CHAPTER I

INTRODUCTION

1.1 The Reason of Choosing This Topic

The Chinese immigration makes up a disproportionate share of the commercial class of almost every Southeast Asian country where they have built up a community. Some of them are big players in the national economies and play significant role in the process of nation-building of the countries in which they stayed. This phenomenon attracts the interests of many researchers and scholars all over the world. They try to find out the internal and external reasons which contribute to the success of overseas Chinese. Some valuable classics were published several decades ago, describing the history of Chinese immigration to Southeast Asian countries and explaining their distinctive cultural background, values and behaviors. It is undeniable that some special personalities and behaviors of the overseas Chinese, which can be concluded in Chineseness are one of the reasons which cause their great success of business. The way Chineseness plays a role in business management in some successful ethnic Chinese enterprises in Thailand causes my interest. I think it will be a challenging and meaningful topic.

1.2 Related Research Works

The extraordinary rate of growth of the East Asian and Southeast Asian economies: Japan, South Korea, Hong Kong, Singapore and Thailand has sparked research into the organizational structures of 'Asian Capitalism' and overseas Chinese forms of commercial organizations and their business management styles. Some of these studies have tended towards cultural explanations. For example, Herman Kahn proposes that

the success of business organizations in Hong Kong, Taiwan, South Korea, Japan and Singapore is due mainly to certain distinctive features shared by the majority of organization members. The highlighted characteristics are familism, obedience, perseverance and thrift, which can be attributed to the Confucian tradition.[1] Robert Silin looks into aspects of the Confucian tradition to make sense of the organization forms and behaviors pervasive in Taiwan. Familism is seen to affect social cohesiveness adversely, but trust between family units serves to compensate this.[2] S. G. Redding underscores the cognitive aspect to illuminate the differences between Chinese and Western managerial behavior and organizational forms.[3] He states that culture influences the organizing of social activity by affecting the values which make it worth doing things in one way rather than another. Bond and Hwang[4], and Redding and Wong[5] also pay particular attention to the psychology of the Chinese to explicate their organizational and management behaviors. Tong Chee Kiong and Yong Pit Kee examine the social foundations and organizational principles of Chinese business firms by focusing on the inclination to incorporate personal relationships in decision making.[6]

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[1] Herman Kahn, World Economic Development: 1979 and Beyond (London: Croom Helm, 1979), pp. 12-33.

[2] Robert H Silin, Leadership and Values: The Organization of Large-Scale Taiwanese Enterprises (Cambridge: Harvard University Press, 1976), pp. 8-25.

[3] Redding, S. G., "Cognition as an Aspect of Culture and Its Relation to Manage Process: An Exploratory View of the Chinese Case," Journal of Management Studies 17, pp. 127-148.

[4] Bond, M. H. and K. K., Hwang, "The Social Psychology of Chinese People," The Psychology of Chinese people (Hong Kong: Oxford University Press, 1986), pp. 20-42.

[5] Redding, S. G and Wong Gilbert, "The Psychology of Chinese Organizational Behavior," in Bond, M. H. (ed.) The Psychology of Chinese People (Hong Kong: Oxford University Press, 1986), pp. 2-7.

[6] Tong Chee Kiong and Yong Pit Kee, "Guanxi Bases, Xinyong and Chinese Business Networks," British Journal of Sociology Volume no.49 Issue no.1, 1998, pp. 75-86.

1.3 Objectives of the Study

The objectives of this thesis include there main points. Firstly, I want to study the background of Chinese traditional philosophy, ideologies, traditional culture and social rules, which shape the concept of Chineseness. Then, I intend to review the history of Chinese immigrants to Thailand and their business activities in Thailand through different periods as well as to analyze the important role that ethnic Chinese played in Thailand's modernization. Thirdly, the most important point, I aim to find out the role of Chineseness in business management in the past, today and future by concentrating on the enterprises controlled by ethnic Chinese families. The merit and weakness of Chineseness will be given at the end.

1.4 Reason of Choosing a Case Study

Great business success of overseas Chinese as a group in Thailand encompassed many famous and successful ethnic Chinese families. However, it is impossible to analyze all of them, and it is a tremendous task to cover all of these enterprises and their way of starting business and developing management. Choosing a case study will be a better way to analyze and illuminate. Sophonpanich family is not only one of the most distinguished overseas Chinese families in the world, but also is a very typical ethnic Chinese enterprise in Thailand. There were many overseas Chinese business groups like Sophonpanich family which grew and prospered in the earlier days. With the coming of the western capitalists, however, the Chinese value and pattern in doing business were challenged. Under these new circumstances, some of Chinese enterprises declined and collapsed, while some of them tried to adapt, survive and develop. The Bangkok Bank of Sophonpanich family is one of these remains. It is interesting and meaningful to discover their uniqueness in business management, which helps them get through the storm round by round.

1.5 Methodology and Approach

Many attempts have been made to develop a conceptual framework for the explanation of managerial similarities and differences across cultures with diverse concepts and methodology. Among many diverse models, the open systems model seems to be the most comprehensive in which the organizational systems are considered a part of the larger societal environment with which they continuously interact.[7] This model was developed in the 1970s by Negandhi and Prasad[8]. They conclude that the business management process is dependent not only on external environmental constraints and culture but also on management philosophy. Management philosophy is defined as management's attitudes toward and beliefs regarding governments, community, consumers, distributors, suppliers, employees, and stockholders. Managerial philosophy has considerable influence on the management process and effectiveness. Meanwhile, the environmental factors can directly influence not only management practices but also enterprises effectiveness.[9]
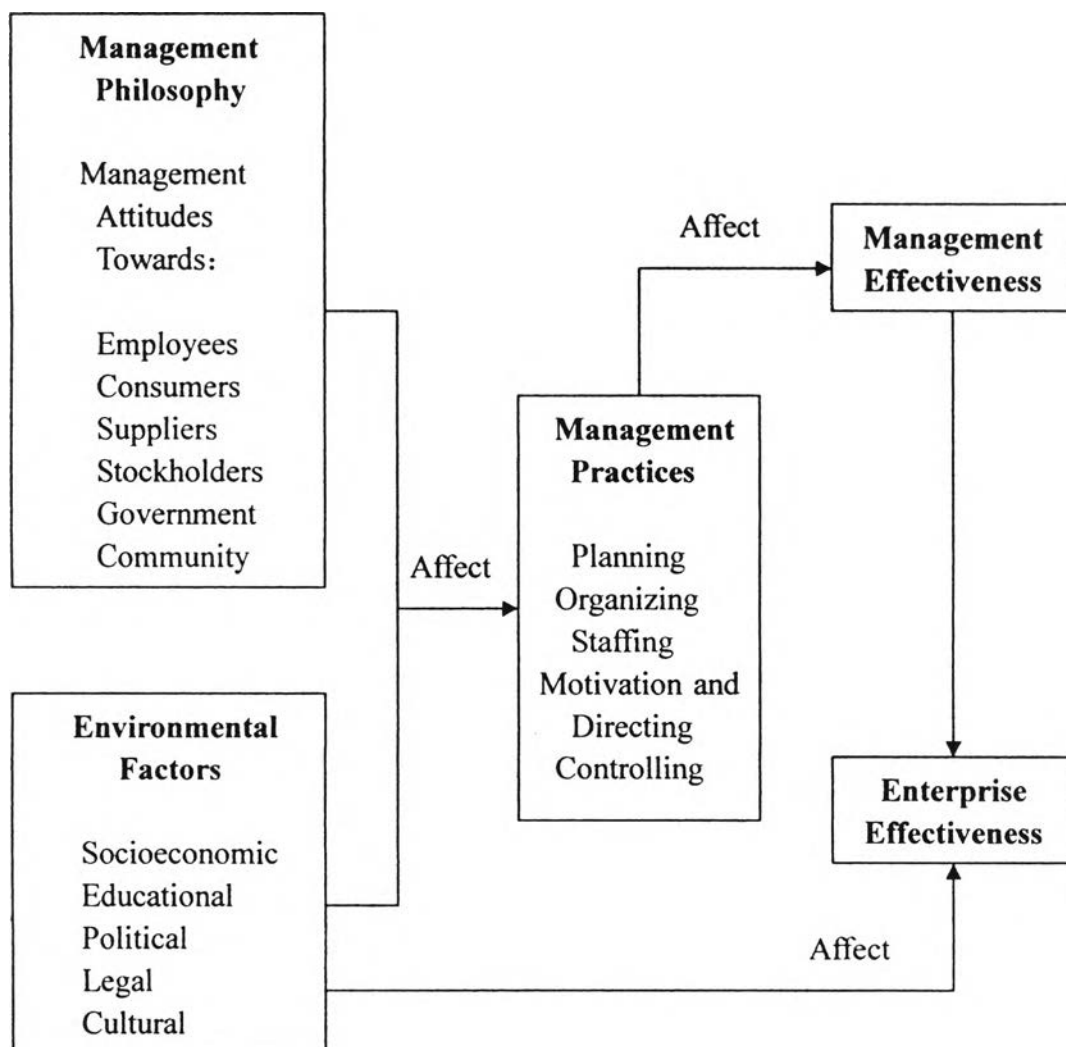
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[7] Min Chen, Asian Management Systems: Chinese, Japanese and Korean Styles of Business (London: Routledge, 1995), p.22.

[8] Negandhi, A.R. and S.B. Prasad, Comparative Magement (New York: Appleton Century Crofts, 1971), pp. 5-9.

[9] Min Chen, Asian Management Systems: Chinese, Japanese and Korean Styles of Business, p.14.

Figure 1. Open Systems Model[10]

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┌─────────────────────┐
│ Management          │
│ Philosophy          │
│                     │
│ Management          │
│ Attitudes           │                              Affect      ┌──────────────────┐
│ Towards:            │                                          │ Management       │
│                     │                                          │ Effectiveness    │
│ Employees           │                                          └──────────────────┘
│ Consumers           │          ┌──────────────────┐
│ Suppliers           │          │ Management       │
│ Stockholders        │          │ Practices        │
│ Government          │  Affect  │                  │
│ Community           │ ───────► │ Planning         │
└─────────────────────┘          │ Organizing       │
                                 │ Staffing         │
                                 │ Motivation and   │
                                 │ Directing        │
┌─────────────────────┐          │ Controlling      │
│ Environmental       │          └──────────────────┘    ┌──────────────────┐
│ Factors             │                                   │ Enterprise       │
│                     │                                   │ Effectiveness    │
│ Socioeconomic       │                                   └──────────────────┘
│ Educational         │
│ Political           │                       Affect
│ Legal               │
│ Cultural            │
└─────────────────────┘
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This model establishes the importance of managerial philosophy, but any successful managerial philosophy can not go against the cultural environment in which an enterprise operates. Therefore, the role of culture can not be ignored. While the principles of leadership, motivation, and decision-making may be applicable almost

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[10] Negandhi, A.R. and S.B. Prasad, Comparative Magement. p. 23.

everywhere, their success or failure depends on ways in which managers adapt to the local cultural and work situation.

Cross-cultural business management involves not only the technical dimension of management implied in general principles, concepts, and theories, but also a behavioral dimension of management, found in the actual performance of managerial functions. The impact of the behavioral dimension is culturally evident. The dynamics of cultural influence on the behavioral dimension are clearly represented by the cycle as shown below in the figure 2. Individuals express culture through the values they hold about life and the world around them. The values then influence their attitudes about the behavior considered most appropriate under such situations. The attitudes in turn provide the basis for daily behavior by generating the norms of behavior to be applied to a specific culture. Finally, the continually changing pattern of behavior affects the society's culture. A new cycle begins.

Figure 2. Influence of Culture on Behavior[11]
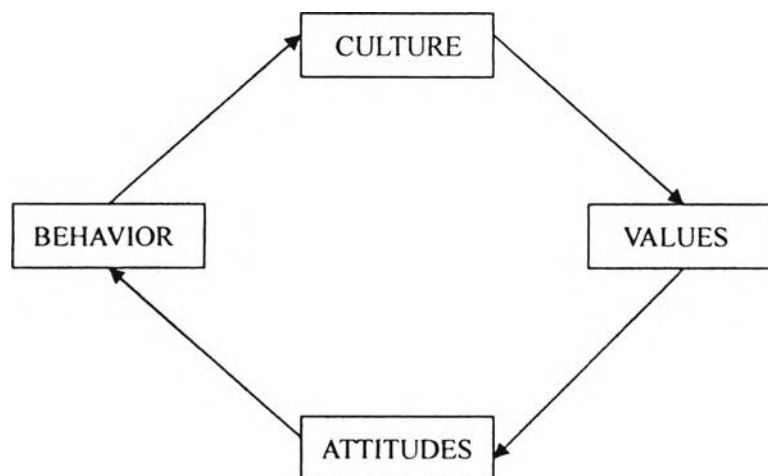
[11] Nancy. J. Adler, International Dimensions of Organizational Behavior (Cincinati, Ohio: South-Western College, 1991), p. 16.

1.6 Literature Reviews

1.6.1 Sons of Yellow Emperor: A History of the Chinese Diaspora by Lynn Pan
London: Reed Consumer Books Limited, 1990. 400pp.

This is a very well researched, well informed, well written book, which gives an interesting and important explanation of the migration of Chinese people in the last six centuries. It traced the immigration patterns of the Chinese focusing mainly on the last two centuries. It deals with all the historical, political, social, economic and personal reasons for those Chinese departures from homeland to the world. It looks at the hot spots across the world where the Chinese have taken up residence, from Thailand, Malaysia, Philippines, Taiwan, Hong Kong, the U.S., England, Canada, Australia and so on. Miss Pan has outlined the defining characteristics of the places and people dwelling therein down to the very mainland roots of the different Chinese places and their influences in the regions they spread into as well as how they were influenced by those regions. There are discussions of the well-to-do overseas Chinese such as Madame Wellington Koo, Tan Kah Kee, Lee Kuan Yew, Bruce Lee, Liem Sioe Liang, Li Ka Tsing and so on to give us different perspectives of how those people saw themselves fitting into the social contexts of the time. She also analyses the differences between the first, second, and third generations of immigrants. All of them have had different ways of seeing themselves, seeing China, having different kinds of mentality and values. She concludes the qualities of Chinese as having creativity, resiliency, intelligence, perseverance, dedication, and good business sense. Miss Lynn Pan's personal experiences in England and some in the U.S. no doubt were the cornerstones of the inspiration for this monumental work. This book gave a very interesting and in depth view of the history of the Chinese and how they strived to survived overseas. This book can be considered as an encyclopedia of oversea Chinese diaspora and a standard reference text for anyone who wants to research in the area of Chinese immigration.

1.6.2 Chinese Society in Thailand: An Analytical History by G. William Skinner Ithaca: Cornell University Press, 1957. 459pp.

The Chinese minority in Thaialnd is one of several overseas Chinese groups in Southeast Asia which have captured the attention of local nationalists and Western scholars since the end of World War II. Understanding of these minorities has been advanced through several field investigations conducted by western scholars, however, publications concerning this problem are not many, and among them Dr. Skinner's book is one of the best. It is a combination of historical survey and social analysis of the Chinese in Thailand. Skinner tells a moving story of the vicissitudes of the ethnic Chinese in Thailand. In this study the history of the Chinese in Thailand is traced from the 13th century to 1956. The author has attempted to write an analysis of Chinese society in historical perspective, so he separates Thai history into time periods and within these periods to discuss various topics and certain designated problems in Sino-Thai relations: immigration and population growth, economic development and restrictions, and nationalism. Although the history of Chinese settlement in Thailand dates back as far as the thirteenth century, the greater part of the contacts between the Thai and the Chinese has been confined to the period since the middle of the last century, when the developing industrialization of Thailand created a demand for the services of immigrant Chinese. Ethnic Chinese played a significant role in the process of nation building and economic development of Thailand. This volume is a valuable source of knowledge regarding the assimilative processes in an area which has ordinarily been thought to be singularly free from the usual pains of colonialism. Skinner found that the descendants of Chinese immigrants have been assimilating to Thai society since the beginning of Chinese settlement in Siam. The section on the demographic and occupational trends and the dialect groups' distribution of the Chinese in the city of Bangkok are especially useful. The penetrating discussion of the social class structure in Thailand and of the role of the Chinese within it helps greatly to illuminate the

dynamics of Chinese-Thai relations. The maps are excellent and the bibliography extensive. No one can fail to be impressed by the depth and breadth of the author's grasp of an important area of inter-ethnic relations in the modern world. The book is a classic to be used in studying the history of modern Thailand and Chinese settlement and acculturation there.

1.6.3 Capital Accumulation in Thailand, 1855-1985. By Suehiro Akira. Tokyo: The Center for East Asian Cultural Studies, 1989. 427pp.

Professor Suehiro Akira's study provides the first systematic business history of Thailand. It provides the data base needed for an analysis of the development of Thai society, and is also an important contribution to the nature of Thailand's transition to capitalism. The book offers a historical narrative of the emergence of the dominant capitalist groups, showing the international character of Thai capitalist development. Suehiro offers a detailed history of the rise of the major capitalist groups after 1855, based on fascinating family biographies. His analysis shows the economic impact of each dominant capitalist group, Chinese, European, and Thai, and to elaborate on how these groups came to be dominant, why their composition changed and what business and political alliances sustained them. The author traces and illuminates the changes in these dominant capitalist groups from the nineteenth-century European trading houses, Chinese tax farmers, and *sakdina* enterprises to the giant financial conglomerates and multinationals of the present day. It is the alliances and conflict among these groups, in conjunction with the impact of external forces that have determined the pattern of capitalist development in Thailand. The growth of capitalism and wage labour in Southeast Asia is essentially related to the history of overseas Chinese. He discusses the period of economic nationalism by beginning with the dominant Chinese rice groups, and then documents the growth and impact of state control over the economy under Phibun. Suehiro argues the Thai capitalist class has its origins in a curious fusion of the army, politico-bureaucrats and Chinese financiers. He points out that foreign capital

came to entirely or substantially control the Thai economy from the 1960s into the 1980s, which along with foreign loans and military aid, provided the key to industrial development beginning in the 1960s. Suehiro emphasizes that indigenous private capitalists have never played a significant role, but rather the state, foreign capital and the ethnic Chinese have been the main driving forces. Suehiro's book is a sign of the times. No one has mapped in such detailed and widespread business interests of particular individuals and family clans, or the interlocking ownership between firms, or the varied interests of prominent politicians or police and army officials before. His work is recognized as a major and original contribution to Thai economic history and is very valuable and useful for studying the ethnic Chinese capital accumulation process in Thailand.

1.7 Keywords

1.7.1 Overseas Chinese

There are two related terms, which are sometimes rendered literally in English as "Overseas Chinese", that is, "Huaqiao" or "Huaren" in Chinese. But the two words carry different implications. The "Huaqiao" represent Chinese people living outside China, "Hua" means Chinese, including mainland Chinese, Taiwan and Hong Kong-Macao. On the contrary, "Huaren" represents people of Chinese descent who have become new citizens of the host nations they settled. "Huaqiao" are overseas Chinese who are Chinese citizens and maintain political identity with China. This term is generally acceptable when referring to first generation of Chinese immigrants to other countries during a certain period in the past. On the contrary, "Huaren" are foreign citizens who have ethnic Chinese descent. They are the second or the third generation of "Huaqiao". They have political loyalty with their country of residence, and only identify

themselves with Chinese culture and ethnicity, not the Chinese political regime.[12] The concept of "Overseas Chinese" we used in this thesis including both "Huaqiao" and "Huaren". In this thesis, we use "ethnic Chinese in Thailand" and "Sino-Thai people" sometimes to replace "Overseas Chinese" when we refer to the second or the third generation of Chinese immigration.

The overseas Chinese immigrated into Southeast Asia region can be divided into eight groups according to different dialects and sub-dialects. They are: Cantonese, Fuzhou, Hainanese, Hakka, Henghua, Hokchia, Hokkien, and Teochiu.[13]

1.7.2 Business Management

Management means the art of conducting, directing. It is the process of leading and directing all or part of an organization, often a business, through the deployment and manipulation of resources (human, financial, material, intellectual or intangible). Early twentieth-century management writer Mary Parker Follett defined management as "the art of getting things done through people."

Management can also be considered as the action of measuring a quantity on a regular basis and of adjusting some initial plan, and as the actions taken to reach one's intended goal. Management has five functions: Planning, Organizing, Leading, Co-coordinating and Controlling. Business management is also called "Business Administration"[14].

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[12] Kesarin Phanarangsan, Ethnic Chinese Business in Modern Thailand And Their Role in Sino-Thai Economic Relations (Dekalb, Illinois: 9th International Conference on Thai Studies, Northern Illinois University, 2005), p. 4.

[13] George T. Haley, Chin Tiong Tan and Usha C.V. Haley, New Asian Emperors: The Overseas Chinese, Their Strategies and Competitive Advantages (Oxford: Butterworth-Heinemann, 1998), p. 9.

[14] Min Chen, Asian Management Systems: Chinese, Japanese and Korean Styles of Business, p. 11.

1.7.3 Chineseness

There are not few research papers and books that talk about and use the word "Chineseness". But what is Chineseness? No one has tried to give a definition of this word before. It is a question of race, culture, politics, family or ancestors? In my opinion, it is by all accounts, a mixture of all these things. Chineseness is a set of conceptions. The unique Chinese traditional culture, philosophy, ideologies and their profound influences on Chinese people belong to the range of Chineseness. The distinctive personal qualities, such as industry, diligence, economical, patient, peaceable, clever, enterprising, which are always used to describe the Chinese[15], are Chineseness too. Chinese people have their unique way of practicing and thinking, which can be also seen as a part of Chineseness. Therefore, Chineseness is a mixture of all common characteristics of Chinese people, including their personal qualities, their common cultural root, their way of doing things, dealing with people, building networks and overcoming obstacles.

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[15] Lynn Pan, Sons of the Yellow Emperor: The Story of the Overseas Chinese (London: Reed Consumer Books Limited, 1990), p. 113.