

The Globalisation of Asian Firms

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This paper examines the globalisation of Asian firms. Previous literature of globalisation focuses mostly on the Western impact on Asia without considering the growing importance of the Asian firms in world business. Our discussion considers both Western and Asian aspects to assess the mechanisms through which globalisation proceeds. On the one hand the diffusion of globalisation spreads through the entry of multinational companies (MNCs) and foreign direct investment (FDI) inflows into local markets. On the other hand the international engagement of Asian transnational companies (TNCs) and FDI outflows from Asia shape the contemporary economic, political and social environment in Asia. Benchmarking best practices and institutional forces can be some of the drivers of the reconfiguration of Asian firms, while embedded customs and idiosyncratic national regimes mediate possible changes. While some shifts have been observed in indigenous businesses and international organisations, the impacts of globalisation of Asian firms, or the formulation of an 'Asian way' of success, can take a long time to emerge before the outcome for businesses becomes internalised and stabilised.

Field of Research: Globalisation, Asian economies, Management, Human Resource Management

1. Introduction

Globalisation can be described as a process of globalising, the transformation of some local phenomena into global ones. It is a way by which the people of the world are unified into a single society and functioning together. Some management theorists argue that globalisation can be located within 'one best way' and universal-type theories, with a central proposition that a worldwide tendency for trends and forces will induce a convergence of management systems towards uniformity. Globalisation's impacts on management practices may come via two-way flows: from multinational company (MNC) operations and foreign direct investment (FDI) into local markets or from engagement of indigenous firms in global business.

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The impacts of globalisation are particularly obvious in Asia. Most Asian economies have had rapid growth rates for the past several decades (see Table 1). The development of many Asian economies has been outstanding in comparison with developed countries and other parts of the developing world. The move toward globalisation poses both opportunities and concerns. There are opportunities as participation in global business could push Asian companies to comply with international standards, which in turn will increase their competitiveness and efficiency. However, there are concerns that globalisation may undermine certain social and institutional foundations of Asian business systems and accentuate the need for transformations in their traditional dimensions (Rafferty, Pasadilla, Chiang, Hui & Tang, 1998).

Table 1: Growth Domestic Product (GDP) of Asia Pacific Economies (1980-2008)

Economy	1980	1990	2000	2006	2007*	2008*
China	7.9%	3.8%	8.4%	11.1%	11.5%	10.0%
Hong Kong	10.2%	4.0%	10.0%	6.9%	5.7%	4.7%
Indonesia	9.9%	7.2%	5.4%	5.5%	6.2%	6.1%
Japan	3.2%	5.2%	2.9%	2.2%	2.0%	1.7%
Korea	-1.5%	9.2%	8.5%	5.0%	4.8%	4.6%
Malaysia	7.4%	9.0%	8.9%	5.9%	5.8%	5.6%
Philippines	5.1%	3.0%	6.0%	5.4%	6.3%	5.8%
Singapore	9.7%	9.2%	10.1%	7.9%	7.5%	5.8%
Taiwan	7.4%	5.7%	5.8%	4.7%	4.1%	3.8%
Thailand	4.6%	11.6%	4.8%	5.0%	4.0%	4.5%
Vietnam	-3.5%	5.0%	6.8%	8.2%	8.3%	8.2%

Source: *International Monetary Fund, 2007*

* *Estimation*

Besides these opportunities and concerns, there are several other reasons for examining the globalisation of Asian firms. First, globalisation can lead to wider cultural diversity in management composition and management style which contributes to the competitive advantage of global companies. Second, it can affect the contextual development of cross-national organisations and has profound effects to corporate values, attitudes and individual identity (Giddens, 1998). Finally, majority theories, concepts and discourse on globalisation have emerged from Western contexts. Whether the processes of globalisation work in other contexts, such as in the Asian region, needs to be examined. The aim of this paper is to examine the globalisation of Asian firms' management and their practices. The paper discusses both Western and Asian aspects to assess the impacts of globalisation. The next section introduces the theoretical debates associated with the applicability of Western management theories in the Asian context. The paper then provides examples and cases about the engagement of Asian firms in global business. Finally, the paper draws together some conclusions and outlines possible future directions.

2. Literature Review

2.1. Debates About Globalisation

Debates concerning globalisation's impacts rest on two opposing camps – one for universalism and another for continuing divergence. From an universalistic perspective (e.g. Harbison & Meyers, 1959; Kerr, Dunlop, Harbison & Meyers, 1962), worldwide socio-economic and political forces create tendencies for countries to become more similar. These forces push national systems towards uniformity as copying, benchmarking and transferring of practices are encouraged. This convergence trend towards an universality of practices implies there is 'one best way' of managing (Boxall & Purcell, 2003). Nevertheless, people and situations vary over time and the right mix of management practices depends on a complex variety of critical environmental and internal contingencies. Thus, organisations would constantly adjust and change their strategies to fit in with the external environment, international corporate evolution, or its business strategy. These can lead to further changes in the social organisation and institutional structures of business systems leading to divergent practices. Therefore, whether globalisation can facilitate the transfer of Western practices remains contested. These dichotomous views of globalisation only give a simple way of 'either-or', but not a 'both' approach. They fail to recognise that the logic of globalisation itself is highly contested in a reflexive manner by multiple actors (e.g. individual elites, business firms, nation-states, international organisations and so on) at different spatial scales (e.g. local, regional, national and global) (Yeung, 2000). So, even if convergence is found at global level, it may result in divergence at national or intra-national levels, or sometimes crossvergence at sector and industry levels, as unique cultural and institutional frameworks may create distinct national competitive advantage, potentially militating against the convergence towards some practices.

2.2. Institutional Isomorphism

The impact of globalisation can further be constrained by institutional preconditions, path dependency and behavioural inertia, which make diffusion of practices neither an easy process nor an inevitable result. Three mechanisms of institutional "isomorphic" change ("coercive" isomorphism to gain legitimacy, "mimetic" isomorphism to avoid uncertainty, and "normative" isomorphism from professionalisation) are suggested (DiMaggio & Powell, 1983). For instance, the opening up of markets to FDI and MNCs in China and Vietnam and implementation of economic reforms to match up with global competition in Malaysia and Korea have created a new institutional environment and exerted pressure on Asian companies to adopt institutional rules. Joining the World Trade Organisation (WTO) speeded up economic development but also pressurised China's state-owned enterprises to imitate the practices of Western MNCs to demonstrate that they are in step with international markets. Some analysts comment that small producers view WTO membership as a threat, with indigenous firms' development mainly based on economic liberalisation, local government protection and sclerotic transportation network (Cunningham & Rowley, 2007).

The application of management systems cannot be divorced from the institutional context. To apply Western management concepts in other countries, such as those ones in Asia, it is important to understand its meanings. Some previous studies based on Western contexts (e.g. Lado & Wilson, 1994) show that the 'best' management systems are those that augment people skills, motivate employees and organise workforces to gain competitive advantage. Accordingly, employment flexibility, performance-based rewards and employee development investment may be identified as best practices. Nevertheless, these practices are very different from traditional management practices predominately used in Asia (i.e., lifetime employment, seniority-based pay and organisational specific/technical skills training). The notion of best practice may not be present in the Asian context as Western studies may not capture the underlying cultural and philosophical assumptions and end up under-representing or misrepresenting an Asian conception of management practices (Poon & Rowley, 2007).

2.3. Cultural Globalisation

The issue of cultural globalisation relates to the debate of 'culture-free' and 'culture-specific', which is the extent that localities retain power to influence management practices or are overridden by transferred practices. There are two main schools of thoughts. One stresses that organisational dissimilarities are entrenched in the idiosyncratic national and institutional regimes surrounding companies (Hofstede, 2001). Culture can act as an 'informal constraint' on institutions and play a role on decision-making, managers' judgement and knowledge management, making transferability of management models difficult. The second school of thought emphasises that companies may gradually be losing their national characteristics (Pauly & Reich, 1997). The various forces and vectors of cultural globalisation eradicate the uniqueness of individual national culture and create a culturally homogenised world. Hence, management practices will become universal across countries and independent of country of origin (Crookell, 1986). Some common cultural values, often called 'Asian values', seem to be shared across the Asians. For instance, high power distance is acceptable in most Asian societies. In Korea, sharp distinctions between owners, managers and workers can be observed (Rowley, 2005). Triandis (1995) uses the term 'vertical-collectivist' to describe deference to authority in Thai companies. Many believe such traditional management practices deep-rooted in Asian social values, Confucianism ideology, relationalism and 'guanxi' practices (Farh, Tsui, Xin & Cheng, 2000) are not found in Euro-American contexts and hence the degree to which Asian culture would facilitate or hinder the adoption of Western practices brought by globalisation is questionable.

2.4. Towards Convergence or Divergence?

The Asian region comprises areas of various diversities in terms of economic developments, demographic characteristics, social background and cultural values. Impact of globalisation, and hence rate of new knowledge adoption and the degree of foreign influence, are not uniform (Rowley & Poon, 2008). Many Asian firms may have taken a different development path, emerging with a distinct pattern of management system which is different from the Anglo-Saxon business model. Thus, the meaning and operation of particular management practices can vary substantially between countries and the degree of acceptance of practices can be slow and cautious. Asian businesses are still experimenting with Western management concepts and theories and the effects of globalisation on the changing dynamics of Asia will still be felt in the long term. It is, therefore, difficult to conclude that

management practices will converge fully to one model or move towards a distinct model with 'Asian' characteristics. To summarise, the impacts of globalisation on Asian firms are often symbolic; partially resulting in the application of some particular management practices at a surface level without corresponding changes in management philosophies at a deeper level. The dynamic and complicated interactions of business firms between Asia and other regions imply that globalisation can affect management practices in a pluralistic and multi-faceted manner. It is still unclear if such change in the management in Asian firms is unidirectional, cyclical or reversible. To have a more clear view, the impact of globalisation needs to be studied across different levels of analysis and from different directions.

3. Methodology and Research Design

With the economic development of Asian countries, the engagement of Asian firms in global business shows a long-term effect on the world economy. For instance, the growing labour pools that China and India offer will help to redress the demographic problems faced by the most developed economies. Asia provides one of the biggest opportunities for Western companies as its vast domestic markets, together with a growing affluent middle class, will become increasingly worthy consumers of Western products, irrespective of where they are manufactured. Asia also offers great opportunities and high growth prospects to many businesses as it becomes the largest potential market in the world. With regard to the integration of Asian firms in the global business, this paper examines FDI flows and big businesses in Asia particularly. On the one hand, FDI has been the single most significant factor contributing to the globalisation of both developed and developing economies since the mid-1980s. Some scholars acknowledge that the growth of post-war FDI is an expression of the monopolistic activities of MNCs in both host and home countries (Mehmet & Tavakoli, 2003). Although it may be difficult to establish a direct relationship between freedom of capital flows and speed of economic development, it is obvious that Asian countries benefit from their opening up to global capital. The free flow of capital across borders makes funds available more cheaply to these countries; and the results are lifting investment, boosting GDP and raising living standards. FDI does not only bring into the region the latest equipment and technology, but is also a major source of capital. Consequently, coercive isomorphism to gain legitimacy and pressures from international organisations (such as the International Labour Organisation) directly discipline local governments and promote reforms that improve the management system.

On the other hand, the impact of globalisation on Asian firms can be observed by international expansion of Asian transnational companies (TNCs). In 2005, the Asian region accounted for around four-fifths of the top 100 TNCs from developing countries (UNCTAD, 2006). The expansion of Asian TNCs has taken place in the context of rapid economic growth in some Asian economies that have successfully integrated into the global production system. For example, the total number of parent companies in China, Hong Kong, India and Korea for cross-border mergers and acquisitions (M&As), greenfield investments and expansion projects has multiplied from less than 3,000 to more than 13,000 in the past decade (Manfra & Fitzmaurice, 2007). Moreover, an increasing number of mega M&A deals in the US and Europe have been undertaken by Asian TNCs, such as Temasek (Singapore) which purchased 11.5 per cent of Standard Chartered (UK) in 2006, China National Petroleum Corporation (China) which took over Petrokazakhstan (Canada) in 2005, and Lenovo (China) which acquired the personal computer division of IBM (US) in 2005. Furthermore, the majority

of these Asian TNCs have also emerged as competitive global players. For instance, in Korea, Hyundai Motor, LG. Chem, Samsung Electronics, LG Electronics, SK and Posco are examples of companies that have established global positions in automotives, chemicals, electronics, petroleum refining and steel. In India, Hindalco and Tata Steel are dominant players in the world's heavy industry and they have bought some key and big foreign companies (e.g. Infosys and Tata Consultancy Services). The rise of TNCs from Asia, with their growing role in the world economy, is closely associated with the wide-ranging transformation of management practices that globalisation is causing in all economies. It is, therefore, proposed that Asian TNCs will soon become a key aspect of the globalisation process of the world economy.

4. Discussion of Findings

With regard to FDI in the Asian economies in particular, Asia remains the largest recipient of FDI in the developing world. For example, total world FDI inflows were US\$916 billion in 2005, the third largest in the history of FDI. Of these investments, Asia received US\$165 billion or 18 per cent of the total. About two-thirds went to two economies, namely China and Hong Kong. The South East Asian sub-regions received US\$37 billion, led by Singapore and followed by Indonesia and Thailand (Table 2). While inward FDI is substantial, FDI outflows from Asian countries have also grown considerably. Asia has emerged as an important source of the world's FDI outflows, reaching over US\$93 billion in 2005, which accounted for 70 per cent of the total world capital, with Hong Kong controlling more than 45 per cent (Manfra & Fitzmaurice, 2007). Firms from Hong Kong, China, Taiwan, Singapore and Korea, in that order, are the main sources of FDI outflow in the twenty-first century.

Table 2: Inflow of Foreign Direct Investments to Asia Pacific Economies (US\$ Million)

Economy	2001	2002	2003	2004	2005
China	44,241	49,308	47,077	54,936	79,127
Hong Kong	23,776	9,682	13,624	34,032	35,897
Singapore	15,607	7,202	10,389	14,839	20,071
Indonesia	2,977	1,450	5,969	1,896	5,260
Thailand	3,892	953	1,949	1,718	4,527
Korea	3,528	2,392	3,526	9,246	4,339
Malaysia	554	3,203	2,473	4,624	3,966
Vietnam	1,300	1,400	1,450	1,610	1,954
Philippines	195	1,542	491	688	1,132

Source: World Bank, 2007

The opportunities for Asian firms to engage in the global economy are clearly legion, but so are the challenges. For example, plausibly, lifting restrictions on capital flows could undermine the domestic financial system since spendthrift governments can tap a larger pool of funds abroad. Encouraging FDI inflows can put upward pressure on the exchange rate, making exports less competitive (The Economist, 2008). Moreover, it is evident that the highest value products and skills remain firmly under the control of Western companies. These include core intellectual property, marketing and branding muscle, high-end management skills and vast pools of investment capital. Furthermore, the globalisation process accelerates dissolution of family ties, mass migration and urbanisation, which could hinder the economic growth of developing counties (Zhu & Nyland, 2005).

Moreover, there is no single management model that shapes the way firms are organised or their people or resources are managed, regardless of if Chinese, Indian, Japanese, Korean or otherwise (see Budhwar, 2004; Warner, 2003). For instance, the Japanese model, which is characterised by lifetime employment, seniority systems and enterprise unions, has now become less *de rigueur* (Rowley & Warner, 2008). The Overseas Chinese Big Business regimes do not cover comparably-sized entities and vary between the states in which they are found, namely, Hong Kong, Singapore and Taiwan. Hence, the assumption that there is an Asian model consisting of a homogenous bloc of countries, institutions and practices in the Asian region is perhaps too simplistic. As such, past success or best practice in one situation does not automatically guarantee an effective transfer and adoption in another (Rowley and Poon, 2008). Whether or not there is an 'Asian way' to success is debatable. It is, however, interesting to note that inter-regional investment among Asian economies has been increasing. In the meantime, Asian governments have collaborated to promote so-called subregional economic zones, such as the China-Singapore Suzhou Industrial Park Development, the Greater Mekong Subregion encompassing parts of Vietnam, Laos and Cambodia, and the Tumen River Area Development Project in China. In addition, 'growth triangles' have emerged among some neighbouring countries in the Association of Southeast Asian Nations (ASEAN), including the Johor-Singapore-Riau, the Indonesia-Malaysia-Thailand and the East ASEAN (Brunei-Indonesia-Philippines) growth triangles. In order to continue sustainable economic growth, Tamamura (2002) suggests that a set of industries, not within each country, but within the whole South East Asian region, should be considered so as to avoid unnecessary competition. A sort of international division of labour, according to the development stage of industries, will be settled. The market for each product will become larger as it extends to the whole region, and the dependence on the demand of the developed countries will lessen. The region with the largest population in the world will become more attractive to investors. In other words, competition would no longer be from within the region, but solely from countries outside the region. Consequently, an Asian development model emerges.

5. Conclusion

This paper examined the globalisation of Asian firms. Most debates in previous globalisation studies focus only on the Western impact on Asia without considering the increasing importance of Asian firms in global business. Our discussion looks at the impacts from both sides. On the one hand, the diffusion of globalisation finds its way through the entry of MNCs and FDI in local markets. Globalisation brings opportunities to Asian companies in terms of advanced practices, poses threats to traditional foundations of domestic markets, and in-between lies the many convergence-divergence problems faced by global companies and local institutions. On the other hand, globalisation provides key mechanism through with the emergence of Asian firms to reshape the global market and the influence on Western practices. These can alter the institutional contexts in which the stability and continuance of businesses are accustomed. Globalisation is not only narrowing differences between Asia and the West in management systems, institutional structures and business models, but is also simultaneously leading to transitional and evolutionary change in many businesses.

It is apparent that the central issue in understanding the impact of globalisation on any business is not how it is different from the existing template, such as the best practice or

Anglo-Saxon model. Though these differences in management practices may exist, they are often subject to dynamic changes over time and the direction of change is not necessarily towards a final destination, some best practice model or an Asian way for success, but remains at a transition stage. In other words, the impacts of globalisation can take a long time before the outcome to businesses becomes internalised and stabilised. The future research should take a longer term perspective on this issue. Finally, understanding the mutuality of interactions between the 'global' and the 'local' is vital for developing a full appreciation of the impacts of globalisation. Viewing globalisation primarily as a unidirectional process may make it increasingly difficult for businesses to truly compete in the global arena. All in all, therefore, future research may consider using more multi-directional analyses to comprehend the changing impacts of globalisation.

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