Understanding Business Behavior of the Chinese Indonesian: a Study Using Hofstede’s Cultural Framework

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Abstract

The success of the Chinese Indonesian in doing business in Indonesia is an interesting subject yet it is seldom discussed within the cultural dimensions perspective. This study aimed to explore how the work value within Chinese Indonesian cultural dimension. The dimensions of the Chinese Indonesian culture might become important information to be understood in order to do and deal business with this ethnic group. This study applied Value Survey Module 1982 of Hofstede. The research was conducted in Semarang, with total respondents of 152 who work as employers and workers. The findings of this study proved that Chinese people still hold values and ideas of their ancestral culture that affect their work value as shown by the scores of the cultural dimensions of Hofstede’s. Overall, the findings of this study indicated that the Chinese Indonesian is characterized by having high power distance, strong uncertainty avoidance, collectivism, and masculine. Since the present research only studied Chinese Indonesian, future research is suggested to expand and add more comparisons other ethnic groups and observe whether each ethnic group also have distinctive characteristics

JEL Classification: M3, M31
INTRODUCTION

The first conglomerate in Southeast Asia was from Indonesia (formerly Dutch East Indies), from the city of Semarang, Central Java, where a Chinese Indonesian, Oei Tiong Ham (1866-1924) had a business conglomerate named Oei Tiong Ham Concern. The company controlled two company’s branches named NV Handel Maatschappij Kian Gwan doing business in export trading of sugar and NV Maatschappij tot Exploitatie der Oei Tiong Ham Suikerfabrieken doing business in sugar manufacture. As his business of sugar industry was successful, he was called as the "The Sugar King of Java" (Yoshihara, 1991).

According to National Census of 2010, the number of Chinese descents who have been the Indonesian citizen was approximately 3.7 percent or 8.8 million from the total population of Indonesian and they positively contribute to the economic development of Indonesia. IMF (2011) reported that China, the origin country of the Chinese Indonesian, is the second largest country in the world by nominal GDP and the largest economy in the world by purchasing power parity and among the 10 richest people in Indonesia, 8 were Chinese Indonesian as reported by Forbes magazine.

Historically, Indonesia has a long relationship with immigrants from the mainland of China. The influx of the Chinese to Indonesia was dated by the expedition of Admiral Cheng Ho of the Ming dynasty to the islands of Sumatra and Java in the 15th century. Most of the Chinese came to Indonesia as traders and work for the Dutch administration in Batavia (now Jakarta) and therefore, they were given special rights to monopolize trade (Phoa, 1992; Martono, 2013; Handaru & Mardiyanti, 2014). During the Dutch colonial rule from the 1600s to 1900s, the Chinese were only allowed to work as merchants or moneylenders by the Dutch government. These experiences developed the Chinese living in Indonesia had greater experiences in trading and doing business compared to the native Indonesian.

The success of the Chinese Indonesian in doing business in Indonesia has motivated researchers to further examine their specifically cultural characteristics. Therefore the objective of this study was to compare the Hofstede’s four dimensions between findings Hofstede (1980) and the Chinese Indonesian and analyze the impact of the culture based business values of the Chinese Indonesian. This study is also enriched by presenting the results of the research by Hofstede on national culture in Indonesia and China as a comparison.

The findings of this research might become a very important consideration because Indonesia has been considered a very important investment destination in the world. Indonesia has joined in G20 countries for its economic power in which the Chinese Indonesian is key players in the economic development of Indonesia. Morden (1999) identifies three categorizations of national culture; singles dimensions models, multiple dimension models, and historical-social models, as shown in the Table 1.

Culture Dimensions of Hofstede

Power Distance

Power distance is defined as the degree to which the member of institutions and organizations having a lower power or strength accepts that the power is distributed unequally. (Hofstede, 1980; Hofstede and Hofstede, 2005). According to them, the institutions are the basic elements of society, family, school, and community; while, organization is a place where people work.

Furthermore, they elaborated that a high level of power distance of a community influences all aspects including in the context of work which results in the dependence of subordinates to superiors. In this case, the superiors are expected to provide guidance to subordinates who mostly agree without thinking about whether it is ideal or not because subordinates are reluctant to express their thought. Meanwhile, in people with a low power distance, the subordinates do not depend on a superior too much, and there is a tendency that subordinates are
willing to consult to the superiors whenever they do not understand of a case. However, the disagreements between supervisors and subordinates are also commonly taking place.

**Individualism vs. Collectivism**

Individualism that closely related to community’s belief can be explained as a loose binding among individuals; individuals are expected to take care of themselves and their family. On the contrary, collectivism is taken as that individuals, from early birth to the next life, have been integrated into a strong and cohesive group, in which they always try to protect other family members during their lifetime (Hofstede & Hofstede, 2005).

**Masculinity vs. Femininity**

A group is called to be masculine when the roles between men and women are clearly separated: men should be firm, tough, and focus to be successful materially; while, women should be simple, loving, and concerned with the quality of life (Hofstede & Hofstede, 2005). On the other hand, in the feminine group, the separation of gender roles sometimes overlaps: both men and women are equally expected to have simplicity, compassion, and concern to the quality of life. (Hofstede & Hofstede, 2005).

**Uncertainty Avoidance**

Uncertainty avoidance can be defined as the degree to which members of a group feels to...
be threatened by the ambiguous and uncertain condition. Therefore, the higher the level of uncertainty avoidance, the more formal the rules to be obedient within the group will be. Formal regulatory arrangements, avoidance of ambiguity are steps taken to avoid uncertainty.

METHOD

Respondents of the Study
The subject as the respondents of this research was 152 Chinese Indonesian employers and employees living and working in Kranggan, a Chinatown in Semarang known traditionally as the largest concentration of the Chinese Indonesian in Semarang, Indonesia. Research on the theme of national or organizational culture as this study is attempting to do have been conducted by Hofstede et al. (1990) who put their focus on analyzing organizational culture in Netherlands and Denmark by exploring 20 companies. In addition, Aziz et al. (2003) conducted a research on the influence of collectivism culture on reward allocation using 5 companies from the United Arab Emirates and 5 companies from USA operating in the UAE.

Data Analysis Technique
Data were collected through questionnaires by visiting respondents. By visiting and having direct interaction with respondents, strict supervision on the process of completing the questionnaires was carried out and respondents’ biased interpretation on the questionnaire was minimized. The collected data, then, were analyzed using Value Survey Module, an analytical tool from Hofstede. To achieve the objective of this study the analysis tool of Hofstede, the Value Survey Module, was chosen to accommodate this research. Meanwhile, the scoring system applied was based on International Questionnaire (VSM 94) as attached to this study. The calculation formula is:

\[
\begin{align*}
\text{PDI} &= 135 - a + b - 25 \, c \\
\text{UAI} &= 300 - 40 \, d - 30 \, e - f \\
\text{IDV} &= 76 \, m_4 - 43 \, m_1 + 30 \, m_2 - 2 \, m_{13} - 29 \\
\text{MAS} &= 60 \, m_8 - 66 \, m_1 + 30 \, m_6 - 39 \, m_{14} + 76
\end{align*}
\]

Note
PDI = Power Distance Index
UAI = Uncertainty Avoidance Index
IDV = Individualism Index
MAS = Masculinity Index

RESULTS AND DISCUSSION

Most of the Chinese Indonesian held the values and ideas of Confucianism as part of their culture. Chinese people believed that the keys to success, according to Confucianism teaching, are hardworking and determination to work through attitude and belief (Seng, 2006). Therefore, one of the leadership characteristics of the Chinese is influenced by religiosity and ancestral culture (Whitehead & Brown, 2011).

The ancestral culture of the Chinese that influence the values of their lives was, among others, work value. Work value is an individual’s judgment and orientation towards work, personal relationships, and companies’ workers that have an impact on individual’s loyalty to the company or organization (Hofstede, 1980). Meanwhile, culture reflects norms, values, and behavior of the people who embrace the culture, which can also be defined as “the way of life of a society” (Marconi, 1989).

According to the national census 2010, the number of ethnic Chinese in Indonesia was approximately 8.8 million people or about 3.7 percent of the national population. As most of the ethnic Chinese are the wealthiest people in Indonesia, understanding the characteristics of the organizational culture of the ethnic Chinese to achieve success was interesting to be discussed.

Using the four dimension of Hofstede (1980), this research compares the scores of the four dimensions including the characteristics of the organizational culture of the research by Hofstede upon the Chinese and the Indonesian to that of the Indonesian in Indonesia. This
study also focused on exploring the approach of the Chinese Indonesian to make a deal and do business. The comparison is exhibited in the Table 2, 3, 4, and 5.

Score of Power Distance Index: (a) The total answers of manager 3 (Question 19, part I) = 47 (30.92%); (b) The total answers of manager 1 + manager 2 (Question 20, part I) = 59 (38.81%); (c) The average score on Question 22 part I

\[
\text{Mean (c)} = \frac{(1 \times 3.29) + (2 \times 21.71) + (3 \times 38.16) + (4 \times 31.58) + (5 \times 5.27)}{100} = 38.43
\]

\[
PDI = 135 - 30.92 + 38.81 - 25(3.1368) = 64.4
\]

\[
\text{Mean (d)} = \frac{(1 \times 1.32) + (2 \times 7.24) + (3 \times 53.95) + (4 \times 30.92) + (5 \times 5.92)}{100} = 3.31
\]

\[
The \text{Percentage of answer 1 + The Percentage of answer 2 question 23, section 1} = 23.68%
\]

\[
\text{UAI} = 300 - 40d - 30e - f
\]

\[
\text{UAI} = 300 - 40(3.31) - 30(2.69) - 23.68 = 63.22
\]

\[
m_1 = \frac{(1 \times 24.3) + (2 \times 26.3) + (3 \times 38.3) + (4 \times 9.2) + (5 \times 1.3)}{100} = 2.37
\]

\[
m_4 = \frac{(1 \times 27) + (2 \times 34.2) + (3 \times 24.3) + (4 \times 6.6) + (5 \times 4.6)}{100} = 2.18
\]

\[
m_8 = \frac{(1 \times 28.9) + (2 \times 39.5) + (3 \times 31.6) + (4 \times 5.9) + (5 \times 2)}{100} = 2.36
\]

\[
((1 \times 19.1) + (2 \times 30.9) + (3 \times 31.6) + (4 \times 11.2) + (5 \times 7.2)) / 100
\]

\[
IDV = 76m_4 - 43m_1 + 30m_3 - 27m_13 - 29
\]

\[
UAI = 300 - 40d - 30e - f
\]

\[
IDV = 76(2.37) - 43(2.18) + 30(2.36) - 27(2.57) - 29 = 36.24
\]

\[
m_6 = \frac{(1 \times 30.3) + (2 \times 23.7) + (3 \times 29.6) + (4 \times 8.6) + (5 \times 7.9)}{100} = 2.40
\]

\[
m_8 = \frac{(1 \times 28.9) + (2 \times 39.5) + (3 \times 25) + (4 \times 6.6) + (5 \times 5.3)}{100} = 2.11
\]

\[
m_11 = \frac{(1 \times 44.7) + (2 \times 34.9) + (3 \times 13.8) + (4 \times 2) + (5 \times 1.3)}{100} = 1.86
\]

\[
m_13 = \frac{(1 \times 27) + (2 \times 31.6) + (3 \times 29.6) + (4 \times 6.6) + (5 \times 5.3)}{100} = 2.32
\]

\[
MAS = 60m_8 - 66m_{11} + 30m_6 - 39m_{13} + 76
\]

\[
MAS = 60(2.4) - 66(2.11) + 30(2.36) - 39(2.32) + 76 = 61.99
\]

The following is the summary of the comparison score of the cultural dimension between the Chinese Indonesian and that of the original Chinese and the Indonesian based on Hofstede (1980) version.

**Table 2.** Score of Power Distance Index

|        | Answer 1 | Answer 2 | Answer 3 | Answer 4 | Answer 5 |
|--------|----------|----------|----------|----------|----------|
| Total  | 2        | 11       | 82       | 47       | 9        |
| Percentage | 1.32    | 7.24     | 53.95    | 30.92    | 5.92     |

**Table 3.** Score of Uncertainty Avoidance Index, The average score on question 21 part I

|        | Answer 1 | Answer 2 | Answer 3 | Answer 4 | Answer 5 |
|--------|----------|----------|----------|----------|----------|
| Total  | 16       | 45       | 66       | 20       | 5        |
| Percentage | 10.53   | 29.61    | 43.42    | 13.16    | 3.29     |
Table 5. Score Individualism Index

| Answer | Total (m1) | Percentage (m1) | Total (m4) | Percentage (m4) | Total (m8) | Percentage (m8) | Total (m13) | Percentage (m13) |
|--------|------------|-----------------|------------|-----------------|------------|-----------------|-------------|-----------------|
| 1      | 37         | 24.3            | 41         | 27.0            | 44         | 28.9            | 29          | 19.1            |
| 2      | 40         | 26.3            | 52         | 34.2            | 60         | 39.5            | 47          | 30.9            |
| 3      | 59         | 38.8            | 37         | 24.3            | 48         | 31.6            | 48          | 31.6            |
| 4      | 14         | 9.2             | 10         | 6.6             | 9          | 5.9             | 17          | 11.2            |
| 5      | 2          | 1.3             | 7          | 4.6             | 3          | 2.0             | 11          | 7.2             |

Table 6. Score of Masculinity Index

| Answer | Total (m6) | Percentage (m6) | Total (m8) | Percentage (m8) | Total (m11) | Percentage (m11) | Total (m14) | Percentage (m14) |
|--------|------------|-----------------|------------|-----------------|-------------|-----------------|-------------|-----------------|
| 1      | 46         | 30.3            | 44         | 28.9            | 68          | 44.7            | 41          | 27.0            |
| 2      | 36         | 23.7            | 60         | 39.5            | 53          | 34.9            | 48          | 31.6            |
| 3      | 45         | 29.6            | 38         | 25.0            | 21          | 13.8            | 45          | 29.6            |
| 4      | 13         | 8.6             | 7          | 4.6             | 5           | 3.3             | 10          | 6.6             |
| 5      | 12         | 7.9             | 3          | 2.0             | 5           | 3.3             | 8           | 5.3             |

Table 7. Cultural Dimensions Score’

| Dimension | Chinesea | Chinese Indonesian | Indonesia |
|-----------|----------|--------------------|-----------|
| PDI       | 80       | 64.40              | 78        |
| UAI       | 30       | 63.22              | 48        |
| IDV       | 20       | 36.24              | 14        |
| MAS       | 66       | 61.99              | 46        |

Hofstede’s Scores for China (Hofstede et al., 2005)
Hofstede’s Scores for Indonesia (Hofstede et al., 2005)

Hofstede (1980) explained that Power Distance is a level of trust or acceptance of an unbalanced force between one individual and other individuals. A culture might influence people to assume that one individual was more superior to other individuals because of social status, gender, race, age, education, background, or other factors that make up the score of high power distance. The people or ethnicity of a country with a high power distance tended to accept the power of autocratic and paternalistic relationship; while, people with a low of score power distance was likely to embrace similarities among one another, and more appreciate to the achieved status rather than inherited one.

In general, power distance was a cultural dimension indicated inequality among its members because of the existence of inequality power within an institution such as family, school, and society as well as the level of organization (place of work). The score of Hofstede’s research in Indonesia was 78; while, the Chinese national culture had a PDI score of 80. Therefore, as the result of this research was 64.4, fell into High Power Distance, the result of this research was in line with Hofstede’s finding.

Culturally, the Chinese Indonesian still held the doctrine of xiao (devotion) and li (respectful) to the teaching of Confucianism and tended to uphold decorum which resulted in creating a distance between the elder and the young and among individuals within different career paths in a job. This finding indicated that in an organization in a society, a revered and respected figure always existed; although, the organizational culture in Indonesia started to accept and strengthen the culture of democracy and freedom of speech.

This can be explained by observing the changes in the score of the Indonesian’s PDI according to the research of Hofstede (1980) to this study. The score of the PDI of the Chinese Indonesian that was diminishing indicated the changes of the cultural dimension as time went by. As a result, the cultural organization led to low power distance or be democratic.
Uncertainty Avoidance

Individuals always encountered uncertainties. In a career, there was a culture that dealt with uncertainties. Hofstede (1980) measures a culture that deals with the uncertainty by using uncertainty avoidance index (UAI), which indicates the degree of public anxiety over the uncertain conditions and try to avoid the situation by attempting to achieve a more stable career.

The score of UAI upon the Chinese Indonesian was 63.22 indicated that this ethnic group possessed a characteristic of strong uncertainty avoidance. They were relatively more worried about the existing uncertainty; therefore, they wanted a more stable career in an organization. The Chinese Indonesian tended to dislike changes, so they always tried to do something new. Once it was acceptable to be a habit, then they would feel secure to what they had been doing.

The finding of this study proved that the UAI score of the Chinese Indonesian was not in line with that of Hofstede’s. In this research, the Chinese Indonesian fell into strong uncertainty avoidance; while, Hofstede’s finding proved otherwise in the case in Indonesia and in china. During the Dutch colonial administration until the new order of Indonesian’s, the ethnic Chinese was positioned to be uncertainty as the government did not acknowledge to provide full citizenship for them.

In the law of citizenship in Indonesia, there was a political interest related debate about the existence of the Chinese Indonesian that started from Dutch colonial period until post-colonialism of Indonesia. Since then, the existence of the ethnic Chinese in Indonesia was in uncertainty whether they were employers or natives. The discourse on their citizenship rights was influenced by government policies on which during the New Order regime the state had a strong power in interpreting and implementing the rights of citizenship. This caused pressure and uncertainty on the Chinese Indonesian.

Only after Abdurrahman Wahid became president, the Chinese Indonesian had an opportunity to access to the citizenship rights, such as the right to get an education and the right to be equality in the affairs of the state bureaucracy.

This historical background might underlay reasons that Chinese Indonesian had a high UAI score as they considered themselves abandoned in the communities. Different from the Indonesian in general as well as the Chinese citizens, a low UAI score indicated the contradictory circumstances as they were certain in regard to their citizenship status, role in society, and person’s response to themselves.

The scale of the uncertainty avoidance index was influenced by culture, the level of education, and level of competition that might affect individuals’ mindset in dealing with uncertainty. Moreover, the policy of the government would also affect the tendency of the acceptance; the more stable the policy was, the lower the low uncertainty avoidance would be. In past decades, the government’s treatment to the Chinese Indonesian was not as good today.

The higher index of uncertainty avoidance might increase a positive impact on individuals. Whenever individuals were threatened that an uncertainty might implicate their business, they tended to work even harder to deal with it. For example, the Chinese Indonesian having a strong uncertainty avoidance worked harder and more discipline in order to reach success in doing business. It is the fact that even the number of the Chinese Indonesian was fewer than that of Indonesian, their contribution to the economic development in Indonesia was significant.

CONCLUSION AND RECOMMENDATION

The Chinese Indonesian are not native to Indonesia as they come from China and hold a different character of organizational culture from that of Indonesia in general. The differences can be observed from Hofstede’s findings that discuss Indonesian in general with the findings of this research that addresses specific ethnic of Chinese Indonesian. However, this
finding suggests that the cultural organization between the two is similar.

Another interesting point from this research finding is that the difference level of uncertainty avoidance in which the characteristic of the Chinese Indonesian is strong uncertainty avoidance; meanwhile the Hofstede’s is on the contrary. The Chinese Indonesian are relatively concerned about the existing uncertainty; therefore, they pursue a more stable career in an organization. They experienced the uncertainty since the Dutch colonial administration until the new order of Indonesian as the government was reluctant to acknowledge full citizenship for them.

Another dimension of the Chinese Indonesian is that they have a high power distance, meaning that they tend to uphold decorum so as to make the distance between the elder and the young and among people within different career paths in a job. Meanwhile, at the level of individualism, the Chinese Indonesian tend to be collective in maintaining a good relationship through social networking within the ethnic group especially family network as social capital. From gender dimension, the Chinese Indonesian tend to be masculine, which means that material success is the utmost target to be achieved, and consider independence is an ideal manifestation. The pattern developed by the Chinese Indonesian might become the reasons that this ethnic group, although only a small number, have contributed significant advances to the economic development of Indonesia.

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