

# **Leadership in Malaysia: Managerial and Strategic implications of Chinese face (*Mianzi*), Relation ties (*Guanxi*) and Human affection (*Renqing*)**

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## **Abstract**

Malaysia is a nation that has a diverse population of Malays, Chinese and Indians. The nation's abundant natural resources, including tin and rubber, make her an important trading partner of many nations. Global Leadership and Organizational Behaviour Effectiveness (GLOBE)'s survey reported that Malaysia is a nation that values collectivism, humanism and respects authority. While Malaysia has its unique cultural characteristics which are strongly influenced by Islam, it is important for overseas Chinese leaders to consider indigenous Chinese concepts, especially face (*mianzi*), relational ties (*guanxi*) and human affection (*renqing*). Business leaders and scholars have confirmed the value of these Chinese concepts in management and strategy across various regions in the world. However, the powerful influence of these socio-cultural concepts is often overlooked in Southeast Asian region. Therefore, this presentation aims to: (1) introduce the psychology behind the dynamic concepts of Chinese face (*mianzi*), relational ties (*guanxi*) and human affection (*renqing*), (2) highlight the managerial and strategic implications of these Chinese concepts in Malaysia business environment, and (3) recommend measures to leverage on these Chinese values for Chinese business leaders.

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Malaysia has a diverse population made up of Malays (50.4%), an indigenous people (11%), Chinese (23.7%), Indian (7.1%), and other ethnic groups (7.8%). This multi-ethnic society reflects the unique cultural characteristics that are predominantly influenced by Islam and Malay culture, infused with British Colonial legacy, as well as Chinese and Indian religious and cultural values. For Chinese business leaders to be effective in management and strategy formulation, it is important to understand the values of Malays through Global Leadership and Organizational behaviour Effectiveness (GLOBE) study, and to relate them to preferred organizational leadership styles.

Despite the diversity in cultural values, research has shown that Malays, Chinese and Indian Malaysians do not differ significantly in work-related values (Lim, 2001). The GLOBE study highlighted the cultural characteristics of Malaysia society. These are: (1) high in collectivism, which is consistent with the emphasis on communality and harmony. Malaysians are known to be caring and loving towards others. They value harmony and loyalty within family and organization, preferring to work toward collective good instead of individual or selfish gain. (2) Moderate in power distance. Contrary to popular belief, the power distance in Malaysia is not as high as people would expect. Though Malaysia has an elaborate system of titles and honorifics which delineate the levels of authority and social status, Islam is a religion that promotes equality. (3) High in future orientation. Malaysians have expressed that they have a motivation to prepare for the future and to delay gratification. Along this vein, Malaysians desire to reduce uncertainty via structured plans in a series of economic and social arenas including a series of five-year Malaysia Plans and Vision 2020 Framework. (4) High in humane orientation. The concern for group harmony and compassion for individual is as important as rewarding performance. Achievements and tasks could be overshadowed by concerns for the welfare and the feelings of others. All these marked the cultural dimensions of Malaysian society, which shape the style of business leadership that would be preferred or considered effective.

Overseas Chinese population and Chinese business are considered to be the driving force of economic growth and capitalism (Redding, 1990; Yoshihara, 1988). Many overseas Chinese societies share Confucian heritage. Post-Confucian Hypothesis is proposed to account for the economic success of overseas Chinese business and enterprises (Bond & Hofstede, 1988; Hicks & Redding, 1983; Kahn, 1979). Others went on to propose “Confucian Work Dynamism” or “Confucian Work Ethic.” The Confucian Work Ethic consists of a belief in the values of diligence, thrift, dedication, harmony, loyalty to organization and a concern for social propriety. These values are found to be favourable for prosperity (Rarick, 2007).

It is clear that elements of Chinese culture have a major role in shaping the leadership and business practice of overseas Chinese (Kirkbride, Tang & Shae, 1989). This assertion has been confirmed by increasing empirical research on the Chinese values and the psychology of Chinese (Bond, 1986). Several indigenous Chinese concepts are fundamental in understanding Chinese value orientation and psychological processes. These are face (*mianzi*), relational tie (*guanxi*), and human affection (*rengqing*).

Face is described as “the respectability and/or deference that a person can claim for him/herself from others, by virtue of the relative position he occupies in the social network and the degree to which he is judged to have functioned adequately in the position as well as acceptably in his social conduct” (Ho, 1976, p. 883). Chinese place great value on face (*mianzi*) (Hwang, 1987). It constitutes an intangible form of social currency and personal status that is contingent on a person’s social status and wealth. By upholding a certain level of *mianzi*, Chinese can build and expand a viable *guanxi* network (Yeung & Tung, 1996). With strong *mianzi*, Chinese can manipulate the dynamics within a *guanxi* network to exchange favours and to achieve business objectives. Hence, the concept of the Chinese face is relevant to overseas Chinese business leadership style.

*Guanxi* refers to interpersonal relationships or connections, which extend beyond kinship and friendship relationships (Hwang 1987; Jacobs 1979). This network of *guanxi* can be mobilized to achieve desired results, even when it is beyond an individual’s capacity to do so (Redding & Ng, 1982). Luo (1997) defined effective *guanxi* as characterized by utilitarian, reciprocal, transferable, personal, long-term and intangible construct. These are defined as follows (Dunning & Kim, 2007): (1) utilitarian, which involves the gaining or exchange of favors and benefits. (2) Reciprocal obligations, which refers to the interdependence within a network of relationship. (3) Transferability of favours via navigating in the network of social relationship or through a third party. (4) Personal, which refers to how *guanxi* is cultivated through personal bonding. (5) Long-term-orientation, which refers to how relationships are built to be long-lasting. (6) Intangible, which entails personal commitment and affection. *Guanxi* is a form of social capital as it can be used for the exchanges of social obligations and it governs the amount of face individuals have in society (Hwang, 1987; Xin & Pearce, 1996). Through *guanxi*, these relationships could be used to maintain or accumulate the social capital which can be traded for favours. These relationships are instrumental for inducing co-operation and governing relationships within the organizations, as well as mitigating uncertainties and challenges within the market (Burt, 1992).

*Renqing* is another concept related to *guanxi* in Confucianism. This is a form of social capital that can be leveraged for interpersonal exchanges of favours (Yang, 1994). It can be considered an informal social obligation to another party when *guanxi* is called upon, which is a requirement for building relationships and to capitalize the network for a person’s advantages (Yeung & Tung, 1996). And *renqing* dictates the obligation to reciprocate. By violating this obligation to reciprocate, a person can risk losing face, hurting another’s feelings and even damaging their *guanxi* or relationship (Tsui & Farh, 1997). *Renqing*, *guanxi* along with face (*mianzi*) are three important indigenous concepts which exert powerful influence on the social behavior of overseas Chinese and their leadership style. The tremendous economic success of *Nanyang* Chinese family business sparked interest in the leadership style of these business managers and leaders. It was also found that leadership concepts and behavioural styles of overseas Chinese business leaders differ from Western leadership (Cheng, Chou & Tsung, 2004). Based on observations and interviews, Silin (1976) found that Taiwanese business leaders tend to prefer didactic leadership, moral

leadership, centralized authority, maintenance of social distance with subordinates, keep intentions ill-defined, and implementing control tactics. These behaviours differ from Western leadership behaviours. In addition to these findings, Redding (1990) observed benevolent leadership. Further, Chinese leaders demonstrate a strong legacy of personalism, which is the tendency to involve personal factors in decision-making. Hence, he postulated that the Chinese leaders' authoritarianism and benevolence could be extended to subordinates in varying degrees.

It is clear that paternalistic leadership is prevalent in many Southeast Asian Chinese firms, where lifetime employment and other welfare programmes such as dormitories are prominent features of the employees' organizational life (Bennett & Ischino, 1972; Chou, 2002; Hunter, 1995). Though this leadership style is formulated from Chinese values, it is still effective and consistent with the values and practices of Malaysian society. Ansari, Ahmad, and Aafaqi (2004) suggested that paternalistic leadership can be a positive reinforcer for Malaysian workers' good performance. This is especially so when paternalistic treatment is contingent on the subordinates' achievements. Further, such leadership style is effective in business environment like Malaysia, which fulfils the 'twin requirements' (compliance and harmony) of successful leadership (Chen, 1995). Formulating a model of paternalistic leadership for Chinese Family Business based on the work of Silin (1976) and Redding (1990), Westwood (1997) found that paternal leadership could prevail in contexts characterized by centralization, low formalization, harmony building and personalism through nine stylistic elements of paternalistic leadership: (1) didactic leadership, (2) non-specific intention, (3) reputation building, (4) protection of dominance, (5) political manipulation, (6) patronage and nepotism, (7) conflict diffusion, (8) aloofness and social distance, and (9) dialogue ideal. Extensive research conducted by Cheng (1995a, 1995b, 1995c, 1996; 1997) confirmed that paternalistic instinct prevails among overseas Chinese organizations. This leadership style is introduced as "paternalistic leadership."

Farh and Cheng (2000) define paternalistic leadership as "a style that combines strong discipline and authority with fatherly benevolence and moral integrity" (pp. 94 – 127). This leadership style is based on a three dimensions model (Farh & Cheng, 2000; Farh et al., 2006): authoritarianism, benevolence, and morality. Authoritarianism refers to behaviours that exert authority and control over subordinates, and require absolute obedience from subordinates. Authoritarian behaviours comprise *li-wei* (awe-inspiring) behaviours: 'powerfully subduing', 'authority and control', 'intention hiding', 'rigorousness' and 'doctrine'. Benevolence describes leadership behaviour which shows individualized, holistic concern extending beyond personal to family well-being. In exchange for this welfare and concern, subordinates feel grateful and obliged to reciprocate when the situations arise. These are *shi-en* (favor granting) behaviours, which include 'individualized care' and 'understanding and forgiving'. Lastly, morality marks leadership behaviours which demonstrate superior personal virtues, self-discipline, and unselfishness. Moral leadership refers to *shuh-der* (setting an example) behaviours such as 'integrity and fulfilling one's obligations', 'never taking advantage of others' and 'selfless paragon'.

To a large extent, the various dimensions (authoritarianism, benevolence and morality) of paternalistic leadership fit well with the cultural dimensions of Malaysian society. For instance, authoritarian behaviour will be acceptable to Malaysian workers who are accustomed to hierarchical social structure (Norazit, 1998). By governing with strong control and structure, this leadership behaviour can reduce uncertainties and prepare the firms for the future. Benevolent leadership is consistent with the collectivistic nature of Malaysians, which is characterised by concern and consideration for the well-being of employees and their families. This sense of “*ganqing*” (relationship-based with a sense of mutual loyalty) is found to prevail in overseas Chinese firms. Leaders and superiors will show love and concern for the employees, and employees will be expected to reciprocate with loyalty and performance (Adler, 1997; Low, 2002). Moral leadership behaviours require leaders to rise above selfish interests, and unite workers to work toward the collective good of the firms. These behaviours are congruent with the high humane orientation of Malaysians. Similar to overseas Chinese in Malaysia, Indonesian Chinese business practise *Sumonggo dawuh*, in which employees are coached and mentored by managers. These leaders and managers are viewed as models to emulate as the employees are trained and taken care of in their welfare (Low, 2005, p. 32; Low, 2000).

It is important to examine the subordinates’ psychological responses and the attitudinal and behavioural outcomes of paternalistic leadership. Much of these psychological responses could be traced back to the traditional Chinese culture and the influence of the indigenous concepts such as face (*mianzi*), relation ties (*guanxi*) and human affection (*renqing*). Together, it forms a culture that emphasizes dependence on and submission to authority for followers in a hierarchical relationship, reciprocal obligations to return favors and the importance of accepting moral teachings. Two important factors are found to moderate the impact of paternalistic leadership (Chao & Farh, 2010). These are: (1) Subordinate traditionality. It was found that Chinese subordinates who are more receptive towards traditional Chinese values tend to respond positively to paternalistic leader, especially towards authoritarian leadership behaviours (Cheng et al. 2004). (2) Subordinate dependence on the leader for resources. Farh et al. (2006) found that: (i) authoritarianism tends to be associated with fear for leaders when subordinates are very resource dependent on the leaders; (ii) benevolence has a stronger, positive effect on subordinates’ identification, compliance and organizational commitment if subordinates are more resource-dependent; (iii) Leaders’ morality has a stronger positive effect on subordinates’ identification, compliance and commitment when subordinates are low in resource dependence.

Face is a powerful concept that influences organizational behaviour in Southeast Asian countries, including Malaysia (Kim & Nam, 1998). Chinese societies and other Asian societies can be characterized as “shame”-based cultures (Hsu, 1949; Benedict, 1947), which emphasizes the maintenance of the collectivity and the sustenance of harmonious relationships within the social network (Hofstede, 1980). Face influences organizational behaviours in several ways. These are: (1) social sanction. Face is contingent on how well individuals meet their social roles and expectations (Ho,

1976). Because workers are motivated to avoid the loss of face, face exerts strong influence on their performance. (2) Motivation. Beyond personal striving for success and social recognition for themselves, Chinese workers seek the image of the larger value their successes have for the family and society (Yu, 1994). The attainment of collective goals is a means of self-realization and the fulfilment one's familial self, leading to face-enhancement (S.H. Liu, 1987). (3) Source of Power. Face or *mianzi* entails influence and relational ties (Yabuuchi, 2004). By accumulating *renqing*, the Chinese are building a strong network. Through these ties, they can manipulate the dynamics within the network to acquire favors and social resources (Yeung & Tung, 1996). With this, Chinese leaders can induce co-operation and govern their relationship with subordinates. (4) Socialization. Chinese leaders can capitalize on face control as one of the ways to manage performance through a strong organizational culture that emphasizes on strong work ethics. Organizational culture refers to the "shared set of beliefs, expectations, values, norms, and work routines that influence the ways in which individuals, groups, and teams interact with one another and co-operate to achieve organizational goals" (Jones & George, 2009, p.59). This culture will determine the standards and practices of the firms (Edgar, 1985). Thus face, complementing paternalistic leadership style, can be an important management tool for overseas Chinese business leaders.

Chinese business leaders and managers are situated within a network of stakeholders. Together, they garner their resources to survive and to achieve business success. It is important to examine how leaders manage both internal and external *guanxi*, which are essentially coalitional relationships based on resource exchanges (Anderson, 1982). By accumulating a large network of *renqing* (exchange of favours) and *mianzi* (saved for favors when required) (Kao, 1993), a strong leader can draw much needed resources required by the firm via external coalition. And through internal coalition across areas or departments, they are better able to negotiate the resources from external parties. This increases their influence in the strategic formulation and decision-making processes. Besides these, *guanxi* coalitions between leaders and employees can enhance loyalty and maintain positive work morale (Pearce & Robinson, 2000). They also facilitate information flow, leading to greater trust and mutual understanding (Morgan & Hunt, 1994). All these create a corporate environment that creates group harmony and maintains group hierarchy (Abramson & Ai, 1999). Such environment is conducive for paternalistic leadership to thrive in overseas Chinese firms.

Through collaborating with other overseas Chinese businesses, Malaysian Chinese business leaders can overlap their *guanxi* network. This is important as Malaysian Chinese businesses do not receive preferential treatments of the *bumiputra* or indigenous people's firms (Punnet & Yu, 1994). As such, they face many constraints in their growth and operation. Through strategic utilization of network, Chinese businesses can achieve synergy, which can enhance their survivability and capability (Ouchi, 1990). These are achieved in the following ways: (1) Chinese firms can provide complementary support in strategic needs and resources to one another because of their heterogeneous nature. Rather than competing, such alliances can enable firms to develop their competencies (Miles & Snow, 1984). (2) These alliances

can mitigate uncertainty in the market and authority. This is achieved via expanding the information and resource access as these firms increase their sweep of environmental scanning (Goes & Park, 1997). (3) *Guanxi* can positively influence the integration of Research and Development and marketing departments, which can promote successful New Product Development as the various firms are exposed to new ideas and strategies (Hakansson & Ford, 2002).

Taken together, paternalistic leadership blends well with other indigenous Chinese concepts such as face (*mianzi*), relation ties (*guanxi*), and human affection (*renqing*) in Malaysian Chinese business context. For instance, paternalistic leadership relies much on the business leaders' acumen to formulate strategies and execute plans decisively. Moreover, the relational nature of this leadership will mean the cultivation of *guanxi* within and outside the firms to secure operational efficiency and competitive advantages respectively. Finally, leaders are expected to build organizational culture, to lead by example and to provide coaching to the employees. Other managerial implications include: (1) favoring a face-saving approach in communication to maintain harmony and relationship (Srivastava, Bartol & Lock, 2006). (2) Leaders are encouraged to maintain a degree of distance and formally displaying their credentials and titles. (3) Overseas business leaders are encouraged to "use more saliva than drinking tea," which refers the tendency to talk, coach and take personal interest in the welfare of employees. The enterprises are to be viewed as an extension of a traditional family, in which employees are taken care of like family members. At the same time, employees are expected to have good conduct in this familial corporate culture created by the paternal leader (Low, 2001, pp. 98 – 99; Low, 2002).

This short article started off by examining the prevailing Malaysian societal values and practices, as well as GLOBE's findings of Malaysians' preferred leadership style. Then, it went on to elaborate on how Chinese indigenous concepts such as face (*mianzi*), relation ties (*guanxi*), and human affections (*renqing*) are still relevant in overseas Chinese business environments such as Malaysia. Next, the concept of paternalistic leadership and its effectiveness in *Nanyang* was introduced. And finally, we saw how paternalistic leadership styles and the various indigenous Chinese concepts have managerial and strategic implications for overseas Chinese businesses.

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