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US MULTINATIONAL CORPORATIONS
OPERATING IN SINGAPORE

BY

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Abstract

With the advent of contingency theories of leadership, it has become clear that no particular style of leadership is effective in all situations. This study has been attempted to identify factors such as the impact of culture and economic ideology on managerial values and leadership styles among managers in US based multinational corporations operating in Singapore. The results of the study supported the crossvergence perspective according to which the Singaporean managers were able to reconcile the dynamics of culture and the imperatives of economic and political ideologies with a distinct degree of uniqueness. This might become a new hybrid notion of leadership style in the region. From the findings of this study, it can be summarized that the sample of Singaporean managers exemplified a national character dictated by values of individualism and masculinity, low power distance and less orientation towards uncertainty avoidance. The personality type that dominated among the respondents was the Sensing, Thinking and Judging (STJs) types - particularly suited for the environment of large organizations such as the multinational corporations. The study identified a diffusion of values, economic ideologies, and demands from the corporate culture as major variables, influencing the process of achieving organizational goals. Given traditional depiction of eastern societies as being more tolerant of authoritarian style of leadership, one would expect a preference for directive style of leadership. However, a participative style seems to be equally appealing among the managers.

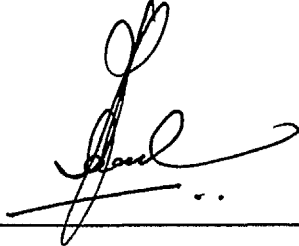
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DECLARATION

I hereby declare that this project paper is the result of my own investigations, except where otherwise stated. Other sources have been acknowledged, giving explicit references, and a bibliography is appended:

Date 29/11/2000

Signature..... 

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DEDICATION

This report is dedicated to my Princess for her love and attention.

Without her, I may not have the inspiration to go on....

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I would like to express my appreciation to my supervisor , Prof. Dr. Hj. Mohammad Saeed for his assistance and guidance.

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CHAPTER ONE

Introduction

1.0 Objectives of study

This study attempts to contribute further knowledge to the already extensive cross cultural research undertaken in the field of Eastern management practices. Behaviours and values found in different cultures suggest that the automatic application of current theories of leadership in other cultures may not necessarily be effective or appropriate. In an open, competitive economy like Singapore, the process of globalization must have taken its course to erode some of the traditional Asian values. This study will examine the effects of cultural orientations as well as explore the integrative outcomes on the leadership behaviour of Singaporean managers with those of their US counterparts. This study will also examine the influences of political and economic “survival” factors on work goals and leadership styles adopted by the MNCs, as well as ascertain whether there will emerge a unique Singaporean leadership style in this business sector.

Past studies have shown that both Malaysia and Singapore have been described as more family- centred societies (Pearson and Entrekina, 1998). Thus, this study will ascertain whether managers in US MNCs endorse similarly familiar values; have preference for relationship-oriented work goals and are more likely to practice group / networking behaviors. These qualities of Confucianism such as hierarchy of status, mutual obligation, ‘face’, guanxi, etc (Chen 1995) are often latent, but they operate within political, economic and societal frameworks. (Pearson and Entrekina, 1998)

Hofstede's (1980) four dimensions of culture served as the framework of our study. His research was especially relevant because not only was it derived from a study at IBM, an American MNC, but he also included Singapore in his survey, so that this study would have had an empirical basis for comparing certain aspects of Singapore's national culture with that of the Anglo-American MNCs.

1.2 Literature Review

In the literature review, the researcher addressed the global organization issue by first discussing some aspects of internationalization including the role of MNCs and the forces that could influence managerial values and the consequential impact on leadership behaviour. The report highlighted past research on culture, notably by the well known researcher, Hofstede, focusing on the relative contribution of national culture to the overall work value equation. Styles of leadership, particularly within the Singapore context, were then discussed. The report further examined the convergence-divergence framework to capture the extent of the blending of Western managerial ideas with traditional Asian values.

1.3 Research Methodology

When comparing cultures, researchers have argued for more than one methodological approach in order to increase the validity of theories and models. Therefore, in view of the multidimensional complexity of cross-cultural studies, a combination of qualitative

and quantitative research procedures were employed to improve the validity of the findings. Rieger (1987) argued for the need for multiple methods. The objective was to ensure that the research was grounded in reality. The rationale for adopting a multi-method approach was to attempt to achieve convergence through a process of triangulation. In this way, it would be possible to compensate partly for the limitations and biasness inherent in any form of inquiry. The purpose of using archival data is that it would address the lack of generalizability of findings revealed in field research.

A field survey was conducted and questionnaires were administered and distributed to managers employed in 36 American-based MNCs operating in Singapore. This segment of the business community was selected for the purpose of the study in view of the possible convergence/divergence of values due to cultural adjustments. Managerial behaviour and hence leadership requirements in multinational companies in Singapore might reveal subtle clashes in culture. Meanwhile, the electronics and related IT industries, which account for a significant portion of Singapore's manufacturing sector and are characterized by rapid technological changes, made good representation as subjects for this exercise.

1.3a Focus Group

The findings of this report will be interpreted in conjunction with contributions from a 'focus group' comprising managers who were well entrenched in their respective fields.

The focus group contributed invaluable insights and provided various aspects pertinent to

our study. The approach presented demonstrated the value of qualitative and quantitative procedures for interpreting the results of cross-cultural studies

1.3b Measuring Instruments

The research methodology employed a combination of Eastern and Western measurement instruments, designed to depict personality traits, tenets of national character and characteristics of organizational culture. These are predictors of managerial behaviour and hence leadership styles. The 'Culture Assessor' developed by Don Blowowiak (1999) of Lead Well Institute will be used to analyze organizational culture. There is a strong interactive relationship between national character, organizational culture and individual personality (Kale & Barnes, 1992). Which behavioural characteristics are ultimately manifested in an interaction, will ultimately depend upon the strength of national character, the robustness of corporate acculturation and the strength of the preferences along the four dimensions of personality (Kale & Barnes).

1.4 International Business scenario in Singapore

As a stable and economically successful Pacific Rim country, Singapore continues to be viewed as an attractive site for American commercial activity. Thus it is reasonable to expect that increasing numbers of expatriate managers will eventually be exposed to the business environment of Singapore. Second, as a former British colony, Singapore's culture is unique. Singapore's culture remains much more Eastern than Western in nature.

Singapore has a multicultural workforce and is predominantly Chinese. The socio-cultural belief system of this group, is underpinned by principles of Confucianism, which is believed to have contributed to the success of the high performing economies of East Asia (Chee and McDermott 1996). Singapore has played a key role as regional HQ for several MNCs. The significant feature of Singapore's development strategy has been its continuous efforts to attract MNCs to undertake manufacturing and service operations for regional and world markets. The success of Singapore's industrialization policy and importance of MNCs' participation in the economy is reflected in the fact that approximately 4,000 MNCs are currently operating in Singapore.

1.5 Significance of the study

Some of the research findings were discovered to be inconsistent with those of Hofstede (1980) whose four dimensions of culture served as the framework of this study. Therefore, do these findings suggest a crossvergence of values or are they in the process of through time evolution?

Current research suggests that Singaporeans have become more individualistic and masculine, thereby resembling Americans on all value dimensions except perhaps for power distance. Although the traditional Singaporean might still display elements of collectivism due to the strong family centeredness typical of Asian values, organizational culture, economic and political ideologies would erode the effect over time.

Using the Myers Briggs Type Indicator, this study will conclude that on the personality dimension, the Singaporean managers in the sample were less extroverted than their American colleagues. This discovery is significant because past research has shown that Singaporeans have a greater tendency to be introverted. However, managers employed in American MNCs are more extroverted, which is in line with our prognosis. The personality profile of the sample fell under the category of 'STJ' type. As revealed by previous studies, (Ditzig & You 1988) this profile represents the national personality type. Managers with STJ profiles may be particularly suited for the environment of large organizations such as the MNCs as they are good at planning, organizing and implementing policies.

Thus, the finding of this study that the directive style was favoured by the plurality of the local managers in the sample, was consistent with previous research. At the same time, the choice of other styles by significant numbers of the respondents, in particular the supportive and participative styles, appears to be well explained by past studies that Singapore is a relatively pragmatic society open to the influence of other cultures, where economic changes and Western management practices are having an impact on traditional culture (Chong, 1987).

The contrasting behaviours among the managers of the two nationalities provided evidence of the existence of strong influences of values in the exhibition of certain behaviours and attitudes (Ralston, Holt, Terstra & Yu, 1997). It would therefore be pertinent to place the research findings in their cultural context, as the cultural norms of a society determine the acceptability of given styles of leadership

US firms seem to be able to implement their managerial practices in the local context to a very large extent. This can be accounted for by the fact that Singapore's development has all along been based on individualistic competition and meritocracy which has been reinforced by the largely Western education system.

CHAPTER TWO

Literature Review

2.0 Introduction

This chapter provides a review of the two main streams of literature which this study draws on. One stream of literature deals with “international management and the impact of culture,” while the other stream deals with “leadership styles with particular reference to Singapore”.

The definition and scope of MNC is first reviewed in the international management literature. Next, the international staffing approaches available to MNCs and their choice between parent country nationals (PCNs) and host country nationals (HCNs) to fill various positions in their overseas operations, is then reviewed. The next focus will be on the distinctive features of US MNCs in their international staffing patterns and their use of PCNs and HCNs in the management of their overseas affiliates. Complementing this stream of literature is a review of culture and its impact on managerial values and behaviour. The chapter will end with the topic of leadership and the relevant studies conducted within the Singapore context.

2.1 The MNC: Definition and Scope

In 1973, the United Nations defined an MNC as one “which controls assets, mines.... and the like in two or more countries”. By 1984, it had changed the definition to an enterprise:

- (a) comprising entities in two or more countries, regardless of the legal form and field of activity of those entities,
- (b) which operates under a system of decision making permitting coherent policies and a common strategy through one or more decision making centers,
- (c) in which the entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the activities of the others, and in particular, to share knowledge, resources and responsibilities with others.

Management integration of operations located in different countries is the key differentiating characteristic of an MNC. Bartlett and Ghoshal (1991) defined MNCs as companies that have substantial direct investment in foreign countries and actively manage those operations as integral parts of the companies both strategically and organizationally.

Most companies, despite their countries of origin, managed their international operations around two main structures – the “United Nations” (UN) model and the “headquarters (HQ) hierarchy syndrome”. In the first approach, the headquarters treated all its foreign subsidiaries in a uniform manner (symmetrical organization approach). Despite the wide

differences in importance of operations in different markets, subsidiaries' roles and responsibilities were expressed in the same general manner. Planning control systems were applied uniformly system-wide, country managers were involved to a high degree in planning and subsidiaries were evaluated against standard criteria (Bartlett and Ghoshal, 1986).

Similarly, the HQ syndrome grew out of and was reinforced by the UN model assumption. In the former, two roles were envisioned for the organization, one for the headquarters and the other for the national subsidiaries. The HQ's role was to "coordinate key decisions and control global resources", while the subsidiaries were to "act as implementers and adapters of the global strategy in their localities"(Bartlett and Ghoshal).

2.1a International Staffing Approaches

MNCs may meet their managerial staffing needs with people from the parent MNCs own country, called parent country nationals (PCNs) or with people from the host country of the MNCs foreign affiliates, called host country nationals (HCNs) or with the citizens of some other countries other than the parent or host country in which they are stationed, called third country nationals (TCNs). The MNCs choice of using PCNs, HCNs, or TCNs in the management of their international operations reflects their international staffing approaches. Heenan and Perlmutter (1979) identified four staffing approaches available to MNCs:

(1) *Ethnocentric*: Top management positions in overseas subsidiaries are filled with HQ transferees or expatriates who are PCNs. HCNs do not have the corresponding opportunity of getting transferred to HQ in the parent country.

(2) *Polycentric*: Top management positions in the overseas subsidiaries are filled with HCNs only. PCNs are not assigned to the overseas subsidiaries and HCNs are excluded from the top positions at HQ.

(3) *Regiocentric*: Top management positions in the overseas subsidiaries within defined regional areas are filled with nationals of the countries within that region. Although regional local managers can be assigned to the regional HQ, they are still excluded from positions at HQ in the parent country.

(4) *Geocentric*: Top management positions in the overseas affiliates and at HQ in the parent country are filled with the best person available for the job on the basis of merit and regardless of nationality on a global basis.

The MNC may follow one or a combination of the above international staffing approaches depending on its needs. There can be difficulties in maintaining a uniform approach throughout, so an MNC may adopt different approaches in different countries or regional areas.

The adoption of the geocentric staffing approach by an MNC has been much favored by scholars generally (Tung and Miller 1990). In order to compete effectively in the global market, MNCs should be able to respond to the needs of the host countries and at the same time be able to maintain control of the entire organization worldwide. As such, a geocentric strategy attempts to balance both local responsiveness and global integration.

2.1b Management of foreign subsidiaries

As multinational companies increase their direct investment overseas, they will require more information concerning their local employees in order to implement effective types of interactions between the organization and the host country (Ronen and Shenkar, 1985).

The top management team of a foreign subsidiary can consist of any combination of host country nationals or expatriates from the parent company. Host country nationals are likely to have a more comprehensive understanding of the local social, cultural, political and economic environment. In contrast, expatriate managers are likely to have a more comprehensive understanding of the MNC's overall global strategy. By placing the foreign managers in key positions, they will tend to bring with them the culture and philosophy of the parent company to the subsidiary and thus, contribute to the achievement of the MNC's global strategy (Gupta & Govindarajan 1991).

The extent of influence that the parent company has over the selection and training of top managers of the subsidiary is another means to of controlling behaviour in the subsidiary

(Kerr , 1981). Selection and development of managers can be a powerful mechanism for building identification with and commitment to the organization as a whole. Through training and socializing in the parent company a subsidiary manager's values and norms will tend to be more aligned with those of the parent company.

Organization culture has been defined as “patterns of beliefs and expectations shared by the organization's members” (Schwartz & Davis 1981). This culture is generated by the parent company over time as a system of symbols, languages, ideology, rituals, and myths that shape the behaviour of individuals and groups in the organizations.

Cultural controls in subsidiaries tend to be more implicit and informal. A member of the company must not only have the requisite skills for the job, he must also be sympathetic to the organizational culture and must abide by its norms, values and behavioural prescription. This is consistent with behavioural control that monitors employee behaviour to achieve organizational objectives. As a result, this cultural control system will have an impact on the selection, training and monitoring of organizational members (Baliga & Jaegar 1984).

2.1c Localizations in MNCs

Whereas operations in some countries require MNCs to significantly localize procedures and policies, past research suggests that MNCs undertake relatively little localization in Singapore. The high levels of education in Singapore mean that MNCs can easily run

their subsidiaries with entirely local managers. A study of 78 MNCs (Chan, 1989) found that the MNCs operate in Singapore without significantly localizing most aspects of their operation and enjoy relatively high levels of autonomy.

2.1d US MNCs

There is extensive literature with regard to comparisons of the organizational structures and the level of autonomy in MNCs of different countries of origin, particularly MNCs from US, Japan and Europe. Formalization seemed to be more predominant in US MNCs, centralization in Japanese MNCs and socialization in European MNCs (Bartlett and Ghoshal). Other studies conducted by academics reached similar findings.

In Bartlett and Ghoshal (1995), a more detailed description of the differences between US, Japanese and European MNCs was provided. In US MNCs, it was observed that the headquarters holds a parochial and superior attitude towards subsidiaries and perceived the foreign operations' role as leveraging the capabilities and resources developed in the home market. The exchange between the HQ and the subsidiaries is mainly in the form of knowledge flows (technology products, processes and systems). Foreign subsidiaries are free to adapt products or marketing approaches to their local situations as they see fit.

Therefore, a major challenge of doing business internationally is to adapt effectively to different cultures. Such adaptation requires an understanding of cultural diversity, perceptions and values. In the next section of our literature review we will draw on