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Asian leadership model: a case of Mongolia

Abstract. Over the past decade, foreign investors have become more interested in Mongolia because it was recognised to be one of the Global Growth Generators or «3G» countries. One of the issues of doing business internationally is the effect of the characteristics of national management models in the context of cross-cultural management. Every country's culture has its key values which predetermine the behaviour of its bearers. This is the reason why leadership in every country has its own cultural ground and different ideas related to the authority and management hierarchy. Numerous research works on cross-cultural management identify national models of management and leadership which are inherent to certain countries. Yet, not all of the characteristics of the Mongolian management model in the context of cross-cultural management have been researched as Mongolian culture differs significantly from national cultures of other Asian countries such as Japan and China. This research emphasises the significance of national culture which makes management style unique in every country. The authors of the article analyse characteristics of the Mongolian management model in cross-cultural context, as well as common features typical of Mongolian and other Asian management models in the context of national culture. The results of the research show the main characteristics of the Mongolian leadership model and its most significant differences from the Japanese and Chinese models of the Asian Group, which are the aim to live in harmony with the environment (nature), preservation of traditional and agrarian lifestyle, dominance of a democratic management style with the huge authority of the chief over subordinates. The results of the research will be the basis for the development of practical recommendations to maximise the synthesis of the Mongolian leadership model with other models in case of their interaction.

Keywords: Leadership; National Leadership Models; Asian Leadership Model; Mongolian Leadership Model; Mongolia JEL Classification: M12; Z10

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Азійська модель лідерства на прикладі Монголії

Анотація. У дослідженнях, присвячених проблемам лідерства, підкреслюється важливість врахування впливу національної культури, яка робить стиль менеджменту в кожній країні унікальним. Особливості монгольської моделі лідерства в контексті крос-культурного менеджменту досліджені ще не в повному обсязі, оскільки монгольської моделі значно відрізняється від національних культур інших азіатських країн (Японії, Китаю). У статті проаналізовано особливості монгольської моделі менеджменту в крос-культурному контексті. Загальною характеристикою як монгольської моделі так і моделей менеджменту інших азійських країн є контекст національної культури. У результаті дослідження виявлено найбільш яскраві характеристики монгольської моделі лідерства та найбільш значущі її відмінності від інших моделей азійської групи (японської та китайської): прагнення до збереження гармонії з навколишнім середовищем (природою) і заощадження традиційного й аграрного стилю життя; домінування демократичного стилю управління в поєднанні з величезним впливом керівника на підлеглих.

Ключові слова: лідерство; національні моделі лідерства; азійська модель лідерства; монгольська модель лідерства.

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Азиатская модель лидерства на примере Монголии

Аннотация. В исследованиях, посвященных проблемам лидерства, подчёркивается важность влияния национальной культуры, которая делает стиль менеджмента в каждой стране уникальным. Особенности монгольской модели лидерства в контексте кросс-культурного менеджмента исследованы ещё не в полном объеме, поскольку монгольская культура значительно отличается от национальных культур других азиатских стран (Японии, Китая). В данной статье проанализированы особенности монгольской модели менеджмента в кросс-культурном контексте. Общей характерной чертой монгольской модели и моделей менеджмента других азиатских стран является контексте. Общей характерной чертой монгольской модели и моделей менеджмента других азиатских стран является контекст национальной культуры. В результате исследования выявлены наиболее яркие характеристики монгольской модели лидерства и наиболее значимые ее отличия от других моделей азиатской группы (японской и китайской): стремление к сохранению гармонии с окружающей средой (природой) и сбережению традиционного и аграрного стиля жизни; доминирование демократического стиля управления в сочетании с огромным влиянием руководителя на подчиненных.

Ключевые слова: лидерство; национальные модели лидерства; азиатская модель лидерства; монгольская модель лидерства.

1. Introduction

Globalisation and internationalisation of production spread constantly. Consequently, issues of effective management and enterprise competitiveness are important and relevant in the theory and practice of modern management. Different national leadership models (American, European, Japanese and Chinese) are singled out in the theory of management, and each of them is considered to be the most effective at a certain period, according to the universal management concept. In today's global business, the best management strategies are combined with cultural traditions and national characteristics of a country, since management philosophy is an integral part of them. Each nation has its own values, morality and standards associated with national traditions which play an important role in the organisation of management. Therefore, each of the modern national management models has its advantages and disadvantages. The factor of national culture influences the organisation of management at enterprises and makes it unique. And the organizational culture of each company is influenced by the national culture.

2. Brief Literature Review

In their research on leadership, A. Al-Gattan (1985) [1] and M. Bennett (1977) [2] emphasise the significance of national culture which makes the management style unique in every country. P. Dorfman, J. Howell, S. Hibino, J. Lee, U. Tate and A. Bautista (1997) [3] stress the cultural impact on leaders within the cross-cultural management models.

Many research works on cross-cultural management models define national models of management and leadership which are inherent to certain countries. R. Lewis (2006) [4] singled out the British leadership model, the German leadership model, the French leadership model, the Swedish leadership model, the Roman leadership model and the Asian leadership model based on Japanese and Chinese models. F. Trompennars & C. Hampden-Ternet (1997) [5], N. Adler (1991) [6] and B. Bjerke (1999) [7] focus their attention only on European leadership models without considering the features of other national models. Even G. Hofstede [8] and R. Lewis [9] do not consider Mongolia in the studies of national cultures.

Researches of the Asian management and leadership model are presented in the works by J. Alves, D. Butterfield and C. Manz (2005) [10], K. Leung and S. White (2004) [11], M. Warner (2000) [12], M. Chen (1995) [13], P. Dorfman, J. Howell, S. Hibino, J. Lee, U. Tate and A. Bautista (1997) [3]. They are dedicated to the peculiarities of management in Japan, China and Korea. Over the last years, a research of the Indian management model has been conducted, the results of which are given in the work by Korn Ferry Haygroup [14]. Other management models of the countries of Southeastern Asia have been studied by V. Ratanjee (2013) [15] and by the Globe Project team (2012) [16].

A number of Russian and Mongolian scientists, such as A. Bor (2012) [17], Z. Batzhargal (2013) [18] and A. Zheleznyakov (2012) [19] devoted some of their works to the analysis of business culture in Mongolia, however their research focuses mainly on the problems of Mongolia's interaction with Russia and does not focus on the features of the Mongolian management model.

Over the past decade, there has been an increase in interest in Mongolia and its business characteristics because Mongolia was recognised to be one of the Global Growth Generators or «3G» countries 2010-2050, which were chosen according to the expected high dynamics of GDP per capita.

3. The purpose of this research is the study of the peculiarities of the currently created Mongolian management model (which is one of the varieties of Asian management). In order to understand the national features of the Mongolian management model, firstly, it is necessary to analyse the peculiarities of the Mongolian national culture; secondly, to systematise the features of modern Mongolia in terms of geopolitics; thirdly, to explore the key features of Mongolian management.

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R. Lewis (2006) [4] noted that it is impossible to use the Western management model in Asian countries due to the peculiarities of Asian national culture which differs dramatically from the culture of Western countries.

On the whole, empirical studies in the works by G. Hofstede, F. Trompennars and C. Hampden-Ternet (1984) show that the common features for the Asian management model are collectivism [20] and high power distance [21; 5]. As K. Leung and S. White (2004) [11] note, it means particularism and significant attention to the Group's interests in the national culture of Asian countries.

Researches by C. Rarick, G.Winter, C. Barczyk, M. Pruett, I. Nickerson and A. Angriawan (2014) [22] prove that Mongolia's business culture has a high level of individualism (Individualism-Collectivism Index (IND) 70) and a low level of power distance (Power Distance Index 18). It demonstrates that the Mongolian management style differs much from Japanese and Chinese management, which are the conventional representatives of the Asian management model. As shown in G. Hofstede's research [8], these indices in Japan and China are: IND = 46; PDI = 54, and IND = 20; PDI = 80, respectively.

4. Results

4.1. Features of the Mongolian national culture: the historical context

Each country's history has a great impact on its culture. Therefore, we will thoroughly analyse the main historical events which have impacted the culture of modern Mongolia

Man appeared in the territory of modern Mongolia many thousand years ago. Since prehistoric times, its territory was inhabited by nomads, who created state confederations from time to time. The ancient Mongols were the reason why the ancient Chinese had to build the Great Wall of China.

Z. Batzhargal (2013) [18] notes that during the rule of Genghis Khan there was a national identification of the Mongols due to the fact that it was the first time Mongolian tribes had been united. This explains distinctive features of Mongolian culture such as the necessity of a strong leader and the absolute trust in him.

A. Bor (2012) [17] notes that Ibn Khaldun, a scientist of the 14th century, wrote in his book «Al Mugaddima» that the nomads' mindset was fundamentally different from an urbanised civilization. And this factor should be taken into account in management, since the culture of the Mongols is nomadic.

Z. Batzhargal (2013) [18] proves that the main principles of Mongolia's national identity are the characteristic features of the traditional nomadic culture. The key value of the Mongols is the balance with the nature when social and economic life is in tune with the nature's phenomena.

C. Rarick, G.Winter, C. Barczyk, M. Pruett, I. Nickerson and A. Angriawan (2014) [22] note that there is an obvious significant influence of Buddhist culture both in the modern culture of the Mongols and other Asian nations.

The collapse of the Soviet Union fundamentally changed the international position of Mongolia. On the one hand, it improved the independent status of Mongolia; on the other hand, the country faced a serious security dilemma. For the first time in the last three centuries, Mongolia has turned out on its own, when Russia is incapable to secure its interests on the territory of the former USSR, and China must concentrate on its own economic reforms and political stability [23]. This position gives Mongolia a unique opportunity to develop an independent future.

In addition to this, the emergence of new independent states in Central Asia gave Mongolia, which is the only independent state with the longest borders with Russia and China, an opportunity to get out of the isolation. Despite some differences between the new independent states and Mongolia, they all have the same interests in matters of regional security and other issues [23].

Upon the collapse of the USSR, Mongolia started to develop private business for the first time. However, the development was slow due to the need of privatisation because the country lived according to the principles of a planned economy. The extent of the nationalisation in the country's economy was rather high; the private sector didn't exist and there was an extreme centralisation in goods distribution and their movement, misbalance between supply and demand, weak economic initiative of the population, extremely reformed structure of the national economy and noncompetitiveness of most production.

The privatisation which started in 1995 led to the establishment of the significant number of public limited companies. The country chose stable development of conventional agriculture with gradual implementation of market mechanisms and industrial development. At that time, Mongolian management started to form, and the main problem of its functioning was the lack of any scientific basis and practical experience among Mongolian managers.

It is the reason why the main principles of Mongolia's national identity are the characteristic features of the traditional nomadic culture. A specific lifestyle and the way of thinking of the Mongols, specific historical and social experience, which is fixed in cultural traditions and customs, remain an important mechanism that determines the autonomy and integrity of Mongolian society. Another distinctive feature of Mongolian culture is the need to have a strong leader who has absolute trust of his subordinates.

4.2. Modern Mongolia: geopolitical aspects

Modern Mongolia is the geometric centre of Asia (Central Asia). The country has a unique geopolitical position in the region: common borders with three regions, which often had antagonistic relations with each other and which are likely to play an important role in shaping the future world order: Russia, China and, to a lesser extent, the Muslim world.

Kazakhstan is the closest country to Mongolia in terms of culture and history. Kazakhs and Mongols have a common history as nomadic pastoralists. Mongolia is separated from Kazakhstan by only a thin strip of land which is less than 40 km wide. There are approximately 160,000 Kazakhs residing in Mongolia. Most of them are in the western province of Bayan-Ulgiy. About 60,000 Kazakhs returned to Kazakhstan as part of the Oralmandar program in 1990-1992. Yet, about 10,000 of them returned to Mongolia, discovering that life in Kazakhstan is too difficult for non-Russian speaking people [24].

The uniqueness of modern Mongolia in terms of civilization is as follows [19].

- 1. It is the most sparsely populated country in the world (the average population density is 1.7 people per 1 km²).
- 2. It is the most deep-continental country without access to the sea.
- 3. The country has no common borders with any countries that are comparable in terms of population size and economic potential; it borders only on two countries: China (the length of the border is more than 4,500 km) and Russia (the length of the border is 3,500 km).

Mongolia's modern geopolitical position is unique: it is the most sparsely populated and deep-continental country that is located in the heart of Asia. Mongolia is the center of the world's largest reserves of gold, coal, cooper and iron ore. It possesses significant deposits of other mineral resources.

According to the report [25], there has been a positive momentum regarding Mongolian GDP since 2010. This proves that Mongolia is one of the Global Growth Generators. The leading sectors of the country's economy, which provide such growth, are above all mining industry, retailing and wholesaling.

However, the negative factors for Mongolian economy growth are a decrease in prices for raw materials and lower demand of China which is the main trade partner with a share of 88% of Mongolian exports. It resulted in a decreasing in GDP growth from 12.8% in 2012 to 5.8% in 2016.

Mining is the most important industry for the Mongolian economy, with its share of 27% of GDP in 2016, 36% of revenues to the state budget and 64% of the overall export volume [25].

Despite the stable economic growth in recent years and increasing stratification of the population, the population's poverty is still a common feature increases. In this regard, fighting inflation is an important task.

Strong economic growth in the mid-term perspective is forecast mainly due to the development of the mining industry, which underlines the importance of the fastest ratification of the new investment agreement by the parliament. In the long term, however, the sustainability of growth will depend on structural reforms, including increased competition in non-mining sectors and closer integration of Mongolia into international economic relations [26].

Foreign investors have great interest in the country. According to the 2016 Investment Report [25], the volume of foreign investment in Mongolia increased until 2011, when they reached the highest level of USD 4.7 billion. Since 2012, the flow of direct investment has been declining. In 2015, the level of foreign direct investment in Mongolia was the lowest, reaching the level of USD 147.9 million.

Mongolia takes the 56th place in the Ease of doing Business Ranking (Doing Business Index 2016), whereas China is at 84th place and Japan is at 34th place [27].

At the same time, the Global Competitiveness Index of Mongolia 2016 [28], which is equal to 102 out of 138 economies, indicates the existence of significant economic problems related to insufficient development of the country's infrastructure, low level of macroeconomic development, low efficiency of the goods market and the underdeveloped financial market.

4.3. Features of the Mongolian management model

The emergence of the Asian management model is due to the specifics of Asian countries, which are permeated with Buddhist philosophy and original worldview. Deeply rooted religious and philosophical beliefs form almost unquestioningly observed rules for conducting business.

According to E. T. Hall's classification (Hall, 1963) [29], residents of Central Asia and the East in general recognise as a highly contextual culture within successive communities, a break with which is inconceivable to them. Their behaviour, both public and professional, is constantly determined by the context, whether it is the fulfillment of obligations or the debt to the team (the family, the community, the company or school friends) or the appeal to the latter for support and solidarity. They perceive it not as an exchange of personal independence for security, but rather as a necessary and proper way of life and interaction in a highly developed social context. Therefore, long-term considerations are a priority, which, like the slow development of personal relationships both inside the firm and with clients, often disguise the actual goals and intentions. Intuition and the situation, as well as traditions, play an important role in interpersonal relations. Getting to know each other informally over drinks or a meal is common practice and a good way to establish relationships. The common characteristics for Mongolian and other Asian cultures is high context.

Mongolian culture remains traditional, with a close connection of traditions with modern life, a synthesis of traditions and modernity. An important feature of the national cultural identity of the Mongols is the priority of the value of nature over other national values, nature is the fundamental value of the culture of Mongolia, and the image of Genghis Khan is the basis of the Mongolian national and cultural identity [18].

The Mongolian management model is characterised by high individualism [22], which in turn led to a preference for a democratic leadership style, unlike most Asian countries, where, as F. Trompennars and C. Hampden-Ternet (1997) [5] noted, the autocratic style dominates. At the same time, the Mongolian leader enjoys high trust among his subordinates, which is one of the components of Mongolia's national identity.

Representatives of Mongolian business know each other well, since Mongolia's population is small (3 million), and its large business structure is concentrated in Ulaanbaatar, the capital. Therefore, as noted in the study [25], it is very important for every Mongolian businessman to maintain their reputation.

5. Conclusions

Summing-up the conducted research, we have singled out the main national features of the Mongolian management model which are:

- 1) the desire to preserve the environment, which manifests itself in the desire to develop resource-saving technologies and use the concept of a «green economy», even if there are significant reserves of natural resources; this is the result of the influence of the traditional nomadic Mongolian culture;
- 2) the importance of saving the traditional and agrarian lifestyle (the presence of yurts in the city); therefore, agriculture and cattle-breeding are the priority sectors of Mongolia's economic development;
- 3) the dominance of a democratic management style (as a result of the high individualism of culture) combined with the great influence of the leader on subordinates (as a result of the influence of Buddhism and national idiosyncrasy).

In terms of international business, Mongolia is a potentially important economic region, mainly due to the available natural resources and significant territories. Yet, management is still at the development stage with regard to the modern Mongolian scientific sphere: scientists are working to create a Mongolian model of management and leadership based on national culture and taking into account the characteristics of the Mongolian mindset.

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