

Bridging the Divide

What Western companies can learn from Eastern models of governance.

The re-emergence of China into the global economy and the rise of India has increased the total population of the global economic world from 2.5 billion to six billion in 20 years. Perhaps more importantly, it's also changed the demographic profile from predominantly Western to significantly Asian. Together with the technological advances of the past five years these changes are transforming markets and management styles. We have entered a new world which requires new rules.

India and China together with other Asian countries are on a mission: to catch up to and surpass Western economies. These new Asian markets are hungry for education. India now sends more students to the United States than any other country. The annual number of Chinese students studying overseas has jumped from 11,000 in 1998 to 120,000 in 2005. Our Asian neighbours are gaining an understanding of the West, of its psychology, its government and its governance. Yet few of us in the West understand Asia. We may have a problem.

Globalisation has altered the landscape of business irrevocably. There are no boundaries. Today, the call centre may be located in India, research and development shared between Russia and America, manufacturing based in China and head office located in the United Kingdom. The firm has become inextricably linked to its suppliers, distributors and customers through electronic umbilical cords, creating a network of complex relationships that the CEO has to ethically manage.

The traditional capitalist business model emerged at the turn of the 20th century when the "business of business was business". Maximising shareholder return, through a hierarchical organisation where systems and processes dictate behaviour, became the mantra which moulded management theory and

organisation design until the 1980s, when attention shifted from processes to people. As competitive advantage has shifted from products and services to a firm's ability to innovate and create new knowledge, the role of the individual has assumed greater importance. And yet the performance of the chief executive remains vested in stock market performance and credit ratings.

Minimising costs and maximising returns demands an environment tightly controlled by systems and processes. But innovation and the creation of new knowledge require an environment where individual freedom is not con-

strained by rules and regulations. The two are mutually exclusive. Or are they?

Our Western approach assumes that the greater the freedom, the less control an organisation will have, and vice versa. This approach has its foundation in the way we think in the West: No proposition can be both right and wrong, so through debate and discussion a premise is proven or rejected.


Eastern thinking is different. The Eastern perspective allows for opposing forces to exist in harmony with no one force continually dominating and each force producing the other. This is the foundation of Yin and Yang, and the basis for the "Middle Way" or win-win scenario which protects the "face" of all individuals.

An Asian business is focused both on its people *and* on the rigid application of systems and processes. Freedom and control exist in harmony with neither dominating and each relying on the other for survival.

An example is Haier, the global Chinese white goods manufacturer ranked 89th in the 2005 world's 500 most influential brands. The company is premised on a management culture based on individuals taking personal responsibility for their performance. While the values and culture are focused on people, Haier's OEC management system establishes targets and implements rigid controls and processes to ensure success. Personal freedom and tight controls survive in harmony.

MAS Holdings, a Sri Lankan textile company set up in 1985 to manufacture lingerie for global brands including The Gap and Victoria's Secret, has sales in excess of US\$750 million. Growth has been phenomenal but the philosophy is simple. CEO Mahesh Amalean says of the early success of MAS, "We did what we believed was right based on values and business ethics". The values of MAS remain honesty and integrity, a passion for excellence, humility, and freedom with responsibility, yet the group managers compete on tightly prescribed KPIs.

Perhaps it is time to shift our thinking to survive in this globally interrelated and interconnected world. Relationships more than rigid processes define success, and people define relationships. Asian organisations focus first on their people and then on systems and control. In the West we develop the systems and then consider the people.

We don't have to agree with all of these different approaches, but through understanding and possibly adoption we can build organisations which generate an economic return while respecting their employees, society and the environment. 

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