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## **The Next 11**

Emerging co-operation and co-creation partners

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**Systemic Excellence Group**

Independent Think Tank for Leading Practice

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## Introduction – Emerging co-operation partners

When it comes to the Next 11 as the “new emerging markets”, to which both investors and business leaders refer, the focus is on future options for investments. However, with reference to Jim O'Neill (2007), who first put forward the theses on BRIC<sup>1</sup> and the Next 11 (N11), this title is misleading, especially from the investor's point of view. It is not oriented to focus on future options for investments – at least in the short- and mid-term future. In contrast, the focus is directed on future chances for co-operation and co-creation.

Hence, this paper's focus is on the N11 not as the “**new emerging markets**”, but as the “**new emerging co-operation and co-creation partners**”. The N11 countries are: Egypt, Bangladesh, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey and Vietnam. Whether one considers a joint venture or a project-based co-operation, the N11 should be regarded as new emerging co-operation and co-creation partners. In spite of political, macroeconomic, currency, or informational risks of co-operation, the prevalent business cultures within the N11 countries offer opportunities for mutual future business success. According to this, the paper creates awareness for opportunities for co-operation and co-creation with and within the Next 11.

The unanswered questions are: What does account for the focus on co-operation, as it is a known issue? What is the relevance of co-creation beyond co-operation? Why are these countries relevant to be considered by managers?

In times of the financial crisis in a globalised economy, the effects become increasingly obvious:

- \_\_\_ Dispersion of political power from a US and European dominance towards a global and multipolar governance
- \_\_\_ A call for global public welfare
- \_\_\_ A demand for global responsibility and global co-operation and co-creation

In this context, CSR, Corporate Social Responsibility is a valuable starting point. However, the organisational and managerial focus is still narrowed. As capitalism is on the brink of a global economic crisis, a shift in managerial thinking is needed – a shift towards:

- \_\_\_ human co-operation and co-creation
- \_\_\_ global responsibility.

Accompanying the BRIC countries, the N11 are the economies and cultures first addressed, on which this approach aims at: The idea of the N11 as the “new emerging co-operation and co-creation partners” addresses an increasingly demanded alternative managerial thinking. This paper’s approach to the N11 pursues a more global and cooperative managerial thinking than before. Accordingly, the pursuit of this paper is to clarify the framework for effective human co-operation, co-creation and global responsibility. Against this background, it shall create both managerial awareness and organisational readiness for co-operation and co-creation with the Next 11.

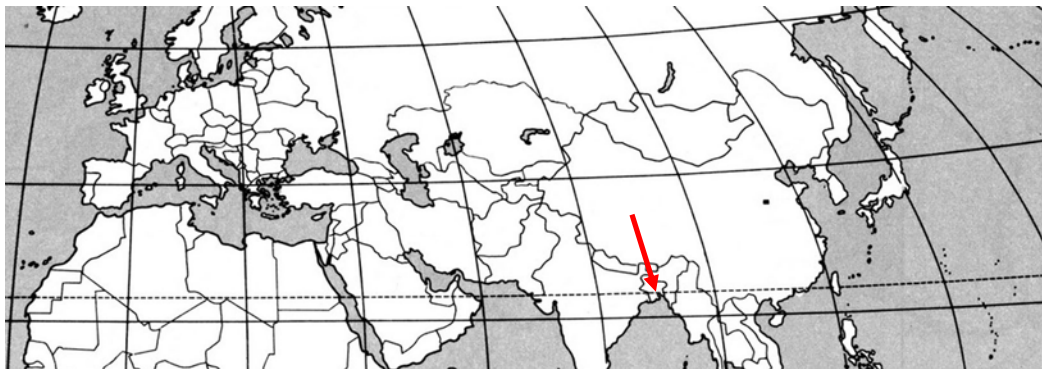
In the next section, each of the N11 countries is introduced. Different foci of attention supplementing each other are needed in order to gather managerial awareness for the N11 as the new co-operation and co-creation partners. These foci take into account the interdependence and mutual influence that operates within each of the N11 countries. Within each introduction, the foci are:

- \_\_\_ Business and management – with regard to business culture and management practices
- \_\_\_ Culture – as to values on the level of the individual, group and society
- \_\_\_ Politics – in terms of governance and the political system
- \_\_\_ Economy and technology – relative to organisations and markets

To exemplify this, management practices – especially in the N11, as we will see – are always derived from business culture which is again an “image” of the very culture of the respective country. Furthermore, the consideration of business and management will fall short if the influence of political action and economic development is ignored.

We will introduce each N11 country by giving a brief account on its cultural situation with a perspective on the status quo and the future development.

One thing becomes obvious: the willingness, the openness, and a bit of curiosity to explore the other culture, its values, practices, and institutions is key to successful cultural co-operation and co-creation.



# 1. Bangladesh

## Key messages

- Status perspective: Business and management in Bangladesh strongly refer to informal practices with the traditional approach of the family as the role model.
- Development perspective: Though relationship-oriented, a gaze on continental-European business approaches can open Bangladesh businesses for co-operation beyond tight bonds between family, relatives and friends.

## Business and management

A structure of power in Bangladesh evolved throughout its cultural and societal history. Therefore, business is both hierarchical and informal.

People in Bangladesh expect the most senior manager, by age or hierarchical position, to make decisions that are in the best interest of the company. Related to this, the concept of the paternalistic manager is prominent in Bangladeshi business life: In their function, managers protect and solve their employees' personal and familial difficulties inside and outside the organisation. In turn, Bangladeshi employees expect superiors to help them in a variety of issues such as financial problems, wedding expenses, purchasing of new homes, illness in the family, education of children and even marital disputes.

Moreover, in Bangladesh, personal connections and informal channels are recognised as more practical, whereas formal systems, official institutions and procedures are considered less efficient and even bothersome.

As a direct result, managers operate on the basis of personal relationships among people, rather than on the basis of impersonal and dehumanised management systems. Patronage structures society and is considered an informal constituent. In business, this mindset is customary practiced, e.g., managers hire a relative rather than a more competent yet unknown worker. So, in the context of Bangladeshi business, favouritism is neither perceived as bribery nor as corruption. It is even regarded as a positive and human act towards the extended family. This practice appears even more logical, as the majority of Bangladeshi businesses is owned and run by families.

## Culture

Culture is influenced by three great religions: Islam, Hinduism, and Buddhism, with the most-lasting influence by Islam. Yet, most people do not unconditionally rely on Islamic principles or guidance; they tend to act according to tradition and culture.

In Bangladesh, the primary building block of social relationships is the family. The family is associated with honour, social status, and wealth, and therefore enjoys sovereignty. For this historically evolved prominence, family values are applied to business contexts accordingly. What is more, the family is not limited to parents and their children. The extended family may include friends and acquaintances, too. Hence, the constitution of the family often creates complicated networks.

Bangladesh is a hierarchical society. People are respected because of their age and position. Aged people are naturally viewed as wise and are granted respect.

## Politics

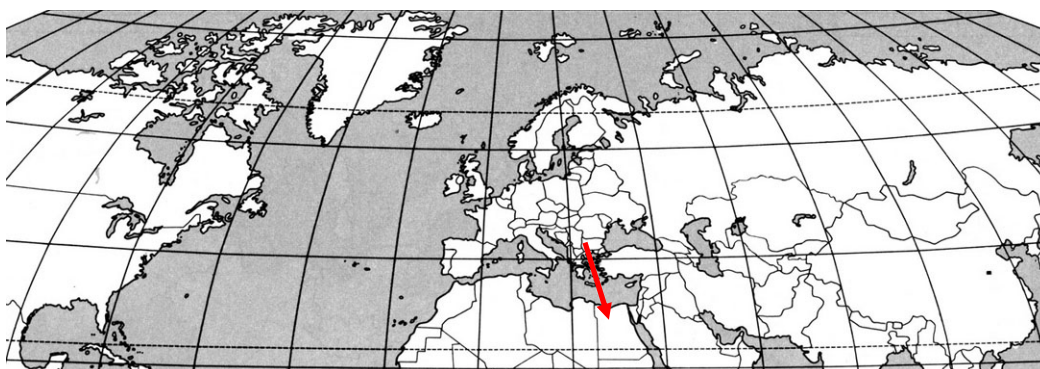
The government of Bangladesh is faced with a poor and overpeopled nation. However, governance is challenged by several economic barriers: Inefficient companies owned by the state of Bangladesh, deceleration in using natural gas resources, insufficient power supply, and a stagnant implementation of economic reforms exemplify Bangladesh's political and economical situation.

A military-backed caretaker regime suspended planned parliamentary elections in January 2007 in an effort to reform the political system and root out corruption; the regime has pledged new democratic elections by the end of 2008. The political system is a parliamentary democracy. Yet, the political culture in Bangladesh is not oriented towards democracy.

## Economy & technology

The economy has grown 5-6% over the past few years: Economic value in Bangladesh is generated through the service sector, the agriculture sector, and garment export. Bangladesh is the EU's most important trade partner (24%), followed by the USA (18%). In terms of foreign policy, it pursues a constructive co-operation in all directions. Owing to metropolisation and globalisation, further chances are evolving. Unfortunately, about a third of this extremely poor country annually become flooded during the monsoon rainy season. This strongly hampers Bangladesh's economic development.

Yet, within the young economic history of Bangladesh, Dr. Grameen achieved a milestone: He won Peace Prizes for his dedication to the relief of the poor establishing the Grameen Bank. Grameen Bank has lent \$5.7 billion to 6.6 million borrowers over the past 3 decades, mostly in small loans, and 58% of the borrowers have lifted themselves out of poverty. With this innovative and successful economic approach, Dr. Grameen gathered worldwide awareness.



## 2. Egypt

### Key messages

- Status perspective: Business life in Egypt is clearly influenced by power and obedience within the manager-employee relationship, referring to its strong orientation towards hierarchical structures in life and in business.
- Development perspective: As authorities exclusively answer for co-operation and co-creation activities, a more balanced power allocation advances Egyptian companies to use their human potential with regard to individual engagement and co-creation.

### Business and management

Business is traditionally done through extended and immediate families. The status and structure of the family in Egypt's society significantly influences the structure of Egyptian business life and management practices.

In Egyptian organisations, the workplace is formal and hierarchical. Furthermore, rank and status are key to the structure of Egyptian business life.

When it comes to management, the hierarchical power structure accounts for a clear, top-down power relationship approach between manager and employee. Against this background, supervisors in the Egyptian workplace give workers detailed orders. The best employee is the most obedient.

To illustrate, public-sector employees have a pre-determined job path, and win praise based on how well they follow the instructions of their supervisors. What is more, while group consensus in decision-making is valued and sought, at the very end, the highest-ranking person, likely to be the manager, always makes the final decision.

Egyptian business actors usually prefer age and experience in the business environment. Therefore, in team work as well as in one-on-one interaction, especially older people with notable titles find themselves in powerful positions, formally and informally.

Besides the relevance of hierarchy and status, Egyptian business actors place a sub-

stantial emphasis on networking. Hence, cultivating and caring for business affiliations has a high priority for management practice. In this context, the concept of honour governs all interpersonal relationships in Egyptian business. Thus, respecting others, particularly senior people and persons of authority, is a duty.

Hence, it is common practice that family members or close friends mirror their relationships in business relations – in business, nepotism is common and viewed positively.

## **Culture**

Egypt has the Middle East's largest population and the world's longest recorded history. Due to its historical tradition, the family unit is central to Egyptian culture and society. It defines social status and determines values and respective behaviours. In Egypt, the individual is subordinate to the family or collective. Consequently, Egyptians have a strong sense of loyalty, pride and responsibility towards family members and relatives at all times.

Furthermore, with respect to the relevance of rank and status, professionals, including military officers, are highly respected. When it comes to status, there is also an imbalance between men and women: In contrast to other male-dominated countries, women work, but their salaries are usually one-third lower than men's wages.

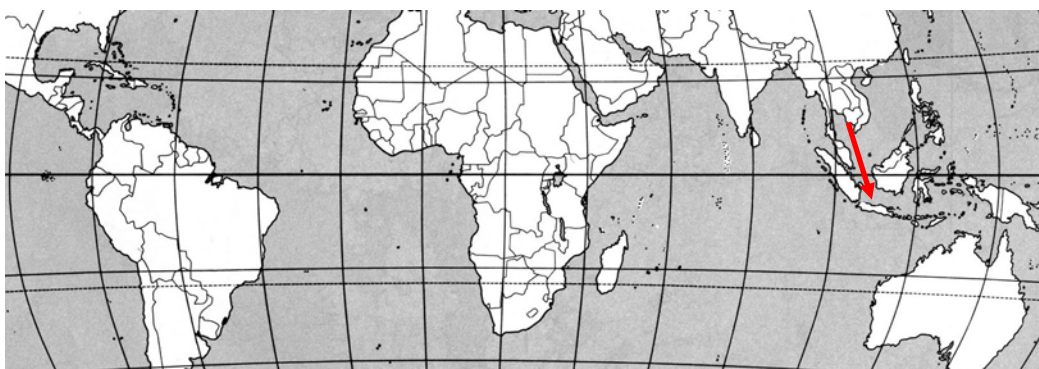
In Egypt, Islam is practised seriously and passionately. It influences the Egyptian ordinary demeanour and decisions, be it on a personal, political, economic or legal level. As a consequence, truth and problem-solving are often governed by Islamic faith and the interpretation of Islamic law. To be concrete, Egyptian Islamists believe the events of the world depend on the knowledge and almighty of Allah. Yet, they also believe in the freedom Allah gives human beings.

## **Politics**

For the past few decades, reform in Egypt was challenged by a conservative and bureaucratic political system that adopted a centralized top-down approach to public planning and decision making. Within the last few years, an increased debate about women's rights, economic reforms and decentralisation indicated a readiness for change. Nevertheless, this had not been transferred to issues such as political freedom and human rights, the constitutional framework, as well as political participation. Today, the political system in Egypt is faced with an ongoing transition to democratic reforms.

## **Economy & technology**

Together with tourism and oil and gas exports, the Suez Canal continues to be one of Egypt's major sources of revenues. Currently, the Egyptian government has adopted an economic reform programme pursuing the reduction of the public and the expansion of the private sector. There is much hope that this improves Egypt's competitiveness as a new market for foreign businesses.



### 3. Indonesia

#### Key messages

- Status perspective: In Indonesia, the capabilities of contacting, managing relationships, and networking are strong criteria for business success – not individual skills or performance.
- Development perspective: As emerging co-operation and co-creation partners, it is important for Indonesian business actors to consider that performance-oriented capabilities are sources advancing the quality of co-operation beyond mere relationship building.

#### Business and management

Personal contacts and networks are vital for business success. Interpersonal business relationships in Indonesia are based on trust and familiarity. Hence, generating and nourishing harmonious relationships improve managerial success pivotally.

As the Indonesian culture is clearly collectivistic, Indonesian business actors place a higher importance on the group than the individual. Therefore, collectivism accounts for the value of networking and interpersonal relationships in business. However, family and community concerns are always placed over business concerns.

In Indonesia, business structures are generally hierarchical. In line with this, decision-making and the generation of ideas take place at the top. In addition, in Indonesian business culture, status is very important. Therefore, respecting supervisors and work colleagues is the commonly shared routing norm.

The great emphasis on status and respect is due to the prevalent Muslim tradition. To exemplify this conscious dealing with the tradition, colleagues should always be addressed with the proper title. Moreover, in the Muslim tradition, people with seniority have the highest status in the workplace. With respect to gender, Indonesian women are increasingly well educated and entering the workforce. However, women are still in a weak position. Thus, doing business is hard for women – unless they are supported or accompanied by men.

## Culture

The Indonesian culture is rich in respect of its ethnic diversity. In Indonesia's population, ca. 490 different ethnic groups meet each other. Hence, Indonesia has emerged as a multifaceted culture open for external influences.

In Indonesian culture, the emphasis of showing respect becomes most obvious in communication. Communication is restrained and indirectly, meaning the focus is on body language and gestures. In consequence, Indonesians do not typically say what they think. Instead, Indonesians are polite and diplomatic in their speech at all times and avoid offending others. Saving the other's face is of paramount importance, even if it means avoiding confrontation or telling others what they want to hear.

Time in Indonesia is approached in a very relaxed and flexible manner. Indonesians do not rush through business negotiations and often do not take the time to plan everything in great detail. Punctuality is not always observed, as Indonesians do not like to feel hurried and do not have the Anglo-American and Continental-European sense of urgency. The Indonesian attitude towards time reflects this: Time is not money. They may show less interest in profit or material success and more on building relationships.

Indonesia is not an Islamic state but the world's most popular Muslim majority nation. Muslims pray five times a day. To illustrate the relevance of religion: In some workplaces in Indonesia, separate rooms for daily prayers are arranged.

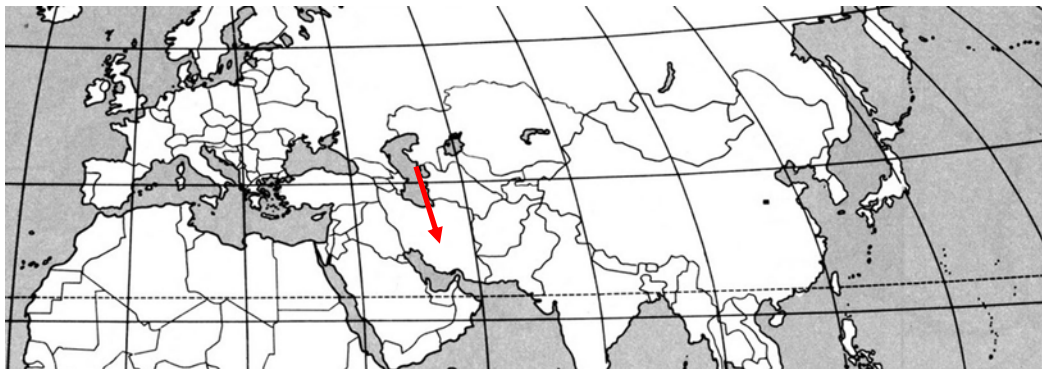
## Politics

Diversity forms the country, and its political development. Yet, after becoming independent from the Netherlands in the mid-20th century, Indonesia shifted from a democracy to an authoritarian government. Political instability coupled with corruption, terrorism and civil unrest have slowed down the political and economical development in the late 20th century. However, in the more recent past, major political reforms have been realised redirecting the development positively.

## Economy & technology

While Indonesia's economy grew with impressive speed during the 80s and 90s, this "growth wonder" was subdued by the financial crisis in 1997. The crisis revealed a number of hidden weaknesses in the economy such as a weak financial system lacking transparency, unprofitable investments in real estate, and shortcomings in the legal system, going along with rising corruption at all levels of the government bureaucracy.

Today, the Indonesian economy still suffers from severe economic development problems. Nevertheless, Indonesia's economic potential rests in its substantial natural resources including petroleum, natural gas and textiles. These make up for the majority of industry and services and take account for the main part of Indonesia's GDP (Gross Domestic Product).



## 4. Iran

### Key messages

- Status perspective: In Iran, managerial actions always refer to Iran's ancient tradition and attach importance to value-based actions, emotions and interpersonal relationships.
- Development perspective: In the course of its modernisation, Iranian business should further move towards institutionalised individualism focussing on achievement and merit, rather than class or clan.

### Business and management

Iranian business structures and business actions are clearly shaped by highly traditional values such as collectivism, past orientation, hierarchical distance, and evil orientation expressed in terms of mistrust and conspiracy. These cultural orientations are rooted in Iranian mythology, history, religion and basically profile business structures in Iran.

Correspondingly, managerial action is oriented towards networking, personal connections and informal rules and communication channels, as well as nepotism and favouritism. Furthermore, it is implicit and context-related communication, compensation based on attribution rather than achievement, as well as paternalistic management.

Hence, in the big picture, success in business may be defined by one's ability to build effective personal relationships. To illustrate: Even within government, officials usually work within networks of friends and associates. Iranian managers prefer to establish a personal relationship before entering into business with someone.

Business and management in Iran is becoming increasingly faced with influences from European and American business practices. Iranian executives are experiencing a value conflict, as they attempt to find the right balance between their religious-based and global market-based values. Yet a transition has begun: Iranian business is becoming more flexible and less dominated by religious practices and beliefs.

Aside from this, in the business culture of Iran, a great emphasis is placed on respect and dignity. For example, younger colleagues have to address their business counterparts with the appropriate title and act in a respectful manner in any context. In addition, the Iranian business culture is also male dominated: In business, women seldom work.

## Culture

Iran is marked by the Persian spirit and its cultural richness and historical persistency. Iranian culture is apparent when it comes to its traditional values: Collectivism, hierarchical distance, and evil orientation.

“Evil orientation” is one dimension of an ethical duality deeply rooted in Iranian heritage. It means that individuals are generally wicked and cannot be trusted to do the right thing. In consequence, Iranian people tend to initially meet others with mistrust and distance.

Another important value of the Iranian culture is “past orientation“: Many mythological beliefs both from Islam and related original myths are still present in the unconsciousness of Iranians and affect their behaviours, e.g., in the form of the ancient Persian Empire and its legends.

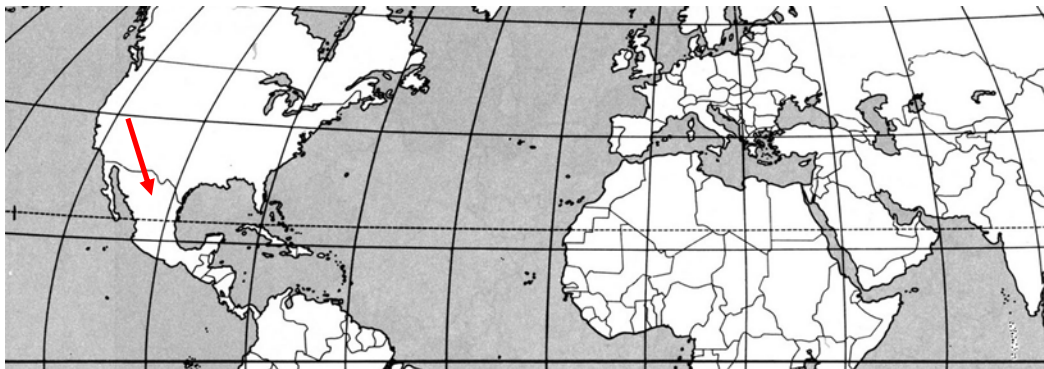
## Politics

Iran became an Islamic republic in 1979. By then, conservative clerical forces established a theocratic political system with an ultimate political authority. Following these developments, Iran was at war with Iraq eventually resulting in clashes between US Navy and Iranian military forces between 1987 and 1988 in the Persian Gulf. Furthermore, in the past, politics in Iran was strongly related to terrorism.

Not until 1997 did political campaigns try to foster social, political and market reforms. Following political conflicts, under the new government in Iran, reforms now appear to be taking hold slowly on Iranian society and its business culture.

## Economy & technology

Iran’s economy is best marked by an inefficient state sector and the reliance on the energy sector: The oil sector provides 85% of government revenues. Besides this, Iran holds a good manufacturing industry and has a strongly developed military industry owing to its embargos. The combination of price controls and subventions continue weighing down Iran’s economy. In addition, administrative controls and widespread corruption weaken the potential for economic growth via its private sector. The result: Substantial market activity remains unused and shortages are common. In spite of the revenues in the oil sector, double-digit unemployment, inflation, and, from a socio-economic perspective, emigration are increasing.



## 5. Mexico

### Key messages

- Status perspective: In terms of business and management, Mexico is strongly US-orientated, even though paternalistic structures with a strong mutual loyalty are still prominent in business and politics. The patterns are changing towards the recognition of individual performance and capability.
- Development perspective: From the perspective of Mexican business players, it is recommendable to consider alternative leadership and management approaches to the traditional Mexican one. It would be helpful for businesses and the social cohesion of the country to focus on the development of the people instead of only exploiting the work force in the short term.

### Business and management

In the Mexican business environment, protocol, manners, dress and attitude are highly valued, and seen as an indicator of background and professional credibility.

Within these contexts, “social grace” reflects one’s manners. As a result of this formal social structure, the management is required to advance individual initiatives. In addition, managers in Mexico possess awareness for race, ethnicity and regional differences in the workforce. However, this does not comprise a commitment towards a diverse workforce, but that a workforce from a richer and well-educated socio-economical background is favoured. To illustrate, as to recruitment, large multinationals often prefer to employ upper-class Mexicans with an exceptional educational background and lifestyle opportunities.

As visual thinking and creativity are valued skills in business: Mexicans rate as “kings of improvisation”. Anyhow, management tends to miss providing structure and fixed planning; leadership is rather directive, autocratic and instructive.

## Culture

Mexican culture is divided along several fault lines, including socioeconomic status, race, gender, ethnicity and region.

Most prominent, culture evolves along a widening gap between the rich and the poor: Recent statistical measures indicate that 57% of Mexico's income is held by only 20% of its citizens. In addition, World Bank data states that half of Mexicans live at the poverty level and 20% live in extreme poverty. Correspondingly, the educational situation is comparable: Mexicans are rarely well educated, and there are too few schools and universities.

Related to this, Mexico is very class-oriented. The way classes treat each other is best described as harsh and mellow. Mexican's say „o eres cabrón o eres pendejo“ – „Either you pull a fast one, or the other does!“ Rulers are corrupt, mutual trust is low.

Mexican society evolves alongside a cultural border: On the one hand, the minority in the upper class is clearly American oriented. It is characterised by pragmatism, elite status, entrepreneurship, and competition. On the other hand, the medial layer is still traditionally Mexican oriented: conservative, strongly influenced by religion, family and a traditional gender role allocation. Especially in the youth, this leads to a “culture clash” between American values and Mexican traditions.

## Politics

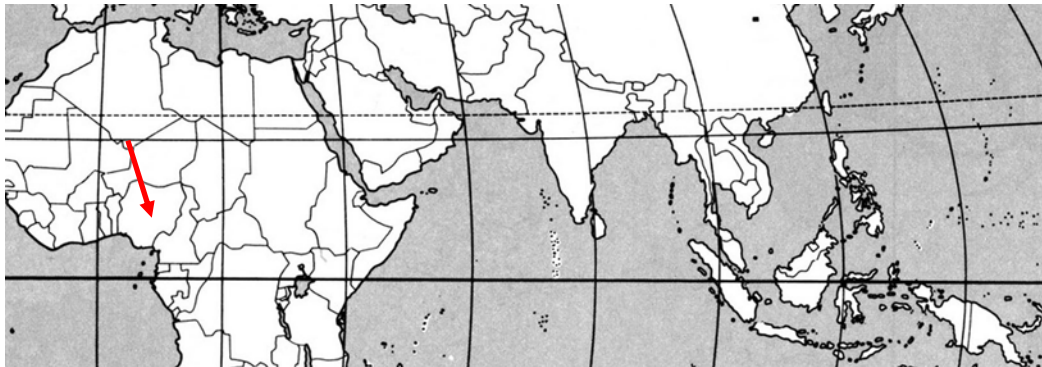
Succeeding a 70-year governance by PRI, the political system in Mexico changed into a young democracy governed by PAN since 2000. Yet, as the system is still lacking experience, the risk of unstable political developments is ubiquitous. Democratic institutions are weak and society has lost its trust in them. Moreover, a “paternalistic system” still seems prominent: Clans, as well as “bosses and his vassals” with an absolute mutual loyalty shape the political picture. The Mexican governance focuses on its fight against organised crime and corruption.

In the past, mutual obstructions have hindered that structural reforms could be realised. However, this situation seems to change: An energy reform has recently been realised, for example.

## Economy & technology

Mexico's economic framework seems promising: a big country, rich in natural resources with a huge and young workforce and an aspiring, increasing and better-educated medial layer. Moreover, Mexico can profit from the direct link to the USA and Canada via NAFTA, the North American Free Trade Agreement between these three countries.

However, the socioeconomic situation is tense: The gap between poverty and wealth is widening. As a consequence, society is increasingly becoming encumbered with debts. In addition, national setbacks over the past 20 years have affected class mobility and immigration patterns, further weakening Mexico's economy. Many global companies built up sites in Mexico, but national Mexican companies are rare.



## 6. Nigeria

### Key messages

- Status perspective: Besides the centralised location of respect, power and responsibility in Nigerian business life, co-operation is highly valued and acknowledged as a success factor in business.
- Development perspective: A more decentralised power structure fully elicits the individual commitment within companies and the potential for effective collaboration and co-creation with external business partners.

### Business and management

Nigerian business structures display massive hierarchical tendencies as befits Nigeria's plenteousness in tribal tradition and culture.

Thus, the boss expects and receives respect from subordinates. As age is highly valued in Nigerian culture, managers are often of the older generation. It is widely shared that age brings wisdom. Following this, managers in the line possess – strictly speaking – no power in their organisation at all.

As anticipated from a strictly hierarchical culture, managers are expected to lead quite authoritatively. Furthermore, he is expected to make decisions (with or without wider consultation) and subordinates are expected to carry out the respective tasks. In consequence, they expect managers to clearly define each subordinate's role and responsibility and give clear, consistent instructions – anything, which is not explicitly requested, is likely to remain undone. The manager-employee exchange should be polite and friendly but definitive.

In return for this loyalty, the manager often takes on a paternalistic role with regard to his or her subordinates. According to this role, he is expected to take an interest in subordinates beyond their business duties. Subordinates are as likely to ask for advice on personal matters as they are on business issues.

In Nigeria, business success depends enormously on internal collaboration. High-performance organisations advance team work. However, team members need to feel comfortable with each other. This can be difficult to achieve. Management has to take group dynamics into account. In Nigerian teams, tensions are never far from the sur-

face. These tensions can be religious (Christian vs. Muslim), tribal or even language related.

## **Culture**

Along with South Africa, Nigeria constitutes the superpower on the African continent. Consequently Nigerian's national pride is a vital aspect of their culture. To illustrate, a prominent expression is: "When Nigeria sneezes, the rest of the African nations catch a cold."

Extended families are still the norm and are in fact the backbone of the social system. Often, the family including relatives work as a unit throughout life. Family relationships are guided by hierarchy and seniority. Social standing and acknowledgment are achieved through the honour showed to the extended families. Individuals turn to the extended family for financial aid or guidance, and the family is expected to provide for the welfare of every member.

In modern Nigeria, wealth is the main symbol of social classification. While in the past many ethnic groups held hereditary titles and traditional lineage as important, money has become the new symbol of power and social status. To exemplify, in many ethnic groups, wealthy people can buy themselves local titles.

Modern Nigeria is a patriarchal society: Men are dominant over women in virtually all areas. Women still have fewer legal rights than men – according to Nigeria's Penal Code, men have the right to beat their wives as long as they do not cause permanent physical injury.

## **Politics**

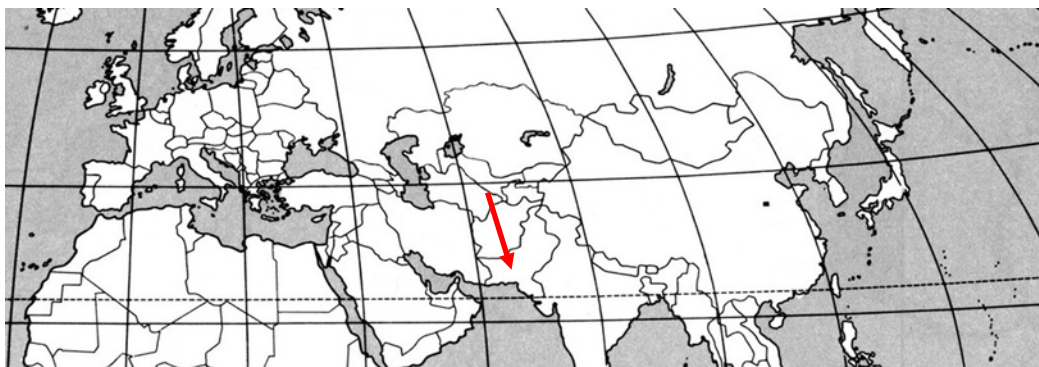
Nigeria's political system is far more decentralised than other African countries. States enjoy significant autonomy, with the ability to set economic policies and other initiatives. Nigeria is a federal republic with a democratically elected government.

Yet, political instability and social ills like regional strife, severe poverty, human rights violations and massive corruption have plagued Nigeria for decades. However, as Nigeria is in the midst of a major political change, there is great hope for social reform in the country.

## **Economy & technology**

With the largest population in Africa and a land endowed with vast quantities of natural resources, Nigeria has a high economic potential. As petroleum production and industry began to boom in Nigeria, much of the national resources were concentrated on the new industries at the expense of agriculture. Today, it is the sixth largest oil-producing nation.

Yet, the political situation evoked that Nigeria failed to capitalise on its economic advantages. For example, the country's infra-structure is still poor.



## 7. Pakistan

### Key messages

- Status perspective: Pakistanian business actors live up to a clear managerial paradigm focussed on paternalism and an orientation towards power and status.
- Development perspective: The consideration of a Continental-European management paradigm focussing on autonomous and self-responsible employees and teams can further advance Pakistanian business efficacy.

### Business and management

Business in Pakistan is grounded on hierarchical thinking and a clear understanding of power allocation: Top-down management, authorities exclusively making decisions and a hierarchical structure of reward systems exemplify this. Managers consider it as a standard that people in higher functions enjoy more privileges than those at lower levels.

In such a hierarchical culture, it is not surprising that rewarding is based on ascription rather than achievement. As a matter of fact, professional titles in Pakistan are considered as instruments to enhance power and status both inside and outside of an organisation.

Due to the significance of hierarchical thinking and collectivism including interpersonal relationships and family-orientation, managerial paternalism in Pakistanian organisations is a distinctive issue. Paternalistic management addresses an “authoritarian fatherliness” extending the manager’s responsibility for business concerns to the private lives of their employees.

In addition, nepotism is viewed positively. It guarantees hiring people who may be trusted. This is crucial in a country in which working relationships have to be built on trust.

## Culture

As in most countries in the Middle East, Islam takes up a fundamental role – it governs the Pakistanis' private and work life. In this sense, culture and Islam have always been in constant mutual interaction and continue doing so.

Pakistan has a clearly collectivistic society. As such, the identity of Pakistani is based in the social system and their private life is invaded by the interests of the collective, be it the company in terms of business life or the family with reference to private life. Yet, in Pakistan, the social model of the family is of the highest significance: It is the basis of social structure and individual identity. Loyalty to the family comes before all other social relationships including, business relationships. Concurrently, the family is more private than in many other cultures.

Pakistan is a hierarchically structured society. This structure can be seen in the high degree of hierarchical distance between leaders and followers. This role allocation is applied to all Pakistanis' social structures: Manager and employee in terms of business, politician and citizens as regards governance and father and family members concerning private life. Related to this, a high degree of power distance is another vital aspect of Pakistani culture. This distance is manifested concerning paternalism: For example, the head of the household is generally the husband. He expects respect from the members of his family, but in return, he is responsible for supporting them and satisfying their entire social and material needs.

## Politics

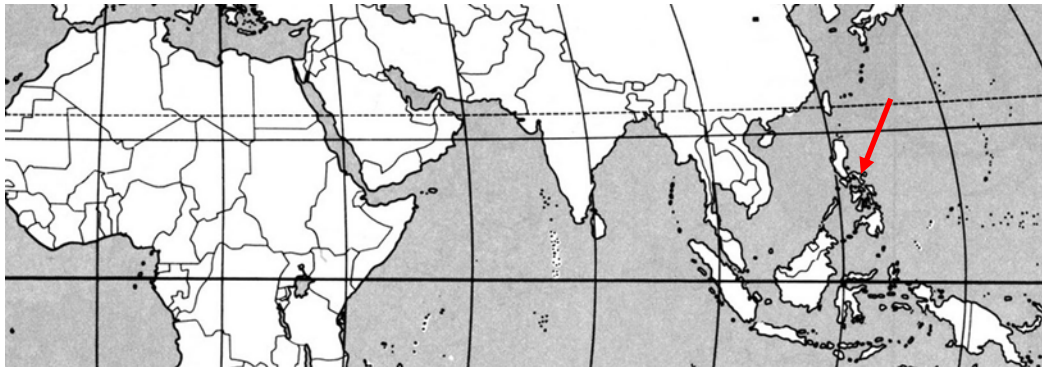
Pakistani government and military leaders are struggling to control Islamist militants, many of whom are located in the tribal areas adjacent to the border with Afghanistan. The Pakistani government is also faced with a deteriorating economy as foreign-exchange reserves decline, the currency depreciates, and the current account deficit widens.

The ongoing dispute over the state of Kashmir essentially prescribes politics in Pakistan: It is the world's largest and most militarised territorial dispute between China, India, and Pakistan. Though ongoing, discussions and confidence-building measures fostered decreased tensions since 2002.

## Economy & technology

Pakistan is still suffering low levels of foreign investment related to long-running and costly tensions with India. However, since 2001, reforms including the privatisation of the banking sector have renewed access to global markets and have generated macroeconomic recovery.

With export efforts focused mainly on clothing and textile products, the country's three main export destinations are the United Kingdom, America and the United Arab Emirates. In spite of persistent water shortages, agriculture rests at the centre of Pakistan's economy, employing approximately 50 percent of the working population. In addition, Pakistan has an abundant supply of natural resources, with its manufacturing industry accounting for 20% of the GDP.



## 8. The Philippines

### Key messages

- Status perspective: Business life in the Philippines is on the brink of a shift from the family as the essential role model for business structures towards Anglo-American and Continental-European business practices.
- Development perspective: Against the background of co-operation and co-creation, the alignment of Anglo-American and Continental-European with Eastern business culture can be a success factor. In return, the careful alignment is likewise the biggest challenge within Philippine business life.

### Business and management

In the Philippines, a small number of key families exert a high influence on all areas of life: Hence, most large Philippine organisations are controlled by those family members.

As with most family-run businesses, structures are extremely hierarchical with power remaining in the hands of a few senior managers which are usually family members, too. What is more, the flat, matrix-oriented structures of Anglo-American and Continental-European companies may even be viewed with doubt. The influence of Anglo-American and Continental-European business practices becomes rather evident via the presence of professionally skilled and well-educated middle managers being responsible for the implementation of decisions made by senior management.

Thus, it is important to develop contacts at various levels within a Filipino organisation – to the top management, as the respective managers are the decision-makers and to the line management, as the middle managers are the actual day-to-day business partners.

This is especially important, as Filipinos thrive on interpersonal relationships. Business relationships are put on a level with personal relationships. Doing business at the Philippines, it is crucial to network and build up a core group of business associates to call upon for future co-operation.

To illustrate the relevance of relationships: Once a relationship with a co-operation partner has been developed, it is the partner that counts, not necessarily the company he represents.

## Culture

The Philippines is neither a “classic” Eastern culture nor is it clearly Anglo-American and Continental-European-oriented. Accordingly, the value and religious orientation ranges between both cultures.

Correspondingly, issues such as “loss of face” and group orientation are still prominent. However, they co-exist along a paramount sense of personal pride and dignity like in many Central American countries. With regard to the Philippines’ society structure, the hierarchy is the prominent form as in most Asian countries; but is accompanied by a far more informal approach to interpersonal dealings than would be found in countries such as Japan or Korea.

The family is the centre of the structure of social life. People benefit from their family in terms of strength and stability. The relevance of the (extended) family is manifested by the patronage provided to family members seeking employment. To illustrate, many collective bargaining agreements state that preferential hiring will be given to family members.

Another main cultural characteristic in the Philippines is “*Hiya*“. It means shame and is the driver behind Filipino behaviour. It is a sense of social politeness to conform to shared societal behavioural norms: Filipinos believe they must live up to the accepted standards of behaviour. If they fail, they bring shame upon themselves and upon their family, too. Following this, public embarrassment or critique provokes Filipinos to feel shame and lose self-esteem.

## Politics

The political system of the Philippines is still faced with a debt-ridden country. However, public sector deficits are being managed by the governance. A new economic uplift has accounted for a clearly less indebted GDP. With fiscal discipline, the governance has achieved a decrease in its debts for more than 50% since 2005.

## Economy & technology

Years ago, the Philippines were expected to have the highest economic potential within Asia. Yet, it became one of its poorest countries. After years of corruption and neglect, the Philippine’s economic situation is recovering again.

Mining is potentially one of the biggest industries in the Philippines as the country is rich in chromite, copper and nickel. In addition to its coal reserves, natural gas has recently been discovered in the Palawan Islands. Interestingly, the Philippines are also a world leader in renewable energy sources.



## 9. South Korea

### Key messages

- Status perspective: In South Korea, personal ties matter most – be it within one's company or between co-operation partners
- Development perspective: South Korean business and management culture seems open for co-operation and co-operation. Yet, co-operation should not be solely entered into based on the very relationship, but on the competence of the partner and synergy effects as well.

### Business and management

In South Korea, personal relationships have priority above business. In order to be successful in business, it is fundamental to establish good, personal relationships based on mutual trust and benefit.

Like in most Anglo-American and Continental-European businesses, South Korean organisations are hierarchically structured. Yet, the position of individuals within the hierarchy is not due to degree and experience, but to age and social status. Age is the most essential characteristic of business relationships. To senior employees, a certain level of superiority is automatically ascribed. Hence, Korean business is highly centralised with authority concentrated in senior levels.

Social status in Korean business is advanced establishing respectful interpersonal bonds. In order to guarantee this, Koreans spend a significant amount of time developing and cultivating personal contacts. Following this, personal ties in Korea, in view of, e.g., affiliation, are of greater value than job seniority and rank. This considerably influences South Korean management practices.

Responsibility is generally delegated to trusted, dependable subordinates by their superiors. Consequently, it is crucial not to offend or ignore the lower ranks and to show the various managers the same respect as other senior levels.

The respect for authority in South Korean business is strongly based on Confucian-

ism. This accounts for a main difference between South Korean and Anglo-American and Continental-European management practice, as senior managers exert more power over their subordinates than in Western cultures.

## Culture

Rooted in ancient South Korea, the philosophy of Confucianism encompasses the South Korean mindset. Within society, it shapes the moral system, national laws, and, in general, everyday life. The Confucian belief and value system has its focal point on social concerns. Its main beliefs and values comprise the responsibility towards others, respect for family, elders and authority, loyalty, honour, and, above all, faithfulness. Corresponding to this, in South Korean culture, social harmony is key.

“Kibun” is another concept being essential to life of most Koreans. It is a state of mind best described by self-esteem, pride and countenance. The Korean’s Kibun has to be maintained and may not be violated. It is about respecting others and saving their face. In business contexts, the identification of the other’s state of mind, in South Korean culture described as “nunchi”, is crucial to the establishment of interpersonal relationships.

Furthermore derived from Confucianism, “inhwa” refers to the South Korean approach of harmony. As South Korea is a collectivistic culture, consensus is a prerequisite to promote and sustain harmony – the inhwa should not be disturbed. To illustrate, in practice, Koreans reply with positive answers and do not directly refuse.

## Politics

After the Cold War struggle, Korea was divided into two separate states: the democratic republic of South Korea and the communistic government of North Korea.

In 1987, various political compromises and reforms were made to unite the ruling and the opposition parties in South Korea. A revision of the constitution led to greater freedom of the press, civil rights protection, the creation of the National Assembly and the institutionalisation of direct presidential election.

## Economy & technology

Following the Cold War, South Korea preceded a rapid economic development. However, in 1997, Korea was plunged into the biggest financial crisis in its modern history. As a reaction, a wholesale restructuring of the economic system was carried out. The system was remoulded into an essentially Anglo-American one based on minimal state and a focus on short-term financial profitability.

Since then, South Korea has positioned itself in the global economy and is building up the largest Asian economy following China and Japan. Accompanying this, the economic structure changed from an agrarian/semi-industrial to an industrialised economy. Today, South Korean economy focuses on the heavy and automotive industry.



## 10. Turkey

### Key messages

- Status perspective: Turkey business and management practice is shaped by both Anglo-American and Continental-European as well as Eastern culture – with an increasing influence of the West.
- Development perspective: As newly emerging partners for co-operation in other cultures, Turkish business actors are recommended to find the fine line between its own tradition and Anglo-American and Continental-European business structures.

### Business & management

In Turkey, business takes place face-to-face.

Besides emerging large-scale companies, businesses are often still family owned and run. Hence, the character of business relationships and organisational structures strongly refer to the concept of family connections.

In Turkish business culture, the distinctions between the professional and personal role of organisational members are not clearly defined and may overlap. Consequently, personal relationships are valued throughout business life. Referring to the family concept, the most senior business person (which is not necessarily the CEO) is viewed as a father or mother figure. He or she is expected to pay attention to the well-being of their employees' family and social duties, for example.

The Turkish business environment exhibits much respect for rank, education and authority. According to this, decisions are always made by the most senior functions. Yet, due to the strong sense of collectivism inherent in Turkish culture, decisions are generally taken after a close consideration of the group involved.

## Culture

Turkey is a dynamic fusing of two unique cultures: It is influenced by Eastern as well as Anglo-American and Continental-European culture reflecting a diverse collection of ideas, beliefs and values.

Turkish society is patriotic and traditional. This is accompanied by a strong sense for its origin and historical achievements. Furthermore, the Islamic religion plays a central role in all areas of Turkish life. 99% of Turks are Muslim. The Islam continuously impacts Turkish society – providing direction, values, and rules for life.

Generally, the Turkish culture emphasises the collective and community life. The most essential social unit in Turkish culture is the family. Personal life is oriented towards and revolves around the family and close friends: The family commands the individual's mindset, attitudes and behaviour. In addition, loyalty to the family is a dynamic aspect of Turkish life. The longsome and ongoing gender conflict is another characteristic of Turkish culture. Besides a lasting process of gender emancipation, women still take on a passive and suppressed role, demonstrated in the minor representation in business life. Beyond this, Turkish society is hospitably – Turks have a strong sense for hospitality and they are benign and generous hosts.

## Politics

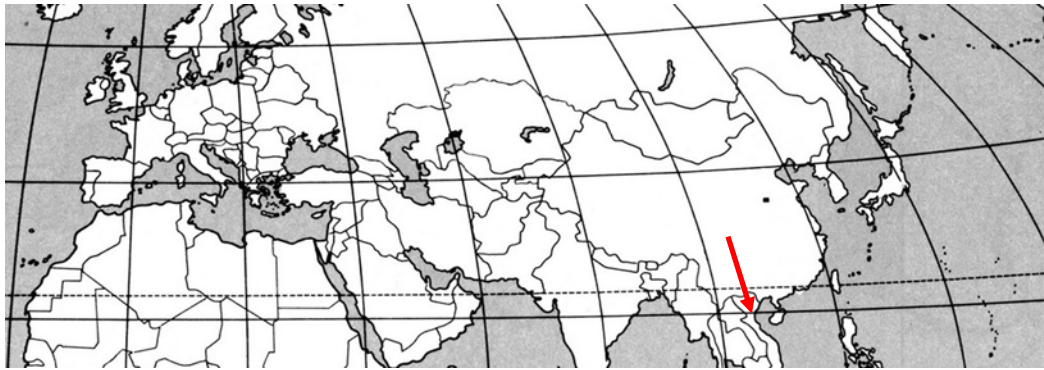
As the founder of the Turkish Republic and its first President, Atatürk's achievements in Turkey are an enduring monument to the Turkey's. Emerging nations admire him as a pioneer of national liberation and honour his memory as a peacemaker upholding the vision of a united humanity. Politics are likewise influenced by the philosophy and ideology of Islam. As such, it is oriented towards a triangle of Turkish tradition and nationalism, modernisation, and the secular state. Furthermore, having regard to its political and social reforms, the system is clearly Anglo-American and Continental-European-oriented.

Today, Turkey is undergoing fundamental changes to strengthen its democracy and to integrate its economy into the worldwide economy. Yet, the political situation in Turkey is unstable and best characterised by periods of power struggles: Conflicts between the military and the Islamist government shifted to political conflicts between the Kurdish population and the military group PKK. Furthermore, the Turkish governance is confronted with ongoing accession negotiations and the reluctance to be accepted as a new EU member.

## Economy

Turkey's economy is shaped by both Turkish tradition and an increasing modernisation of economic sectors due to the economic crisis in 2001.

Today, Turkey's economy is a dynamic mélange of traditional craftsmanship industries and reformed and growing industry sectors like banking, telecommunication, and energy, with an increasingly strong private sector. Furthermore, Turkey's geographical position, its uniquely natural assets and vast historical treasures account for tourism being a considerably large sector of the Turkish economy.



## 11. Vietnam

### Key messages

- Status perspective: Vietnamese business is clearly shaped by Confucian culture with an increasing orientation towards other business cultures, especially outside Asia.
- Development perspective: The consideration of values, rules and norms beyond Confucianism by Vietnamese business actors is important to allow for successful intercultural co-operation.

### Business and management

In Vietnam, the concept of “Tinh Cam” is a prerequisite for business success. It means, literally, “good feelings for others”. “Tinh Cam” is the basis of any entrepreneurial action. For example, visiting an upcoming business partner, Vietnamese managers bring a gift for the spouse of the business partner – as an honest sign of generosity and respect.

As with most group-orientated societies, Vietnamese business structure is hierarchical. Age and status are the key factors defining one’s position within the hierarchy. Hierarchical thinking in Vietnam is derived from Confucianism, which emphasises social order: Every Vietnamese has a distinct place and role within the hierarchical workplace structure. To illustrate, e.g., in business meetings, the oldest person – actually the senior manager – is welcomed first.

In the face of co-operation, Vietnamese are eager for Americans to participate in their economy. To a slightly lesser extent, this applies to Europeans, Japanese, and other Asians, too. Vietnamese business leaders highly respect American technology and culture.

In Vietnam, rules and norms for business and management practices are unclear and nebulous. As a consequence, as it is in many developing countries, corruption is seen as a standard business practice.

## Culture

The Vietnamese value system pays tribute to Vietnam's tradition and is based on four basic shared values: allegiance to the family, yearning for a good name, love of learning, and respect for other people. These values are closely interrelated and deeply affected by Confucian ethics. Due to the Chinese invasion, Vietnamese culture had been permeated by their Confucian philosophical beliefs. This philosophy fundamentally contributed to the relevance of the family structure in today's Vietnamese society.

In this context, Confucianism is a system of behaviours and ethics stressing the obligations of people towards others as referring to their relationship. Confucianism stresses duty, loyalty, honour, piety, respect for age and seniority, and sincerity. In addition, the teachings of Confucianism determine how the position of the individual in Vietnamese society is described.

In the end, however, Confucianism always refers to the family as the central social institution, though family relationships may also be extended to relationships between members of wider social groups. Within the family, the head is responsible for making decisions and approving marriages, addressing the Confucian values duty and respect for age and seniority.

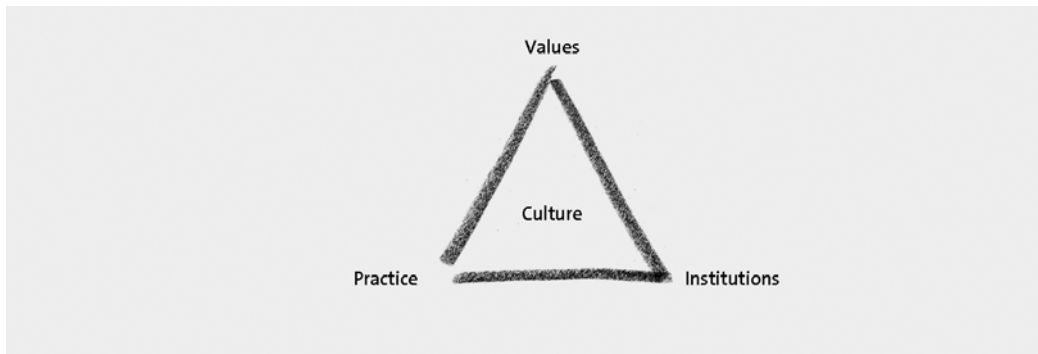
The role of respect becomes most explicit in ancestor worship: Children learn at a very early age that they owe everything to their parents and their ancestors. Doing well in school honours one's family and its name. The desire to achieve harmony between the self and the other is the main driver in relationships in- and outside the family.

## Politics

Despite the return of peace after the Vietnamese War in the 70s, for over a decade, the country experienced little economic growth because of conservative government policies. However, since the enactment of Vietnam's "doi moi" (= reformation) policy in 1986, Vietnamese politicians and business leaders have agreed and committed themselves to an increased economic liberalisation. The governance has enacted structural reforms in order to modernise the economy and to produce more competitive, export-focussed industries. As a reaction, Vietnam continues to experience protests from various religious minority groups.

## Economy & technology

The Vietnamese economy took a large step forward with its entrance into the WTO. Among other benefits, the accession allows Vietnam to take advantage of the phase-out of the Agreement on Textiles and Clothing, eliminating quotas on textiles and clothing for WTO partners in 2005. This further enables the textile and clothing export industries to sustain the economy. Furthermore, agriculture's share of Vietnam's economic output has continued to shrink, from about 25% in 2000 to less than 20% in 2007.



## Conclusion – New opportunities for co-creation

The paper shed some light on the N11's cultural, political and economical characteristics as well as its constitution of business and management. Against this background, the focus was on co-operation and co-creation.

From each co-operation partner's point of view, working side by side allows one's goals to be achieved more effectively. Yet, the value of co-creation goes beyond the very nature of co-creation as „a means to an end in itself“: Co-creation means collaboratively creating something new which is valuable for both co-operation partners and could not be achieved on their own at all.

As the paper has shown, with regard to culture and its reflection in business, the N11 countries show a considerable homogeneity and overall congruence. At first glance, this should not surprise, as seven out of the N11 countries are Asian. The second predominant cultural conurbation is on the Middle East. Regarding this, it is even more striking that Nigeria as the “African representative”, Mexico as the “American representative”, and Turkey as the “European representative” of the N11 contribute to the homogeneity as well.

Referring to Hofstede's research on national cultures (1991), the N11 are located in a “cultural cluster”. According to Hofstede's dimensions of culture, which cluster national cultures, the N11 are homogeneous in terms of

\_\_\_ Power distance:

The extent to which the less powerful members of organisations and institutions like the family accept and expect that power is distributed unequally

\_\_\_ Uncertainty avoidance:

The extent to which society members feel comfortable in unstructured situations

\_\_\_ Collectivism:

The degree to which individuals are integrated into groups

Corresponding to this, the N11 share the same central aspects of business culture, e.g., the family as a role model, interpersonal relationships and social networking, paternalism, favouritism and nepotism, and face value.

A further overlap has become obvious: religion plays a central role in the N11 countries and causes its own challenges. Islamic banking orders the creation of financial services according to the Sharia, with the prohibition of interest and gambling as a consequence. But what does this imply with respect to “new co-operation and co-creation partners”? There are two managerial challenges:

\_\_\_ Generating awareness for the respective business culture and management practices and

\_\_\_ Carefully aligning them with the own business culture.

At this point, a holistic approach to generating the required cultural awareness shall be applied: the Cultural Triangle (Klein, 2006). This approach describes culture via a triangle of values, practice, and institutions.

\_\_\_ First, values are shared beliefs: What is a preferred or not-preferred behaviour?

\_\_\_ Second, practice describes the actual, observable behaviour: What is actually done?

\_\_\_ Third, institutions refer to explicit and implicit policies: What is the framework of rules and regulations to promote a preferred cultural behaviour?

The triangle allows for indicating the dynamic interrelation of the three dimensions to culture: the three aspects are strongly linked together. In terms of co-operation and co-creation in the N11, focusing on simply one aspect will fall short and cause conflicts. In Iran, for example, which has a strongly collectivistic culture; a traditional value is “emphasis for people and group concerns”. With regard to the Cultural Triangle, the respective behaviour shown by Iranian managers is social networking and establishing trustful and meaningful relationships with new employees – or even hiring relatives. Yet, the institutions within the business culture in Iran are relevant, too. Management systems in Iranian business allow hiring relatives as there are no objective criteria that prescribe recruitment based on skills and experience of applicants. Furthermore, this is not a compliance issue to Iranian management and authorities. Obviously, in this case, all three dimensions of the triangle are balanced. However, cooperating and doing business with an Iranian company requires the alignment of all dimensions within the triangle: as, e.g., British and German management systems clearly differ from Iranian systems, this may account for conflicts in co-operation. In large-scale organisations, recruitment procedures are highly standardised. Hence, a balanced consideration of all dimensions facilitates successful co-operation and co-creation.

According to the reflection on the N11 countries, two central aspects of today’s business life in the N11 countries are put forward that managers have to be aware of in terms of co-operation and the cultural triangle:

\_\_\_ First, business life is an image of private life in most of the N11 countries:

Managers have to realise the characteristics of private life in the N11 countries so as to know how to cooperate and co-create successfully. This allows them to better understand business action: relationships, values, communication styles, and behavioural norms – all aspects that substantially shape business.

\_\_\_ Second, apparently, most N11 countries are confronted with a “business culture clash”. A paradigm shift is taking place: on the one hand, an adherence to the prevalent, traditional management paradigm oriented to family and relationships, Islam, as well as rank and seniority is observed. On the other hand, the influence

of Anglo-American and Continental business culture and practices is increasing and introducing a new management paradigm focussing on skills and educational background as the leverage of business success. Thus, many N11 countries are venturing new approaches to business, too. In consequence, managers looking for co-operation and co-creation have to take into account both the top management following a family business approach and the upcoming top managers following an Anglo-American and Continental business approach.

To sum up, managers are facing two challenges:

- \_\_\_ First, they should know the cultural differences between inherited origin and the culture which is going to be explored.
- \_\_\_ Second, they should be aware of encountered cultural reality: there might be a gap between what is observed in general and transferred via literature, on the one hand, and what is experienced in the very contact, on the other hand.

Hence, if managers are amenable to new cultural contexts, if they know themselves and have established a culture of co-operation with the respective N11 partner, the maximum potential for co-operation and co-creation in and within the N11 can be triggered.

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