



**UNIVERSITI PUTRA MALAYSIA**

**COMPARISON OF LOCAL AND TAIWANESE MANAGERIAL  
LEADERSHIP STYLES AS PERCEIVED BY THE MALAYSIAN  
WORKFORCE OF A TAIWANESE COMPANY IN MALAYSIA:  
A CASE STUDY**

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**FPP 2000 3**

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A CASE STUDY**

**By**

**WANG CHUN TAO**

**Thesis Submitted in Fulfilment of the Requirements for the Degree of  
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**August 2000**



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirements for the degree of Master of Science.

**COMPARISON OF LOCAL AND TAIWANESE MANAGERIAL LEADERSHIP AS PERCEIVED BY THE MALAYSIAN WORKFORCE OF A TAIWANESE COMPANY LOCATED IN MALAYSIA: A CASE STUDY**

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**August 2000**

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The globalisation of business is a must for many multinational companies, including Taiwanese enterprises, to stay and prosper on the competitive edge of international business. Taiwanese Foreign Direct Investment (FDI) which began in 1986 has had special interest in the region of South East Asia, especially in Malaysia. Today, there is a need to take a closer look at the managerial leadership practices in Taiwanese enterprises within the Malaysian context so as to evaluate the current status and to provide a basis for future development and improvement.

A survey Multifactor Leadership Questionnaire (MLQ) was randomly distributed to qualified respondents in a Taiwanese Electronics company. And 203 valid respondents provided relevant data for comparisons between Taiwanese and local superiors, which included leadership styles, leadership

performance and the associated personal attributes. Confirmative factor analysis was used in accordance with the two-factor model and five-factor model of leadership style introduced by Bass (1985). Reliability tests showed that the constructs were valid and existed in this study. Leadership styles were compared between Taiwanese and local superiors by using paired T-test. Stepwise multiple-regression was applied to find out the leadership styles most associated with leadership performance. One way ANOVA and independent T-test were used to distinguish the personal attributes, which had perceived effect on the leadership styles.

The results of this study showed that there were significantly different and yet similar leadership styles used by Taiwanese and local superiors. No extra-ordinary leadership styles were perceived among Charisma, Individual Consideration, Intellectual Stimulation, Contingent Reward and Management-by-Exception. Charisma was found to be most associated with leadership performance, which was the leadership effectiveness of superiors and the satisfaction of subordinates towards leadership. Previous working exposure to foreign leadership was a crucial factor in affecting subordinates' perception of leadership.

It is concluded from this study that there are more similarities than differences between Taiwanese and local leadership styles. In this transnational company, there is a need to pay more attention to aspects of culture-awareness and culture-adaptation both for expatriates and host country employees in order to minimize any dysfunctional interaction caused by cultural barriers. The transformational and transactional styles of leadership and their components should be encouraged to bring about

better leadership performance for both local and Taiwanese leadership. When recruiting employees to work with expatriate managers, the management should take into consideration their previous working exposure to managers from other cultures.



Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Master Sains.

**PERBANDINGAN ANTARA CARA KEPIMPINAN DI KALANGAN  
PENGURUS TAIWAN DAN PENGURUS TEMPATAN DARI KACAMATA  
PEKERJA MALAYSIA DI DALAM SEBUAH ORGANISASI TAIWAN DI  
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Globalisasi perniagaan adalah satu kemestian kepada organisasi – organisasi multi-nasional, termasuk syarikat-syarikat Taiwan untuk berdaya saing di dalam perniagaan internasional. Dasar pelaburan langsung oleh Taiwan mula (*Foreign Direct Investment*) diperkenalkan pada 1986 mempunyai kepentingan didalam kawasan Asia Tenggara , terutamanya di Malaysia. Oleh itu, adalah menjadi penting bagi melihat dengan lebih dekat lagi, apa yang terkandung didalam pengurusan kepimpinan di dalam sebuah organisasi Taiwan dalam perspektif Malaysia untuk membolehkan penilaian status semasa dan untuk menyediakan

satu asas bagi pembangunan dan kemajuan dimasa hadapan.

Satu kaji selidik Multi-faktor Kepimpinan (MLQ) di beri secara rawak kepada responden yang berkecualan di dalam sebuah syarikat Elektronik Taiwan. 203 responden memberikan data yang berkaitan untuk perbandingan diantara penyelia Taiwan dan penyelia tempatan, yang mencakupi cara kepimpinan, pencapaian kepimpinan dan faktor personal. Analisa faktor konfirmatif digunakan bersesuaian dengan model 2 -faktor dan model 3-faktor di dalam gaya kepimpinan yang dikenalkan oleh Bass (1985). Ujian reliabiliti menunjukkan bahawa ianya boleh digunakan didalam kajian ini. Gaya kepimpinan dibandingkan diantara penyelia Taiwan dan penyelia tempatan dengan menggunakan T-Test. Multi-regresi (multi-regression) diaplikasikan untuk menganalisa gaya kepimpinan yang berkaitan dengan pencapaian kepimpinan. Di samping itu, ANOVA dan T-test juga digunakan untuk membezakan faktor personal didalam gaya kepimpinan pengurusan.

Hasil kajian ini didapati terdapat persamaan yang ketara di antara gaya kepimpinan penyelia Taiwan dan penyelia tempatan. Tiada perbezaan yang ketara dari skop karisma, pertimbangan individu, stimulasi intelek, pulangan, dan pengurusan pengecualian. Karisma di dapati adalah yang paling berkait rapat dengan gaya kepimpinan, iaitu keberkesanan kepimpinan oleh penyelia dan kepuasan pekerja bawahan. Faktor pengalaman dan pendedahan kerja adalah satu faktor penting dalam mempengaruhi persepsi subordinat di dalam kepimpinan.

Dengan ini, adalah dapat disimpulkan bahawa terdapat lebih banyak persamaan berbanding dengan perbezaan di antara gaya kepimpinan

pengurus/penyelia Taiwan dan tempatan. Di dalam organisasi trans-nasional, kesedaran budaya dan adaptasi budaya lebih perlu diberi perhatian, untuk expatriat dan juga pekerja tempatan, di dalam mengurangkan sebarang masalah interaksi yang disebabkan oleh halangan budaya. Tranformasi dan transaksi gaya kepimpinan akan dapat memperbaiki pencapaian kepimpinan diantara pengurusan kepimpinan Taiwan dan tempatan. Apabila mengambil pekerja untuk bekerja dengan pengurus expatriat, pihak pengurusan perlu memberi pertimbangan terhadap pengalaman dan pendedahan bekerja dengan pengurus- pengurus dari pelbagai budaya.



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I certify that an Examination Committee met on 11 August, 2000 to conduct the final examination of Wang Chun Tao on his Master of Science thesis entitled "Comparison of Local and Taiwanese Managerial Leadership Styles As Perceived by the Malaysian Workforce of A Taiwanese Company in Malaysia: A Case Study" in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

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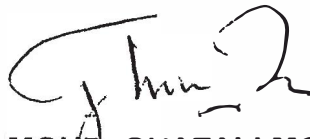
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## DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.

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.....

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## LIST OF ABBREVIATIONS

CCI: Council for Continuous Improvement

CR: Contingent Reward

FDI: Foreign Direct Investment

GATT: General Agreement on Trade and Tariffs

IC: Individual Consideration

IS: Intellectual Stimulation

MBE: Management by Exception

MLQ: Multifactor Leadership Questionnaire

TIAM: Taipei Investors' Association in Malaysia

## CHAPTER I

### INTRODUCTION

#### Background

The internationalization of business is a must for many companies not only for the purpose of staying on the competitive edge of international business but also for enlarging and expanding the scope of their service. In the past, business enterprises in many nations, Taiwan included, were able to maintain a steady growth rate or at least survive in home-country market. However, since running costs have steadily increased in these nations plus the fact that foreign competitors with lower running costs have rapidly emerged, many of these businesses have lost their local market share. They have been or are now being forced to compete in the international market arena (Rodrigues, 1997; Tarn, 1998; Liou *et al.*, 1997).

Crossing national boundaries is not an easy strategy for any company to attempt. Besides the motivating factors, like the lower running costs and better competitive advantage, there are other de-motivating factors which need to be considered. For instance, 'economic proximity' is an important concept in transnational businesses. Economic proximity would translate into lower costs arising from geographic distances, cultural distances and regulatory barriers. These include transport and communication costs, differences in culture, language, business practices, and both board and

non-board measures that hamper the international movement of goods, services and factors of production. The 'economic distance' factor used by the General Agreement of Trade and Tariffs (GATT) conveys the same concept (Carlos *et al.*, 1994). Therefore, it is important to maximize economic proximity, especially in transnational businesses when extra costs are incurred as a result of crossing national and cultural boundaries.

To maximize economic proximity and minimize economic distance, the economic 'Asian bloc' was formed. This was for the benefit of Asian countries because in the last two decades intra-Asian trade and Foreign Direct Investment (FDI) have increased tremendously within the region. Data showed that in the first half of the 1980s the main source of FDI in East Asia was North America whose investment made up 42 per cent of the total while 36 per cent was from East Asia (Carlos *et al.* 1994). However, during the second half of the 1980s, the position was reversed. There were 57 per cent of FDI coming from East Asia and only 21 per cent from North America. A large proportion of the FDI that flowed into East Asia came from Hong Kong, Singapore and Taiwan. The primary host countries for FDI from these economies were the ASEAN-4 countries and China (Carlos *et al.*, 1994; Schak, 1997; Chen, 1995). Taiwan has been playing an important role in contributing to the FDI within the Asian bloc.

Taiwan's foreign direct investment took off in 1986 when the domestic wage rate and the value of the Taiwanese currency skyrocketed

simultaneously. The Taiwanese government also encouraged participation in economic activities overseas by formulating Toward-South policy in 1993 and New Toward-South policy in 1998 (Taiwan Economical press, 1998). This shows the considerable interest the Taiwanese government had in investing in South Asian countries, especially Indonesia and Malaysia. The records reflect the intensity and the multitude of this interest (Schak, 1997). There has always been an important economic and trading relationship between Taiwan and Malaysia before, but more so in recent years.

Once ranked second only to Japan in 1988 and 1989, Taiwan became the number one investor in Malaysia in 1990, contributing 36.0 per cent of total foreign investments. During the period of 1988-1993, a total of 1,188 Taiwanese projects in Malaysia were approved creating a total employment potential of 238,247 workers, and an average of 200 workers per project (Taiwanese Board of Foreign Trade, 1996; Chen, 1995).

It was also reported that from 1980 to 1998 September, there were 1,991 Taiwanese projects in Malaysia with a capital investment of RM23.144 billion. Even in the midst of the Asian economic crisis, Taiwan remained the number four and three investor for 1997 and 1998 respectively. Furthermore, the accumulated capital from Taiwan since 1980 to 1998 was just behind Japan and America (Taipei Investors' Association in Malaysia TIAM, 1999; Chen, 1995).

As can be concluded, Taiwan and Malaysia has enjoyed a good



business relationship. However, there has been relatively few research endeavors carried out to elucidate this strongly established relationship. Inquiries at TIAM and the Taiwanese representative office in Malaysia, as well as a thorough search through Taiwan's nationwide library-network and various electronic libraries yielded little by way of research done to increase understanding of the economic and trading relationship between Taiwan and South East Asian countries.

Whenever businesses cross national and/or cultural boundaries, the complexity and the difficulty increase exponentially. It takes a great effort, through numerous research endeavors, to identify and manage the influence of cross-cultural differences so as to enhance the efficiency and profitability of business. Unlike Japanese international businesses, which are supported by a wide array of locally relevant information and research, Taiwanese businesses lag behind in this aspect.

Management or leadership in the business sectors is as important as the head is to the body. Without appropriate managerial leadership, business will not survive, let alone have a promising future. As far as overseas Taiwanese businesses are concerned, they are ironically still plagued to some extent by managerial dysfunction caused by differences in cultural perceptions of leadership style when companies cross over geographic and cultural boundaries to a foreign 'battle field'.

Taiwanese expatriates, like others from different nations, tend to apply



the same leadership approaches that they used in their home country and not adjust or adapt to the local norms and practices (Selmer, 1997). This may typically be due to the lack of mutual understanding of the cultures of both the host and investing countries. Therefore, it is worthwhile to do an exploratory study on Taiwanese expatriates' leadership in the host country of Malaysia as a contribution towards better cultural understanding.

For a company to become a multinational firm, a good amount of effort is required for it to break into the international scene. This is especially true for companies from developing countries (Li, 1998). For instance, Li argues there are five 'spatial' variables and three temporal variables that need to be considered. The five 'spatial' variables are external context, internal context, ultimate intent, strategic choice and market effect. And the three temporal variables are simultaneity, directionality and rhythm.

Not every enterprise is able to handle such a complex and complicated environment and run a business well at the same time. It takes time, effort and money to overcome the hurdles of cross-cultural misunderstanding, especially for businesses in their initial stages.

Relatively few of the thousands of empirical leadership studies have been focused on the impact of cultural influences on leadership (Dorfman *et al.*, 1997; Bass, 1990). It is understandable that leadership processes will reflect the culture in which they are embedded. But Dorfman *et al.* (1997) question what we actually know about the impact of culture on



leadership processes beyond that relatively simple point. They further point out that "speculations abound and the empirical cross-cultural leadership research literature is sparse, often non-theoretical, fraught with methodological problems, and fragmented across a wide variety of publication outlets".

For Taiwanese firms in Malaysia, unlike their Japanese counterparts, there is relatively little effort being put into increasing the pool of knowledge regarding doing business in Malaysia. One of the main purposes of this research is to explore and gain a better understanding of the managerial leadership practiced in Malaysia. As will be discussed later, leadership style is an important aspect of managerial leadership. By knowing what leadership styles are adopted by managers of an organization, one can, at least if not fully, gain a good understanding of managerial leadership within the organization.

### **Statement of the problem**

For Taiwanese enterprises in Malaysia, it is important to explore the type of managerial leadership being practiced and the performance of the leadership so as to evaluate the current status. It needs to explore the differences of leadership styles and leadership performance between Taiwanese and local superiors and to investigate the effect caused by different cultures. Through such investigation, too, factors influencing the perception of leadership could be determined.