

Responsible Leadership of Asian Small and Medium Enterprises in the Era of Globalisation

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The importance of SMEs

Small and medium enterprises (SMEs) play a prominent role in the economies of most Asian countries. In terms of number, SMEs account for approximately 90% of enterprises in the private sector of most Asian countries (Lim and Kimura, 2010:10). Researchers in business studies recognise their contribution in job creation, income distribution, economic dynamism, and product innovation (ESCAP, 2009). SMEs are also acknowledged to have contributed to the economic recovery of Asian countries from the crisis started in 1997 thanks to their flexibility to adjust to the changing market condition, their local-oriented production, as well as their independence from foreign debt (Tambunan and Supratikno, 2004: 10).

SMEs in the Globalised Economy

Such a praiseworthy performance of SMEs in the situation of crisis has stimulated questions about the good and evil of globalisation. Among those questions is: how is the position of SMEs in the globalised economy? A conventional theory suggests that globalisation is a project of expanding big businesses at the expense of SMEs. The reality, however, may not be as simple as that. Lim and Kimura note the significant growth and expansion of SMEs in ASEAN countries as a result of the regional economic integration programme. The samples they show include firms producing electrical appliance, agricultural products, and food and beverage (Lim and Kimura, 2010:14). However, to claim that globalisation benefits SMEs would be oversimplifying too. Aldaba (2008) argues that globalisation does burden a particular group of SMEs. Analysing the context of SMEs in the Philippines, Aldaba distinguishes SMEs into three groups: domestic oriented, internationalised subcontracting, and exporting. Whilst the last two groups are relatively benefitted by globalisation, the domestic-oriented one is confronted with more challenges.

It is probably fair to say that in a pre-globalised economy, the dominant of SMEs in the private sector was relatively unchallenged. Globalisation changes the map of the business world and it inevitably affects the position of SMEs. On the one hand, globalisation offers SMEs a broader market and, thus, greater opportunity to grow. On the other hand, it confronts SMEs with more demanding competition and required standardisation (Mishra, 2012:4; also ESCAP, 2009: 42). In other words, globalisation pulls out SMEs from their relatively-comfort zone, and challenges them to perform better in term of professionalism. Challenges faced by SMEs include matters related to “finance, technology, human resources, market information, and adjustment to the challenges and opportunities of the global market” (ESCAP, 2009: 1). Factors affecting the survival of SMEs in the global market cover political and cultural ones. The political factor refers to the role of the government in encouraging or discouraging SMEs to grow. The cultural factor refers to matters such

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as the common attitudes to work, change, and relationship with others. The idea of responsible and sustainable leadership of SMEs should take account of those two factors.

Political factor

The government policy and legislation are crucial for the success or failure of SMEs. Realising such important role, Asian governments have launched various programmes, including lower taxation, science and technology support plan, technical trainings, and clustering of firms producing the same category of product. However, there are quite many cases where the implementation of the government policy is not as expected. Lim and Kimura note the failure of the governments in several Asian countries to create conducive atmosphere for healthy SMEs because of inconsistent and uncoordinated policies (2010:18). In Indonesia, the government policies intended to support SMEs, both in the New Order era and the existing have shown to be ineffective (Bashim and Venkataranany, 2010: 98). Focusing on the Indonesian government's project of SMEs' clustering, Tambunan and Supratikno (2004) point out reasons for such failure which include neglecting linkage to potential markets, lacking of continues supply of raw materials, and overlooking SMEs' self-organisation potential. Hemptri Suyatna (2013) explores the impact of the decentralisation policy of the Indonesian government on the state's programme to support SMEs. The decentralisation policy is a part of the "reformation" of the Indonesian politics after Suharto, intended to distribute power management and public services to local governments. Suyatna's findings indicate that the practice of the decentralisation policy has made the local governments too dominant in implementing the supposedly pro-SMEs programme. Since the local governments tend to focus too much on securing their political position, the programme is used more for narrow political interests than for supporting the existing SMEs. As such, the state's programme, originally intended to strengthen SMEs, is often diverted to set up new SMEs-like projects merely for an image-creating purpose with no or little economic feasibility. Accordingly, Tambunan and Supratikno suggest that the failure of local governments in implementing the support programme to SMEs lies on their lack of experience, knowledge, as well as commitment to public service (2004: 40). A similar problem is also found in the Philippines as Aldaba notes. Despite the long term effort of the Philippines' government to empower SMEs, the implementation of the programmes shows poor coordination, overlapping responsibilities, conflicting goals, and staff underperformance (2008:12). Studies on the government policy in Thailand (Chittithaworn, Islam, Keawchana, and Yusuf, 2011) and Bangladesh (Ahmed, 2004) find similar problems.

In comparison to large corporations with their strong political bargaining position given their global influence and large amount of investment, the political self-confidence of SME's leaders in Asian emerging economies tends to be low. The long period of living under authoritarian regimes, the traumatic experience with social unrest, or the persistence of feudalism in society has shaped the apolitical attitude of those SME's leaders and thus prevent them from playing an active role in government's programmes. As a consequence, in terms of the government programme for SMEs, the position of SME's leaders tend to be passive. Instead of expecting support from the government, they would have been thankful as long as the government does not put more economic burden on their shoulders. The apolitical tendency seems to be stronger when a large portion of the SME's leaders are of ethnic minority, such as in Indonesia where the role of the ethnic Chinese in SME's leadership is salient enough. The ethnic Chinese in Indonesia has a long history of political abuse and cultural oppression, resulting in the shaping of their common feeling of political inferiority (Wijaya, 2002). From the Dutch colonial to the New Order (Suharto's regime), the state employs an

ambivalent policy concerning the ethnic Chinese. Large corporations owned by the ethnic Chinese were treated as allies and potentials to strengthen the country's economy. For that reason, they were given concessions and facilities to develop new establishments on the basis of patron-client relation with the state officials and their family members. The idea of "Indonesia incorporation" in the era of Suharto referred to a grand project of encouraging large Indonesian corporations, mostly established by the ethnic Chinese, to penetrate the regional and global markets in order to balance the flowing of foreign companies into the country. However, most ethnic Chinese firms do not belong to the category of large corporation. They are, in fact, SMEs with a vulnerable political position. Contrary to the favourable policy toward large corporations, the state tended to practically neglect SMEs and thus allowed them to become objects of corruption, racial discrimination, and overregulation by both central government agencies and the local authorities. In addition, SMEs suffered economically and politically in the outbreak of social unrest, occurred repeatedly in Indonesia, targeting the ethnic minority. Those experiences teach Indonesian SMEs to keep a distance from the political arena and to pay only little attention to government projects including those proclaimed to support SMEs. Taking such a position, SME leaders are incapable of making a pressure to the government to keep on track of its SMEs' supporting concept.

As has been argued, globalisation challenges SMEs to broaden the access to finance, technology, and international network. Realising the importance of SMEs, most governments in Asia have attempted to support SMEs by introducing various policies. Yet in many cases, such policies fail to work as intended, not only because of the governments' own bureaucratic and political problems, but also because of SME leaders' lack of political self-confidence. In order for SMEs to make the most of the state's supporting programmes, they need the kind of leadership with a strong concept of political ethics. SME's leadership should play a more determining role in all management aspects of the government's pro-SMEs programmes. SME's leaders should work as critical yet constructive partners of the government whilst refusing powerfully the temptation to allow corruption, discrimination, or overregulation to distract the programmes. Such political-ethically aware leadership characters can be shaped through moral education and non-escapist religion, as contrast to pragmatic education and escapist religion. For education and religion can play important roles of providing communities of ethical learning. A pragmatic approach of education focusing merely on the economic advantages would only confirm the apolitical attitude of SME leaders, so would an escapist religion emphasising only on the afterlife realm.

Cultural factors

According to Lim and Kimura, Asian SMEs are commonly weak in entrepreneurialism, level of management expertise, and networking (2010: 10-11). Entrepreneurialism refers to the spirit of innovation as a smart and fast response to the changing demands. It uplifts creativity, flexibility, and efficiency. In Asian societies, entrepreneurialism confronts more deep-rooted cultures which are either aristocratic or bureaucratic. Whilst change is cherished in entrepreneurialism, it is avoided in aristocratic and bureaucratic cultures. What prioritised in aristocratic culture are propriety, indirectness, feigning, and self control.¹ In an aristocratic culture, social class differences are assumed to be permanent, so is accordingly one's lifestyle, including one's options for production and consumption. Those who make a living through work are ranked low in the aristocratic structure of society, since the upper rank belongs to the noblemen who do not really work. So, in contrast to entrepreneurialism, aristocratic culture implants the tendency to submissiveness, stagnancy, and unproductive behaviour.

As with aristocratic culture, bureaucratic culture contradicts innovation. Bureaucratic culture prioritises limits and orders over growth and change. A society dominated by bureaucratic culture tends to be overregulated and therefore slow in decision making, low in work ethos, and inefficient. In Indonesia, bureaucratic culture is reflected not only in the way the government manages public services but also in the life and performance of community organisations. Both are characterised by complicated structures of leadership, unreasonable procedures, overlapping requirements, inefficiency, and practices of corruption. Bureaucratic culture affects SMEs either as an irresistible external factor or as an element of the firm's own corporate culture.

The problems of management expertise and networking are related to the fact that most SMEs in Asia are family businesses characterised by "inward looking mentality" (Lim and Kimura, 2010:11). Discourses on family business have led to the issue of so called 'familism.' The term refers to the centrality of the family both in the institutional structure of the firm and the moral values it embrace.² Many have pointed to the ambivalent impact of familism in business. On the one hand, familism reduces the costs of supervision and bureaucracy given the high trust normally existed among family members. Also, in the case of uncertainty in the area of legal law, as is in many countries of emerging and developing economies, commitment to the family's moral preferences becomes crucial. Moreover, since a family enterprise is a community of trust, the nature of work relations is more personal than contractual. This provides motivation for strong work ethic as well as sacrifice needed in times of crisis. On the other hand, over dependence on the family can limit the growth of the firm, since an upsizing business often needs leadership, the extent of trust, and cultural values beyond what a family could provide. Family firms are also easily affected by conflicts and frictions occurred in the family as well as the financial difficulty of the family as a consequence of its members' lifestyle. Other problems include those related to succession and the appointment of family members as decision makers in a way contrasting professional management standard (Jones and Rose, 1993).

In order to empower SMEs so as to win the broader market, their leaders should be culturally smart. As Goossen and Stevens correctly suggest, "good leaders cultivate the culture of a community or organization." (2013:30). In the matter of this, SME leaders need to interact the values implanted in local cultures and the family with ethical premises promoted in modern education and world religions. SME leaders should learn to broaden their limit of trust transcending the family circle in order to make the most of resources available in the expanded market.

Justice, entrepreneurship, and sustainability

The global awareness of environmental sustainability has driven the business world to pay more serious attention to the ecological aspect of products and production. Today's global consumer demands concern not only about quality and affordability but also how the goods and the way they are produced affect the environment. Meeting an environmental standard has now become a factor of competition. In Indonesia, several programmes have been promoted by the government, the academic community, and civil society groups to help SMEs meet the standard. For instance, there have been trainings and research concerning the use of natural colour material offered to the batik industry. However, the effectiveness of such programmes depends on the awareness of the SME leaders themselves. Adding the value of environmental sustainability has the consequence of increasing production costs resulting in a higher price of the sustainable products. It is certainly not preferable for SMEs with weak sense of justice and lack of entrepreneurship. In today's situation, therefore, the idea of developing entrepreneurship and sense of justice for SME leaders should

include the aspect of environmental sustainability in addition to those of political ethics and cultural intelligence. Again, in this case, explorations of religious resources could result in environmental ethics worth offering in the education of SME leaders.

Notes:

¹ See Clifford Geertz's analysis on Javanese aristocracy (1989: 326-327)

² Regarding familism, see my previous study on the ethnic-Chinese business (Wijaya, 2008).

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