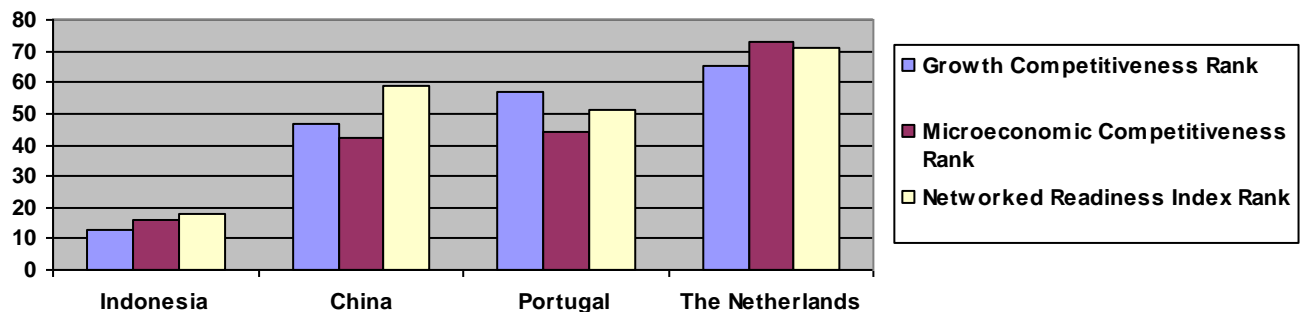


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## Euro-Asian Challenges for the knowledge economy

### Differences in Country Competitiveness Ranking

Some countries in Asia and Europe are far ahead of others in remodelling their economies towards the key features of the knowledge economy. There are clear differences between Singapore and Indonesia, and between China and Portugal.



Often, simplified cultural explanations of a nation's economy are common sense and taken for granted. Amidst the debate about the propensity of European countries to compete with other prosperous knowledge economies, some consultants in The Netherlands postulate that the Dutch will never be able to match the requirements of the new economy because of their 'polder-model', a term used for the Dutch model of gaining consensus in which employers, syndicates and the government meet with each other to make agreements about labour. This postulation was made against the general opinion of some years ago, when this same polder-model was perceived as the main cause of the economic success of the Dutch in the 1990s: "Consensus lies at the heart of the Dutch success where unemployment has been cut to half (2% in 2000) of what it was in 1997. The government, with support of employers and unions, has cut public spending as a share of GDP from 60 to 50%. It is the combination of a quiet and flexible labour market with a solid monetary and fiscal policy and introducing more dynamic markets which is the core of the polder model."

It is noteworthy to compare the differing and mutually exclusive explanations given to some periods of China's economy. These examples exemplify and ascertain how dominant some ideas are in interpreting success or failure in recent years. It appears that prematurely the paradox of collectivism-individualism functions as the hypodermic presupposition that clarifies various and differing achievements of China's economy. First of all, is there the story about European entrepreneurship as if he were a self-made-business man. Industrialization in 19<sup>th</sup> century Europe is perceived as mainly achieved by the self-made men, whose entrepreneurial behaviour was supported by religious and cultural values. In contrast to the European entrepreneur, businessmen in Asia are thought to be culturally more inclined to operate along collective forms of business organization. Up to the early 1970s, the predominance of joint-family enterprises in India and of business networks among Chinese entrepreneurs in East and Southeast Asia were held responsible for the lack of economic development in Asia because they hindered Asian entrepreneurs from becoming large-scale productive industrialists who are able to compete with their Western counterparts.<sup>1</sup>

However, since the 1970s a contradictory opinion came up. Following the rise of the East Asian economies since the 1980s, co-operation, family enterprises and business networks, *guanxi* networks among successful entrepreneurs were seen as the key explanatory factors of the Asian economic success. And then, July 1997, the onset of the Asian economic crisis, economic developments are once again interpreted out of the same paradox of individualism-collectivism: "the origin of the Asian crisis" –as summarizes Mario Rutten- "partly lies in the inability of Asian businessmen to organize their enterprises on principles of autonomy, individualism, independence and universalism; instead their forms of business organizations are based on collective identity, dependency and particularism."<sup>2</sup> This rapid shift in explanation of China's economic performance are ever and repeatedly attributed to the dominant Western perception of Asian cultures along the lines of collectivism-individualism. Mario Rutten concludes: "The emphasis on economic individualism among the Asian entrepreneurs as the mark of an emerging bourgeois group is partly based on the current interpretation of European industrialization: the self-made man as the chief agent of productivity".<sup>3</sup>

Recent approaches to the study of Asian entrepreneurship are partial and biased, since they often discuss the economic *métier* of Asians in terms of individualism versus collectivism, positing that some groups are more inclined towards co-operation than others. This biased attribution provokes the question whether a new paradigm is necessary to develop an intervention theory that goes beyond the opposition of individualism-collectivism. Mario Rutten suggests that a new intervention theory of Asian and European entrepreneurship will be necessary, not so much focusing on the paradox of collectivism or individualism as agents of successful or unsuccessful entrepreneurial behaviour, but the flexibility to "adjust to social and economic forms of organization to changing circumstances in terms of space and time."<sup>4</sup>

Many people presume that some cultures are more likely to make developmental progress than others. Those people maintain that cultures, more suited to match economic welfare, have inherent values while others do not, so that there is a trade-off between performing economically well and being able to adjust to new economic requirements.

#### *Cultural resources and the knowledge economy*

Key questions surrounding the knowledge economy transcend all cultures, as the impact of new business values will have an effect across all industries that have common strategic themes. These new business values such as information and knowledge values; changing organization and management structures; changing value chain and channel dynamics; and changing customer and product profiles transcend all national industries and organizations. It will be obvious that these value drivers of the knowledge economy are at the same time heavily dependent on the external shared assumptions, beliefs, expressions, norms and values of the national culture. Required competences of the knowledge worker are inextricably intertwined with cultural resources, values and norms. The changes in the knowledge economy need a profound translation into the assumptions, values, reasoning, and communication of a cultural and social group, be it human motivation, regulations, communication, valuation of knowledge, commitment to the local and global market or whatever.

It will be obvious that the intangible economy requires a complete mental shift of employees, and the question arises: "How do we shape this culture? Because the drivers and values of the knowledge economy are fundamentally different from the industrial economy, it is necessary to reformulate the kinds of core competencies and skills that workers must have in order to support their organization when introducing new products and services. Analyzing the cultural obstacles and resources in order to motivate people to engage on the intangible economy is an urgent necessity, both at a corporate and micro-economic level and at a national and macro-economic level.

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<sup>1</sup> See Mario Rutten, *Individualism and collective forms of business organisation: rural capitalists in India, Malaysia and Indonesia*; in: Thomas Menkhoff & Solvay Gerke (eds), *Chinese entrepreneurship and Asian Networks*. RoutledgeCurzon London/New York 2004, p.293-318

<sup>2</sup> Mario Rutten, o.c. p.295/6

<sup>3</sup> Mario Rutten, o.c.p.296

<sup>4</sup> Thomas Menkhoff & Solvay Gerke (eds), *Chinese entrepreneurship and Asian Networks*. RoutledgeCurzon London/New York 2004, p.295/6; *Introduction*, p.17