead to reduction of their collective capacities to innovate and evolve.

CONCLUSION

The study provides construct factors representing managerial values and business practices that prevail in Indonesia. The findings show that social institutions do have impact on their managerial values and business practices. Statistically, there are no differences in business practices of Chinese and Javanese managers, and there is only one variable that shows a significant difference (95% confidence) in managerial values. This is in the factor 'Prestige and Security', which implies that it is more important for Javanese managers

(compare to Chinese managers) to work in an organization that is large, well-known and prestigious.

This finding reflects what is defined as being successful for Javanese people (in the sample). On the other hand, Chinese people believe that growth and mastery (through continuous learning) is important in their lives. It makes sense that Chinese people in Indonesia and in other parts of the world are known for their diligence, hard-work, opportunistic and risk-taking behaviors. All activities are driven by the biological pressure of self-actualization, which can only be achieved through self-realization and self-regulation. All activities, including business activities, are all potential avenues for self-actualisation and evolution. Business activities are only secondarily economic, purposeful activities. Winning, personal success and profits, no matter how important they may be, are secondary matters; they are probabilities. The goal of life is not about achieving monetary values, but about building social harmony through self-cultivation. When the 'self' is cultivated and developed, the whole (connected) 'family', community and society are also developed in a co-evolutionary way (and transformed). Thus, one can say that the understanding of the 'self' is not just an individual, but rather the whole 'family', community and society, with whom an individual actor is connected, learn and grow together. *Guanxi*-based social interactions (with reciprocity and complementarity) for continuous learning are therefore considered to be the most important thing for people to have a successful evolutionary process. In addition, *wulun*-based social duties and roles in a particular social field (contexts) are necessary for the

process of self-regulation in order to build social stability and social harmony. Both social institutions allow Chinese people to grow forward in harmony. Such kind of relationship creates a 'win-win' situation and is therefore important for building sustainable relationship of ever increased prosperity.

Even though there is only a single statistical finding that significantly differentiates Chinese and Javanese managers in Indonesia, it may be an important factor for explaining the reasons behind the economic successes of Chinese people in the country in general. This study may be helpful for enhancing the understanding on managerial values and business practices in the socio-cultural perspectives that prevail in Indonesia, and that it may be used for future research to build dimensionality of business cultures and management practices in different contexts. The research findings give answers to the research questions underlying this study on the implications of social institutions to managerial values and business practices in an effort for managers to establish social identity and achieve success in organizational settings, as defined by their social groups; and the contributing factors to Chinese-Indonesian economic success.

Limitations on Survey Instrument

Survey instrument is a modification of a similar instrument developed by Adams G. and Vernon H. (2001) on business culture and practice in Thailand, and the modification was constructed based on the main concept of this study - information complexity management in different transactional structures. As a result, several questions have to be eliminated to arrive at

more meaningful and interpretable factors or scales. The instrument should have been tested before in a pilot test prior distribution to target respondents.

Limitations on Research Methodology

This study is approached using quantitative method with questionnaire as main research instrument. Quantitative research is strongest when utilized to understand established concepts - not new and innovative issues like this study. Since there was no identical study carried out in the past to measure the same construct, quantitative method is not the best method for these reasons: 1) it makes the analyst rely on statistical data that is often perceived as irrefutable truth, but in fact unreliable as a result of several factors.

Furthermore, this study is an exploratory study based on social cultural approach and the main instrument has never been tested in the past, thus is analyzed using factor analysis - a statistical technique which is widely used in psychology and social and behavioral sciences (Kline, 1994). Besides, factor analysis run by SPSS (Statistical Package for the Social Sciences) allows us to discover the main constructs or important value dimensions by simplifying complex sets of observable variables in terms of a small number of latent (inferred or unobserved) factors. Thus, it is used to assess the construct validity of a test or a scale. Hopefully, this construct can be used for further studies.

Limitations on Sampling and Data Collection Method

All respondents in this study are from the same institution. They are either MBA executive students or In-House-Training

participants of Prasetya Mulya Business School – a private school in Jakarta, Indonesia. The sample is quite varied in terms of respondents' backgrounds as well as companies (activities, sizes), they do not represent the whole population.

Questionnaire was distributed at the beginning of a lecture, after a brief introduction and explanation by the researcher. In some cases, the questionnaires were filled in right away before lectures start, thus, timing may not be appropriate as some respondents might actually require more time. In other cases, the questionnaires were filled in at a later time, and be returned to a class coordinator after completion. In this case, there is lack of control over the process. There is always a possibility that the questionnaires were not filled in by the respondent in question.

Future Research

The study shows that understanding is important for managing organizations. This is even more critical for a country as culturally diverse as Indonesia. Understanding social ethnic diversity allows us to arrive at better organizational practices that suit overall organizational members better; which in turn increase organizational performance. Therefore, care must be taken when

implementing Western organizational theories and practices, as they may not be relevant in Indonesia. Judgment and modifications are necessary to arrive at better organizational practices.

Based on research findings several suggestions for future research are proposed in the followings: 1) based on the same theoretical background, future research can be explored further, including the impact of socio-cultural values (that prevail in Indonesia) to strategies, corporate cultures, organizational designs, functional managements, leadership and organizational performance. Studies similar to these may help us understand what kinds of organizational models are more suitable for private and state-owned firms in Indonesia, especially in the increasing competitive market; 2) Chinese people in Indonesia are known to be different. They are not as homogeneous as most people think. This study does not differentiate Chinese respondents based on their classification, for example the *totok* and the *peranakan*. Future research may investigate the impact of their socio-cultural background and historical trajectory developments in Indonesia, to their managerial values and management practices. ■

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