

The Strategic Traits of Overseas Chinese in Southeast Asia: A Case Study of Selected Prominent Businessmen

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ABSTRACT

The Australian Department of Foreign Affairs and Trade in 2006 reported that the Overseas Chinese constitutes fewer than 10 per cent of the population of ASEAN, but they make up 86% of the billionaires in the region. They generated also an estimated GDP equivalent of about US\$450 billion, almost at par with China GDP of approx US\$500 billion. The Overseas Chinese have influenced the nature of economic prosperity in Southeast Asia by actively contributing to the vast spectrum of business interest from the more traditional agricultural to the latest adventure in the information and communication technology. They had pioneered some of the established global brands such as Red Bull - energy drink; Top Glove-rubber pharmaceutical products; Shangri-La hotel chain, Winston cigarette and SM Retail Chain. The culture and traits inherited from the early years of immigration and their eventual assimilation into the mainstream Southeast Asian population which is dominated by the Indochinese and Malay ethnics reflect the dynamism and courage of these settlers to chart the future of their next generation and subsequently that shaped the economic landscape of this present region. The strategic traits of the five prominent businessmen attributed clanship and their emphasis on trust, clan loyalty and enforcement as the guiding principles in sustaining Overseas Chinese business in Southeast Asia, and hence their perseverance and commitment in the conduct of their business.

Keywords: strategic traits and entrepreneur ship, clanship, clan loyalty

A Brief Overview of Strategic Leadership and Entrepreneurship

Leadership theory refers to leaders at any level in the organization whereas strategic leadership theory refers to the study of people at the top of the organization (Vera & Crossan, 2004, p. 222). In addition, strategic leadership is the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as necessary. Competent strategic leaders also establish the context through which stakeholders (such as employees, customers and suppliers) can efficiently perform at peak (Strategic Leadership, 2003)

Moreover, Ireland and Hitt (2005) note that strategic leadership is executed through interactions that are based on a sharing of insights, knowledge, and responsibilities to achieve desired outcomes. The role of effective strategists is to align organizational resources with their abilities to provide vision to others in creating the firm's competitive advantage in the vulnerable business environment. Specifically, they outline six key practices of effective strategic leadership namely; i) determining the firm's purpose and vision; ii) exploiting and maintaining core competencies; iii) developing human capital, iv) sustaining an effective organizational culture; v) emphasizing ethical practices and vi) establishing a balanced organizational controls (p. 65). Strategic leaders must learn how to effectively influence human behaviors often in uncertain environment. Effective strategic leaders should meaningfully influence the behaviors, thoughts, and feelings of those with whom they work to achieve desirable outcomes of their vision and goal.

In essence, shared values and a clear vision are important aspects of strategic leadership. The two conditions will enable and allow employees to make decisions without much control from their immediate superiors. When this is accomplished, the leader can then focus on more important issue such as steering the organization to the changing needs of the business environment. A strategic leader is hence a visionaries and a far-sighted person who foresee the future direction of his / her enterprise.

On the other hand, strategic entrepreneurship is the integration of entrepreneurial (**opportunity seeking actions**) and strategic (**advantage seeking actions**) perspectives to design and implement entrepreneurial strategies that create wealth. It is an entrepreneurial action that is taken with a strategic perspective in the sense that it helps

to identify the most appropriate opportunities to exploit and then facilitate the exploitation to establish competitive advantages (Hitt et al., 2001, p. 408). Likewise, Burton (2008) considers strategic entrepreneurship as the firm's efforts to simultaneously exploit today's competitive challenges while exploring the innovations that will be the foundation of tomorrow's competitive advantages. Similarly, Hitt, Ireland and Simon (2003) in designing a model of strategic entrepreneurship underline the three important dimensions of this unique construct that consists of opportunity-seeking, balancing of the resources and developing and encouraging innovations in the business and organization (p. 970). Likewise, Zahra, Sapienza and Davidson (2006) define entrepreneurship as a process by which individuals or groups identify and pursue entrepreneurial opportunities without being immediately constrained by the resources they currently control (p. 917). Thus, the essence of entrepreneurship is to identify and exploit conditions in which goods or services can satisfy the market needs (Alvarez and Barney, 2005).

Having said the above, this paper aims to achieve the following objectives;

- i. To provide a general insight of Overseas Chinese historical establishment in the region.
- ii. To examine the development and challenges of the Chinese businesses.
- iii. To determine the successful traits of prominent Chinese entrepreneurs in ASEAN countries.
- iv. To analyze the impact of Overseas Chinese business in Southeast Asia.

The Early History of Immigration & Settlement

There were permanent ethnic Chinese settlements at a number of locations in Asia as early as 15th Century. However, the mass migration occurred during the 19th and 20th Century was due mainly to the periods of famine and political upheaval in China. In addition, the discrimination and persecution by the Mandarins from Beijing were because these merchants were considered parasites and did not contribute to the society contrary to the mandarins, soldiers, craftsmen and farmers. It also seemed that the collective wealth of the merchants was the reason for this kind of envy and hatred (Business Trends Asia, n d).

Most of the original Overseas Chinese were from the southern coastal provinces of Guangdong, Fujian and Hainan. Their migration occurred in 'chain' with relatives and neighbors tending to follow each other to particular location throughout the region. Thus, there is a concentration of one or more dialect groups such as Cantonese or Hokien in different parts of South East Asia (Australian Department of Foreign Affairs and Trade, 2006). The clan structure then became the main social network and safety net for the Overseas Chinese and due to this a non-clan will be suspected and cannot be trusted. The formation of kinship (clan) societies help the new arrivals to settle in each place of settlement by lending money to the members for specific purposes and of regulating the different aspect of the ethnic Chinese life in the new areas. Thus, the concept of clan or kinship has eventually created a cohesive web of interlocking organization and relationship among the early immigrants and even in the present Overseas Chinese communities in Asia today.

The early Chinese contact and first settlement was reported in the agriculture area of less developed part of the region. Pepper and gambir were cultivated in the 17th Century while sugar and rice distillation for making alcoholic beverage were developed in western Java. The early immigrants were also market gardener and fresh produce as evidenced in Batavia (Jakarta) in 19th Century. The Chinese settlers also engaged in gold and tin mining and soon begun to develop agriculture around these areas (Kalimantan, Sumatra and the Malay Peninsula). There are two levels of assimilation that is a) settled population - they were acculturate to the local societies in language, dress and perhaps even religion and culture while b) typical immigrant - often living in isolation in mining and rural areas and sometimes in urban concentration (Minority Right Group International, 1992).

Characteristics of Overseas Chinese Community and Business - the Conglomerates

Dr Mahathir Mohamad, the then Malaysian Prime Minister in addressing 2003 Convention of World Chinese Entrepreneur in Kuala Lumpur attributed the success of Overseas Chinese because of their entrepreneurship, their willingness to take risk and their quick appreciation of the needs of the places that they migrated to (World Chinese Entrepreneur Convention, 2003).

Even though they are relatively few in number, they are economically pre-eminent and are one of the main forces driving the dynamic growth that characterizes the region as a whole and many of the economies in it. The Overseas Chinese are fewer than 10% of the population of ASEAN, yet they make up 86% of its billionaires. Indeed, they control the region's non-land capital and its retail trade is major stakeholders in most of the region's economies (Australian Department of Foreign Affairs and Trade, 2006). Likewise, Rae and Witzel (2008) note that they play major, often dominant economic role in many countries in South East Asia and led much of the rapid growth and industrialization in the 1980s and 1990s. However, they cautioned that managing in South East Asia is not like managing anywhere else including the mainland China. There is an apparent influence of cultural attachment and assimilation that have provided the environment for their eventual success in the region's business and industry.

The link of dialect to business networking reflects the nature of commercial activities of the Overseas Chinese. For example, the food trade sector of the region is still largely held by the Teochiu speakers of this Chinese dialect. It is quite apparent that an international clan association can provide an excellent basis for borderless commercial networking. The Chinese business communities often expand their business by acquiring an ever increasing number of companies. They control large, diversified conglomerate for example Salim Group of Indonesia owned hundreds of separate companies across a wide range of market in many countries. Typically, the conglomerates are owned by members of a single family and quite often they are either owned or are closely associated with one or more private banks. They too respond to opportunities as well as spreading political risks by diversifying their businesses outside of their home market (Australian Department Of Foreign Affairs and Trade, 2006). The practice of interlinkages is quite prominent such that cross-shareholding, cross-directorship and inter-family connections typically characterize the operation of the conglomerates. The pyramid structure below depicts the nature of business development of the Overseas Chinese and their respective main features that reflect also transformation over the way the businesses were strategically managed.

Family Holding

/Privately Held (Priced Assets)\

/ Public Listed (Group of small firms) \

Figures 1: The Nature of Conglomerate Ownership of Overseas Chinese

Source: Australian Government - Dept of Foreign Affairs and Trade (2006)

The following are some of the typical characteristics and underlying success of Chinese businesses in ASEAN;

Traditional Business

- i. Small to medium size and is often controlled and owned by the family.
- ii. Large conglomerates are grouping of hundreds of much smaller firms.
- iii. Highly centralised decision-making.
- iv. Rigorous control of the inventory to achieve low capital investment.
- v. Cost of doing business is reduced due to clan association.
- vi. Preference for internal financing.

Contemporary and Modern Business

- i. Adopt more modern and state of the art management philosophy.
- ii. Management structure is more in line with those of other international firms.
- iii. Still, a patriarchal style of top management in which individual member of the controlling family play a key role in managing and making major decisions.
- iv. Installing MBA-educated sons and daughter of the controlling family.
- v. Formal method of acquiring and securing financing.

The Guiding Principles

- i. Establish own 'order' by creating informal organization - mutual societies / clanship formed networking serve to facilitate growth of business and commercial activities in areas where legal and administrative structure are relatively underdeveloped.
- ii. Tap the latest market intelligence to mobilize capital and to occupy market niches where highest profit can be met.
- iii. The presence of trust and enforcement mechanism that pervades clan patronage or clan loyalty.
- iv. Symbiotic relations with the ruling government and the local indigenous elites.

The Successful Traits of Selected Overseas Chinese in Asean

The main source of the following information on the five selected individuals is derived from the Wikipedia websites that are retrieved on particular dates as such.

Malaysia (Robert Kuok Hock Nien)

In 2008, Forbers business magazine puts his net worth to an estimated US\$10 billion making him as the richest person in Southeast Asia; with his businesses are either privately held by him or his family. His companies have investments in many countries throughout Asia. Business interest range from sugarcane plantation (Pedis Plantation), sugar refineries, flour milling, animal feed, oil, mining, finance, hotels, properties, trading, freight and publishing.

His father had arrived from Fujian, China at the beginning of the 20th century. Robert Kuok who was born in Johor Bahru founded the Kuok Brothers in 1949 and started to become involved in trading agricultural commodities. In 1961, made a big coup by buying cheap sugar from India before the prices shot up., controlled 80% of the Malaysian sugar market - nickname " Sugar King of Asia".

In 1971 - he built the first Shangri-La Hotel in Singapore. His Kerry Group had also acquired 34% stake in the South China Morning Post from Murdoch's News Corporation and his media empire includes

Television Broadcasting or TVB which operates the most popular television channel in Hong Kong and is a large producer of Chinese TV programs. Businesses in China included 10 bottling companies for Coca Cola and owned the Beijing World Trade Center.

The freight business includes Malaysian Bulk Carriers and Transmile Group. He subsequently formed the Kerry Group and Wilmar International Limited. At the peak of his business, 80% of the sugar market is controlled by his enterprise and about 10% of the global export market. In 2009, PPB decide to dispose of its sugar units along with land to cultivate sugar cane for RM1.29 billion to Felda - a GLC link to the Government of Malaysia.

Kuok has relied heavily on his gentlemanly way of doing business to become a mover and shaker in the industry. He was quiet fast in identifying opportunities home and abroad and had used his excellent connection with the government and industry to scale up his empire. He was instrumental in developing the then Bank Bumiputra Berhad and helped also in the setting up of Perbadanan Nasional Berhad which were both established to promote bumiputra interest in the Malaysian economy. He was appointed as one of the five advisers of the Iskandar Regional Development Authority (IRDA) that is directly responsible for attracting investment for the mega project in southern Johor. He had invested a huge and substantial amount of his fortune in the development of Nusajaya, a new satellite township in his home state of Johor.

Singapore (Kwek Leng Beng)

In 2005, his estimated net worth was US\$3.5 billion. His father, Kwek Hong Png had left Fujian province as a penniless teenager to Singapore and subsequently founded the Hong Leong group. Kwek Leng Beng had obtained his law education in London and had become chairman of the group in 1990. The Hong Leong Group is a conglomerate with more than 300 companies. He also leads City Development Limited (CDL) which is a leading real estate developer in Singapore and the second biggest property developer in Southeast Asia. The corporation operates in 20 countries in Asia, Europe, North America and Australia.

He also chairs Millennium & Copthorne (M & C) which is a London-based international hotel group and is ranked 40th among the world's top international groups. Kwek's HL Group also owns Hong Leong Finance which is Singapore's largest finance company with a

network of 28 branches. The operation in Malaysia is headed by his cousin Quek Leng Chan.

Excerpts of KLB's interviews at the BlueSky Conference 2004;

"You have to have the vision, Secondly, you have to spot the opportunity before everyone else and act fast. Need to be cost conscious and to sell, sell and sell. If you are not generating revenue, you are gone because you can cut costs only to a certain extent. You have to have market intelligence in order to smell the deals. If you want to negotiate for a takeover, you have to take into account the psychological feelings of the other company. You must always have a fall back plan and when you make mistake it should not be so huge as to wipe out your shareholders fund. In order for the Singapore government to be relevant, they have to introduce entrepreneurship as one of the economic engines to move forward".

" You also have to be passionate about what you want to do. If you are not passionate, you cannot put in long hours or be creative. You have to be much focused and concentrate on your core strengths and businesses. It is better to be the best in what you do rather than to be a jack of all trades".

Philippines (Henry Sy)

As of September 2009, his net worth is estimated at US\$3.8 billion by Forbes magazine. He was born in a remote village in southern China on Dec 25 1923. His Chinese name Sy Chi Sieng literally means 'to attain ultimate successes'. He followed his dad and migrated to the Philippines at the tender age of twelve. The will to strive for excellence and to overcome the harsh environment of poverty in his early childhood had influenced his discipline of hard work and frugality. His father hard life as a small shopkeeper begin when both of them worked from early morning up to late in the evening everyday and just slept at the small counter floor, which they cleared late at night, when the store was closed. This humble beginning in trade and business is certainly a refreshing thought and reminder of his earlier struggles and beginnings before he emerged to become the wealthiest entrepreneur in the Philippines.

Henry Sy is the founder of SM Group and chairman of SM Prime Holdings, the largest retailer and shopping mall operator in the Philippines. As the country's Retail King, he has come a long way from the modest

shoe store he set up in Quiapo in 1946 to become Asia's biggest mall operator with over 30 malls in the Philippines. The SM Mall of Asia, which is built on the reclamation area of Pasay City is the fourth largest mall in the world.

"Ever since I was a boy in our village in southern China, I was always No. 1 among the kids in our area. I've always wanted to be No. 1 in everything I undertake. I believe in excellence, in doing one's best" he once stated.

Most Overseas Chinese entrepreneurs begin to aggressively expand into the vast China market to compete with other leading companies as China pose a huge opportunity and in essence this could also be considered as the return of prodigal sons to the homeland of their ancestors. The SM Group has launched three supermalls in North and South Xiamen and in Chuan, China. His SM Cinemas house 146 movie theatres (with over 103,708 of total seating capacity) making it 60% of the total cinemas in the Philippines. He also initiated ice skating interest and built ice skating rinks which had brought numerous victories to the Philippines in international championship tournaments.

The SM Group is considered to be the fifth best-managed and best-performing company in the Asia Pacific Region. Excerpts of his quotes ".....Remember the young boy who arrived in Manila many years ago, a stranger with nothing to his name and not knowing a word of Tagalong or English. If I can do it, the young people of today can do it too".

Indonesia (Sukanto Tanoto)

He was born on 25 Dec 1949 in Medan, Indonesia with Chinese birth name: Chen Jianghe. He was the eldest son of a Chinese immigrant from the Fujian province of the mainland China. He started as a supplier of equipments and materials for the state own oil firm Pertamina. He noticed that Indonesia exported wooden logs which were then converted into ply woods abroad in countries like Japan and Taiwan and then imported back to Indonesia with higher costs.

In 1989, Sukanto Tanoto started a pulp mill under the name of PT Inti Indorayon Utama, which was built at a small village Porsea nearby Lake Toba of North Sumatra. Following the downfall of Suharto in 1998, public pressure began to grow and the factory finally was closed down permanently by President Wahid after fierce opposition from the local and environmental activists followed by fatal demonstrations.

With Raja Garuda Mas International (RGM International) holding company, Sukanto Tanoto controls his business empire. The list of his business interests include Pacific Oil & Gas (a private energy resource company that runs in Indonesia, Singapore, China and Hong Kong); Asia Pacific Resources International Holding Limited (APRIL - a manufacturer of fiber, pulp and fine paper); Asian Agri (an agrobusiness industry that own 20,000 hectares of oil palm, rubber and cocoa plantations in Indonesia, Philippines, Malaysia and Thailand; PEC-Tech (a construction and logistic service company) and Sateri International (an international producer of viscose fiber and dissolving pulp with its headquarter in Shanghai, China).

Sukanto Tanoto was a self-educated entrepreneur who never relishes the opportunity of continuing his education at a reputable business school in Jakarta as well as attending management course at top universities such as Harvard, Stanford, Kellogg, Wharton, Carnegie Mellon etc.

In the mid 1990s, Tanoto and his family relocated to Singapore and is having its operation base there. The Indonesian press speculated over this move that Tanoto was trying to seek safe place as a financial fugitive. He denies this and the relocation is merely to meet his international clients with more effects. In 2008, Forbes magazine rates him as the richest man in Indonesia with a net worth estimated at US\$3.8 billion.

Thailand (Chaleo Yoovidhya)

His net worth is estimated at US\$3.5 billion, making him the richest man in Thailand. Together with Dietrich Mateschitz, a marketing whiz from Austria, they founded the energy drink Red Bull that has taken the world and Formula 1 by surprise. In fact, the brand was a translation of the local Thai word for his Krating Daeng energy drink. Most of his fortunes are made in the food and beverages industry. His son, who has a 2% stake in the Red Bull business, also manages Siam Winery which is the leading and major manufacturer of the liquor products in Thailand.

He also owns TC Pharmaceutical - a manufacturer of energy drink in Thailand that had cooperated with the Austrian to adapt the formula and composition of his Krating Daeng energy drink to western taste. He also partly own Piyavate Hospital which is a notable private hospital in this country. Red Bull is the most popular energy drink in the world according to market share. It is aggressively marketed through advertising,

tournaments sponsorship (Red Bull Air Race, Red Bull Crashed Ice), and sport team ownership (Red Bull Racing, Red Bull New York).

Conclusion

The influence of clan/kinship in their beginning as immigrants and later on as assimilated citizens of the new found and adopted land was the driving force of their sustained and continued success in Southeast Asia. Their beginning was full of hard work and determination, and then slowly taking hold of the industry and eventually dictating their outlook by diversifying into broad spectrum of business interests in the region. The upbringing and traits learned and handed down to family members and their communities have consolidated the existence of the Overseas Chinese and hence their active and positive role in creating wealth for this region. The wealth and fortune were gained by sheer dedication and perseverance in addition to understanding the nature of local affiliation with the respective ruling elites of the adopted countries and their bold and brave attempts to strategically turn this region into one of the present and future business dragons of the global world. Thus, mutual societies and clanship have tremendously influenced the formation of networking that had geared the development of various enterprises in the diverse fields of business in this region. Those guiding principles still prevail in the modern day ASEAN and they had contributed to the success of the selected individuals as seen in this analysis.

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