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Southeast Asian Culture, Human Development, and Business Competitiveness

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ABSTRACT

Competition and entrepreneurship are driving forces in the development of economic systems. They create jobs, new opportunities to generate value, and lead to the fulfillment of personal career and life goals. As such, it is important to understand the basic economic and cultural factors that influence these activities in developing economies. We undertook a series of analyses in an examination of a heterogeneous sample of economic zones in Southeast Asia. Results illustrate relations between national culture, human development, and business and growth competitiveness. Implications hold that human development and power distance are enablers of entrepreneurial activities in these cultural and national settings. Our contribution is instrumental to development of public policy and regulatory guidelines for facilitating entrepreneurial activity in the developing economies of Southeast Asia.

Keywords: International, Entrepreneurship, Competition, Asia

INTRODUCTION

The Asia-Pacific region is distinguished by discontinuous and rapidly changing innovation, geopolitical forces, and international trade policy. The resulting business environment has been marked by competition, economic conflict, government intervention, and strategic alliances across cultural and national boundaries. Friction and uncertainty created by these conditions bears upon the operational aspects of many types of organizations conducting business in the fast-developing Asia Pacific region. Moreover, the international business research literature has not given much formal attention to the relations between human development (HD), national culture, and entrepreneurial activity. As such, the specific entrepreneurial climates of Asia-Pacific countries are virtually unexamined (Tan, 2004). Research in this topic area promises to generate evidence instrumental for guiding policy toward more effective encouragement of entrepreneurial activity in those regions. In this paper, we focus on twelve economic zones in the Asia-Pacific region to generate such evidence.

Competition and entrepreneurship are driving forces in the development of a nation's market and economic systems (Kirzner, 1973). International entrepreneurship research has delineated some factors that promote innovation and entrepreneurship across national and cultural boundaries (Shrader, Oviatt, & McDougall, 2001; Zapalska & Edwards, 2001). As well, research on human resource decision making, organization studies, and business policy has found reliable relations among antecedents and outcomes of entrepreneurial activities (Bucar, Glas & Hisrich 2003; Cherry, Lee, & Chien

2003). We incorporate all these foundations in this undertaking. Our contribution helps raise understanding about the linkages between organizational and policy decisions and entrepreneurial activity in 12 specific Southeast Asian locales (China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand & Vietnam). The principal question we address is, what is the relative importance of human development and national culture to entrepreneurial activities? We measure those activities based on country scores on the Human Development Index (HDI: United Nations Human Development Program), Growth Competitive Index (GCI: World Business Forum) and the Business Competitive Index (BCI: World Business Forum).

BACKGROUND

Entrepreneurial activity is important to economic growth and effective management practices are critical for all organizations in developing economies. The cultural and ethical forces of nations in which such organizations are embedded also weigh upon these activities. To this end, indices such as the HDI, BCI, and GCI measure the key aspects of national economic vitality. In what follows we organize prior research and theory in categories reflecting these three indices and review the relevant literature that shaped our study.

HUMAN DEVELOPMENT

A country's level of human development refers to national life quality achievements. Life quality contains three principal dimensions: life expectancy, literacy rates, and school en-

rollments, and GDP. Research on the linkages between these aspects of human development and entrepreneurial activity has generated evidence that literacy rates and education are associated with entrepreneurial activity. For example, entrepreneurial firms utilizing higher levels of technology achieve faster employment and revenue growth when venture team members have higher education (Baum, Locke & Smith, 2001). Research examining human capital linkages with entrepreneurial activity operationalizes education and years of schooling as a measure of human capital (Bruderl, Preisendorfer & Ziegler, 1992; Cooper, Gimeno-Gascon & Woo, 1994; Gimeno, Folta, Cooper, & Woo, 1997).

The results of research examining the linkages between education, venture creation (Evans & Leighton, 1989), and the discovery of opportunities (Daviddson & Honig, 2003) are mixed. However, it has been noted that the measures used in such research do not have adequate sensitivity for detecting the effects of human capital in different entrepreneurial contexts (Dimov & Shepherd, 2005). Thus, using more established measures such as the HDI may offer better operationalization of education and literacy than the usual scales used in entrepreneurship research. A national HDI ranking reflects a nation's living standards beyond commercial health and productivity. As living standards are not tied to material well-being and not wholly indicative of pure productivity, the HDI offers a measure of business climate, especially in terms of affordances available to individuals who may wish to undertake a new business venture.

GLOBAL AND BUSINESS COMPETITIVENESS

The Global Competitiveness Report (GCR) is an annual publication by the World Economic Forum (WEF). The GCR analyzes, interprets, and ranks national business and industry growth rates for 102 countries. Its two principal indices are the Business Competitiveness Index (BCI) and the Growth Competitiveness Index (GCI). The BCI evaluates current productivity of a country as a measure of its economic health. The BCI framework is based on microeconomic foundations reflecting the level of sophistication by which domestic and foreign companies operate and compete. It reflects the quality of the commercial environment in which companies operate by indexing the national spending of a nation's businesses. It reflects the hospitality of a country to business and how well companies are able to exploit their environments. The WEF describes such quality of the commercial environment in terms of marketing, availability of venture capital, intensity of local competition, and quality of local suppliers (Maidment, 2004).

The GCI is concerned with underlying conditions for business growth and viability forecasted over five years as reflected in new venture startups and business expansion. It provides an overview of factors critical to driving productivity and competitiveness. The factors fall into nine dimensions. A principal dimension among them is *innovation*, the key component in entrepreneurship (Drucker, 1985). The framework has been used to examine national growth and competitiveness from many angles *Journal of Industry, Competition and Trade*, 2006). Large scale research and technical reports uti-

lize the GCI to assess new business activity in emerging markets. For example, Radelet (2004) undertook a comparative analysis of Mozambique based on delineation of developmental patterns in mature national business environments. Its dimensions have been also used in competitive analyses of emerging markets. For example, these analyses include the Chinese textile and apparel manufacturing industry (Smook, 2005) and the developing economies in eastern Europe (Yulya, 2007).

Given the international applications of the GCI and the BCI, national culture is relevant when utilizing the frameworks to explain business activity in developing economic systems. In what follows, we introduce national culture and also the nature of entrepreneurial activity as we conceived it in this study.

NATIONAL CULTURE

A national culture reflects the norms and values held by its members. One common model of culture used in business research includes five dimensions: power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation (Hofstede, 2001). Power distance focuses on the degree of equality, or inequality, between people in the country's society. High power distance indicates inequalities of power and wealth exist within the society. Such societies are more likely to follow a caste system and not allow significant upward mobility of its citizens. Low power distance indicates the society does not emphasize differences based on power, wealth, and status. In those societies, equality and the same level of opportunity for everyone is stressed. Individualism defines the degree to which the society reinforces individual versus collective achievement. High individualism indicates that individual rights are paramount in the culture. Individuals in such societies may tend to form a larger number of looser relationships. Low individualism typifies societies of a collectivist nature that feature close ties between individuals. These cultures reinforce extended families and collectives, in which everyone takes responsibility for fellow members of their group.

Masculinity describes the degree to which the society reinforces traditional gender roles of male achievement, control, and power. High masculinity indicates the country experiences significant gender differentiation. In these cultures, males dominate a significant portion of the society and the power structure, whereas females are generally controlled by them. Low masculinity indicates a lower level of differentiation and discrimination between genders. In these cultures, females are treated equally to males in all societal aspects. Uncertainty avoidance measures the level of tolerance for uncertainty and ambiguity and unstructured circumstances. High uncertainty avoidance indicates a rule-oriented society that institutes laws, rules, regulations, and controls to reduce uncertainty. Low uncertainty avoidance indicates less concern about ambiguity and uncertainty and more tolerance for a plurality of opinions. This tolerance is reflected in less rule-orientation, acceptance of change, and greater risk-taking. Long-term orientation describes the degree the society embraces traditional and forward-thinking values.

High long term orientation indicates a positive valuing of long-term commitment and respect for tradition. A strong work based on long-term rewards is amenable to high long term orientation. Low long term orientation indicates non-support of long-term and traditional orientations. As such, change occurs rapidly as traditions and commitments do not function as impediments to change.

ENTREPRENEURIAL ACTIVITY

As an area of research in the field of management, entrepreneurship focuses on the discovery, evaluation, and utilization of future goods and services (Venkataraman, 1997). It does not necessarily include or exclude creation of a new organization, nor does it require that the same person or firm engage in all parts of the entrepreneurship process (Eckhardt & Shane, 2003). Entrepreneurship begins with the discovery of entrepreneurial opportunities in the form of new means-ends frameworks whereby new goods, services, raw materials, markets, or organizing methods can be introduced (Casson, 1982). To have entrepreneurship, one must first have entrepreneurial discovery (Shane & Venkataraman, 2000). Discovery, which leads to the reification of a business venture, is the heart of entrepreneurship. Each purposeful individual in any large population is duly equipped for novel kinds of discovery based on their own unique experiences and skills. Such discoveries are the primary mechanisms for economic development because they uncover new and unforeseen ways for generating value. In developing economies, the discovery of an entrepreneurial opportunity can benefit not only the entrepreneur and his/her clients, but also the socioeconomic system. Bangladesh's Grameen Bank, for example, provides banking services and credit to the poor, thus cultivating economic health as well as offering social value.

Entrepreneurship is a driver of many kinds of wealth generation. Entrepreneurial activity can lead to the realization of different forms of capital, including social value, new knowledge, and financial resources. As such, we examine entrepreneurial activity in developing countries in light of the aforementioned development indices, which index multiple kinds of value. Importantly, entrepreneurial activity does not only entail starting new businesses. It can also entail new ideas, projects, and alliances that occur in the context of an existing organizations. Entrepreneurship is based on the same principles whether the entrepreneur is a business or non-business public service organization, or governmental or non-governmental institution (Drucker, 1985: 143). As such, entrepreneurial activity offers wide-ranging conceptualizations for explaining many aspects of business and development, both within and without the presence of established organizations.

THEORETIC EXPECTATIONS

We posit that HDI scores in developing countries indicate entrepreneurial norms and management styles. This expectation is based on a healthier lifestyle being more likely to underlie the energy, work ethic, and worldview associated with the uncertainties and challenges of entrepreneurial activity. The access to information and educational benefits

and resources associated with high HDI scores more likely provide the required knowledge or skills for discovering entrepreneurial opportunities.

We expect entrepreneurial thinking and styles relate positively to the GCI and BCI. Indeed, just as it is logical for entrepreneurial activity to lead to macroeconomic growth (as explained above), market-based development (as indexed by the GCI) and microeconomic activity and productivity (as indexed by the BCI) are also likely to generate wealth and opportunities. Those new discoveries are the foundation of entrepreneurial activity.

For entrepreneurial thinking and practices to flourish in a developing economy, it follows that power distance is low. This expectation follows from the idea that all people have the same kind of access to the same kind of resources. As such, all members of the system are equipped with equal means for discovering entrepreneurial opportunities (e.g., to start a business, or develop a technological innovation). Because members are equally suited, the liable to compete for various resources, market share, and simple technologies.

Competition has long been thought as part and parcel of entrepreneurial activity and growth (Kirzner, 1973). Competition is a discovery procedure, which opens the way to options not previously available. Thus, without competition, many important entrepreneurial dynamics are unable to play out. We expect a moderate level of uncertainty avoidance of a national culture a country drive entrepreneurial activity. If uncertainty avoidance is high, individuals will not be comfortable undertaking entrepreneurial projects or ventures (because the outcomes ill-defined). However, when it is low, individuals will not be motivated to eliminate uncertainty and strive for higher performance and maintain intense activity that is essential to all entrepreneurial ventures as going concerns.

The LTO culture dimension is also relevant to entrepreneurial thinking and activity. Given that many new entrepreneurial ideas fail, and given that most entrepreneurial ventures that go on to be successful take years to realize success, we post that entrepreneurial thinking and activity are better suited to cultures that feature a higher LTO index. It may be argued that the quick-changing and dynamic style of a low LTO score would seem to underlie the opportunism associated with entrepreneurial discovery. However, the entrepreneurial orientation and propensity to "stick with it" and see a new venture idea through hard times is aligned with a high LTO score, and important to entrepreneurial activity sustained over time.

CONCEPTUAL MODEL AND HYPOTHESES

The relationship between culture, human development and business and growth competitiveness are portrayed in the conceptual model. As these variables are at the societal level, we are primarily concerned with associations among them rather than close examination of causal linkages. Relating culture variables to human development and business development outcomes is instrumental to entrepreneurial business development decisions. We examine multiple relations in this paper for the purposes of illustration, but we are

Conceptual Model: Interrelations among Culture, Human Development, Business Competitiveness, and Growth Competitiveness

especially interested in four principal hypotheses pertaining to business activity in Southeast Asian countries deriving from our conceptual model.

1. *Higher human development levels lead to higher business competitiveness.*
2. *Higher human development levels lead to higher growth competitiveness.*
3. *Higher power distance leads to higher business competitiveness*
4. *Higher power distance leaders higher growth competitiveness.*

METHOD

A major objective of this research was to focus on the countries of Southeast Asia and discern relationships between cultures and human development and growth and business competitiveness. One of the sources of data is the Global Competitiveness Report 2005 to 2006. Specifically used as the growth competitiveness index. This index identifies three pillars explaining growth in a country: the quality of the macro economic environment, the state of the country's public institutions, and the level of technological readiness. The GCI uses a combination of hard data such as University enrollment rates, inflation, the state of public finance, and the level of penetration of new technology. In addition and all pinion survey captures such concepts as judicial independence, prevalence of institutionalized corruption, and the extent of governmental inefficiencies.

Two additional points need to be made: first, while technology matters a great deal in economic growth, it matters differently in different countries. For example in Country A innovation may be key, but in Country B the adoption of foreign technologies and technology transfer may be relatively more important. Secondly, countries in Southeast Asia are

spread throughout the full range of the index, pointing to their different levels of development and growth.

The Business Competitive Index focuses on underlying microeconomic factors. These determine the economy's current sustainable levels of productivity and competitiveness, as well as the sophistication of companies' operations, strategy, and national business environment.

The Global Competitiveness Forum takes the perspective that countries are operating at three specific stages: factor driven stage, efficiency driven stage, and innovation driven stage. There are several special features that are identified, which further explain the competitiveness and different countries. For example there are issues related to governance and corruption.

These relationships they are portrayed was in figures 1 to 16. It should be noted that this research shares some of the same limitations as all other international research, namely that there are inconsistencies in the reporting of the data, which ultimately comprise the various indices. The World Economic Forum is the originator of the data, which are checked and verified to ensure accuracy. Additionally it should be noted that different kinds of data enter into the computation of competitive advantages and competitive disadvantage. Hofstede's data are similarly revered as a measure of national culture. In the figures the raw data are ranked, such that lower scores indicate higher values. A low scale score thus reflects better performance. Additionally not all data were available for all scales and all countries. The countries that were included were China Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, South Korea, and Taiwan, and Vietnam.

We used Spearman rank order correlations to index relations between Hofstede cultural ratings, the human development index, the business competitive index, and the growth competitiveness index. This statistic is appropriate for use with small sample sizes and variables operationalized using

Figure 1: Human Development and Business Competitiveness

Figure 2: Power Distance and Business Competitiveness

Figure 3: Individualism and Business Competitiveness

Figure 4: Masculinity and Business Competitiveness

Figure 5: Uncertainty Avoidance and Business Competitiveness

Figure 6: Long Term Orientation and Business Competitiveness

Figure 7: Human Development Index and Power Distances Index

Figure 8: Human Development Index and Individualism

Figure 9: Human Development Index and Masculinity

Figure 10: Human Development Index and Uncertainty Avoidance Index

Figure 11: Human Development Index and Long-Term Orientation

Figure 12: Growth Competitive Index and Individualism

Figure 13: Growth Competitive Index and Power Distance Index

Figure 14: Growth Competitive Index and Masculinity

Figure 15: Global Competitive Index and Uncertainty Avoidance

Figure 16: Growth Competitiveness Index and Long-Term Orientation

ordinal scales and variance is expressed in terms of rankings. Our methodology is appropriate as it does not require a large sample or carry strict assumptions about the properties of the data. All of study data are societal level, mitigating errors based on different levels of analysis.

RESULTS

The present study is cross sectional and associative rather than causal. Hypotheses relating to causality are not realistic in macro types of studies such as the current one, since it is not possible to control the numerous variables. It is anticipated that our work will lead to more targeted studies in the future. The reader should note that a distinction should be made between attaining statistical and practical significance. Given such a small sample size, very large values of

Spearman rho have to be attained for statistical significance.

Figure 1 shows the relationship between human development and business competitiveness, which attained statistical significance at the .05 level. The additional relations shown in Figures 2, 7, 9, and 13 did not show statistical significance but a relatively strong measure of association:

DISCUSSION

We focused on countries in Southeast Asia but the rankings that are portrayed in the figures are relative rankings for over 100 countries. Hence, when one notes that Singapore is fifth on a given rank, it represents the world, not the region. High rankings numerically mean lower levels of a given attribute. So, for example, of a given country is ranked 75th, this means that 74 countries are ranked higher than it on a given attribute.

Figure 17: Competitive Advantages and Disadvantages, Problematic Factors, and Other Direct Indicators of Competitiveness in Southeast Asian Countries

Country	Competitive advantages	Competitive disadvantages	Most problematic factors	Other indicators
China	national savings rate interest rate spread recession expectations	access to credit property rights internet hosts	access to credit property rights Internet hosts	pay and productivity agricultural policy costs effectiveness of law making bodies
Hong Kong	government debt inflation cellular technology	interest rate spread government surplus/deficit tertiary enrollment	inadequately educated workforce policy instability inefficient government bureaucracy	extent and effect of taxation flexibility of wage determination pay and productivity
India	access to credit recession expectations prevalence of foreign technology licensing	government deficit personal computers cellular technology	inadequate infrastructure inefficient government bureaucracy restrictive labor regulations	quality of management schools effect of privatization intensity of local competition
Indonesia	recession expectations favoritism of government officials prevalence of foreign technology licensing; university industry research collaboration	effective exchange rate irregular payments and exports, tax collections, and utilities government prioritization of technology	inefficient government bureaucracy inadequate supply of infrastructure tax regulations	tax burden extent and effect of taxation extent of business Internet use
Japan	interest rate spread quality of competition, technological readiness, companies spending on R & D, utility patents, firm level technology absorption quality of competition in ISP and technological readiness	government debt, and government surplus/deficit wastefulness of government spending recession expectations	inefficient government bureaucracy tax regulations tax rates	local supplier quality importance of the environment in business planning presence of demanding regulatory standards
Malaysia	wastefulness of government spending government prioritization of ICT government success in ICT promotion	government surplus/deficit gross tertiary enrollment telephone lines	access to financing foreign currency regulations inefficient government bureaucracy	agricultural policy costs burden of government regulation private sector employment of women
Philippines	effective exchange rate prevalence of foreign technology licensing quality of competition in ISP	wastefulness of government spending irregular payments in tax collection irregular payments in exports and imports	corruption inadequate supply of infrastructure inefficient government bureaucracy	private sector employment of women availability of mobile telephones freedom of the press
Singapore	wastefulness of government spending laws relating to ICT, government prioritization of ICT, government success in ICT promotion		restrictive labor regulations access to financing inadequately educated workforce	hiring and firing practices informal sector effectiveness of lawmaking bodies
South Korea	gross tertiary enrollment quality of competition in ISP Internet users	effective exchange rate irregular payments in tax collections organized crime	policy and stability inefficient government bureaucracy is to financing of the the	extent of business Internet use government procurement of technology prioritization of energy efficiency
Taiwan	access to credit cellular telephones utility patents and government success in ICT promotion	government surplus/deficit recession expectations judicial independence	policy instability inefficient government bureaucracy government instability	pay and productivity burden of government regulation flexibility of wage determination
Thailand	access to credit government success in ICT promotion prevalence of foreign technology licensing	telephone lines personal computers Internet hosts	inefficient government bureaucracy corruption inadequate supply of infrastructure	private sector employment of women agricultural policy costs burden of government regulation
Vietnam	recession expectations national savings rate interest rates spread	irregular payments tax collections irregular payments in exports and imports Internet hosts	inefficient government bureaucracy corruption inadequate supply of infrastructure	tax burden agricultural policy costs the government effectiveness in reducing poverty and inequality

A part of this analysis is to discern outliers, for which the trend for the other countries do not seem to be appropriate. India seems to be an outlier in the relationship between human development and business competitiveness. If India were to be removed from this analysis, it reveals spearman rank order correlation of .745. Vietnam and Malaysia seem to be outliers the relationship between power distance and business competitiveness.

One of the weakest effects ($r = -.107$) was between individualism and business competitiveness. Figure 3 shows that almost all countries showed moderate levels of individualism, irrespective of business competitiveness level. There was a similarly middling relation between masculinity business competitiveness (Figure 4). Figure 5 shows several of the outliers are at the extreme of high uncertainty avoidance: Taiwan, South Korea and Japan. These countries were also low in competitiveness. The outliers in Figure 6 are the Philippines, which is low on long-term orientation and high on business competitiveness, and China, which is high both.

Figure 7 reports a correlation of .382 between power distance and human development. Figure 8 shows a weak negative relationship between individualism and human development. India and Japan are outliers. Japan is ranked very high on individualism but low on human development. Again these rankings mean that there is a very low level of individualism in Japan and a very high level of human development. In India the rankings are high on both, meaning low absolute amounts of both individualism and human development.

Figure 9 shows a weak negative relationship between masculinity and human development. Japan is an outlier, ranking very high on masculinity meaning low levels of this attribute. Japan is also in outlier in Figure 10, as is Thailand. These two countries have similar high rankings on uncertainty avoidance and Thailand has a moderate level of human development whereas Japan has a low level and lower ranking.

The conclusion can be drawn Figure 11 is that there is no relation between long-term orientation and human development. China and the Philippines appear to be the greatest outliers in this relationship, with China being by both on long-term orientation and human development and Philippines being low on long-term orientation, meaning they have a long-term orientation, but high human development. Figure 12 shows no relationship between individualism and grows competitiveness. Figure shows a strong relationship between power distance and growth competitiveness. the spearman correlation is .538. There is no relationship between masculinity and competitive growth. This is portrayed in Figure 14. An important outlier In Figure 14 is Japan. Figure 15 shows a weak negative relationship between uncertainty avoidance and growth competitiveness. There is no relationship between long-term orientation and growth competitiveness as shown in Figure 16. The Philippines and China are important outliers in this relationship.

Another analysis was discerning weather patterns existed in the most prevalent competitive advantages, competitive disadvantages, problematic factors, and other notable indices in the region. Among the more prevalent competitive advantages were government spending, the prevalence of foreign licensing agreements, quality of competition in ISP, and re-

cession expectations (the lack of). Among the more prevalent competitive disadvantage is four countries in the region are government spending patterns, Internet hosts (the lack of), and a variety of irregular payments in tax collections and exports/imports. When one considers the most prevalent problematic factors, the following are noted: inefficient government bureaucracy is a far most important, followed by corruption, inadequate supply of infrastructure, and policy instability. Other indices of note are agricultural policies/subsidies, government regulation including the effectiveness of lawmaking bodies, pay and productivity, and the private sector employment of women. One important next step in the research on this subject is two empirically evaluate these patterns as they affect growth and business competitiveness. While it is possible to conclude that there is a relationship between human development and business competitiveness and growth, the relationship between national culture, which had been predicted to be supportive (or not), showed no relationship. Moreover, there were exceptions to patterns portrayed as outliers, including China, India, and the Philippines. Perhaps the linkages where they do exist are more relevant for the smaller countries.

Whereas it is possible to conclude that there is a relationship between human development and business competitiveness and growth, the relationship between national culture, which had been predicted to be supportive (or not), showed no relationship. Moreover, there were exceptions to patterns portrayed as outliers, including China, India, and the Philippines. Perhaps the linkages where they do exist are more relevant for the smaller countries. All told, our study offers rich data and compelling results that should be instrumental to the guidance of future empirical studies. Those studies should implement measures such as the GCI, BCI, and HDI and also use the findings we have reported in order to formulate theoretic expectations.

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