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Reg Little

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Abstract

Extract:

The competition between nations and corporations in the modern global village has produced a world where peoples' welfare depends on the organisational skills of their leadership classes. In many Western communities in the period since 1945 the rational economists have assumed this position of organisational leadership, offering bottom line principles, profit and loss analysis and impersonal laissez-faire ideals.

Keywords

corporations, economics, leadership

VIEWPOINTS:

ORGANISATIONAL GAMES

by Reg Little

Reg Little is the co-author of *The Confucian Renaissance* (Sydney, Federation Press, 1989) and has 25 years diplomatic service, including in-country and language experience in Japan, China, Indonesia, Bangladesh, Laos and Hong Kong. Alongside studies in Asian languages, Reg Little has a Bachelor of Commerce and a Bachelor of Arts from Melbourne University, and a Diploma in International Law from the Australian National University. He has taken advanced studies at Trinity College, Dublin, and at the Advanced Institute of International Studies, Geneva. From 1964 he has held a wide range of postings and been involved in advising government and business on economic, political and cultural aspects of Asia. During the period 1985-1988 he was Executive Director of the Australia-China Council in Canberra. From August 1989 to August 1990 he was the Director of the Queensland Office of International Business (Department of the Premier, Economic and Trade Development), and as such was responsible for initiating and co-ordinating systems which promoted international business in the public and private sectors. Since August 1990 he has been involved in a range of international trade, investment, consulting and teaching activities.

Economic Leaders

The competition between nations and corporations in the modern global village has produced a world where peoples' welfare depends on the organisational skills of their leadership classes. In many Western communities in the period since 1945 the rational economists have assumed this position of organisational leadership, offering bottom line principles, profit and loss analysis and impersonal laissez-faire ideals. However, the rational economists have been as much perplexed as any part of Western society by the East Asian, or Confucian, economic "miracles". This should not be surprising as the impersonal, mechanistic, and reductionist principles which underlie most economic rationalist doctrine are antipathetic to much in the Confucian tradition.

Adam Smith's basic assumptions, on which rational economics are still largely constructed, seem credible. They postulate that the prime psychological drive in economic man is the drive of self-interest, that there is a natural order in the universe which makes all individual strivings for self-interest add up to the social good, and that the best government policy is to leave the economic process alone.

Weaknesses of the Rational Economists

This type of thinking - reductionist, impersonal, and mechanistic - is seductively persuasive, but is deficient and leaves many vulnerabilities when contesting with economies which are guided by policy makers with deeper and more subtle cultural perceptions.

One hears a great deal about changing the culture in corporations in order to raise productivity and competitiveness, but it is much harder to talk of changing the culture of a nation for similar reasons. Yet the East Asian economies have leaders who factor into long-term and group strategies various cultural qualities, including group harmony and spiritual commitment, which give them major advantages in the global marketplace.

Moreover, any familiarity with these economies makes it apparent that their strategic thinking is the product of a long, mature culture where the patterns of thinking tend to be more complex and less definitive than the simple linear reasoning which underpins Adam Smith's defence of the *laissez-faire* market, and most modern Western economic policy. Indeed, it is difficult to grasp the principles underpinning the Asian approach to theory without recourse to the principles of field-theory in modern physics, which sees phenomena springing from an ultimate unified field where all forces and objects interact.

The thinking of rationalist economists, based on the simpler assumptions of mechanical physics, has supported much of the West's economic expansion, particularly during the period when Adam Smith's *laissez-faire* theories have provided a persuasive and convenient justification for free-wheeling trade practices.

However, modern Western dependence on this type of thinking and justification, sympathetic as it may be to democratic ideals, has failed to recognise, let alone respond to, the challenge presented by cultures which have an independent and possibly superior capacity for thought, organisation and strategy. This has led to much confusion amongst Western economists in their attempts to explain Asian economic success, something comparable to what one might expect from trying to explain the concerns of modern quantum physics with the theories of mechanical physics.

A Daoist Strategist

Deng Xiaoping's phrase - "crossing a river, groping for the rocks" - used to describe the process of managing China's economic revitalisation, is a common expression in Chinese. Yet, in its simplicity, it has a humility, realism, immediacy and pragmatism which is refreshing compared to the theoretical certainties of Western rational economists. It casually offers a hint of a deeper sense of the perils involved.

Under Deng's leadership, China is following the other "miracle" economies of East Asia in generating a period of rapid development and change which is transforming the global economy. Already China is thought by some to be the world's second largest economy and it is expected to be the largest, and still growing, within the first decade of the 21st Century.

The major structural adjustment this will impose on the advanced Western economies will be accompanied by an unwanted and painful downgrading of their position in the international order and a consequent downgrading of the authority of their value systems and theoretical principles.

The *laissez-faire* principle tends to dictate acceptance of this as representing an improvement in the overall welfare of the world community and is not to be undervalued as it is flexible, generous, realistic, forward-looking, and capable of producing a consensus for change. However, it is deficient in not producing the same earnest, sensitive and exploratory endeavour that "groping for the rocks" projects.

Of course, "groping for the rocks" seems to the trained Western intellect to be a rather simple, mundane and unscientific attitude and it has attracted little serious examination as a statement of a critical guiding principle. However, it is a reflection of the Chinese sensitivity to the challenge posed by one of history's great transformations. The re-emergence of Chinese economic and

technological power and the probable replacement of Western leadership and standards by a revitalised Chinese civilisation drawing on values and behaviour which are not familiar to modern Western communities is not something easily managed.

Failure of Western Thought

Unfortunately, Western scepticism is just an example of the failure of the modern trained Western mind. It lacks the practical and spiritual readiness and reverent seriousness before the unpredictable that the Confucian tradition, with its Daoists and Zen complementarities, insists upon. Of course, in periods of stagnation and decline, like the end of the Qing Dynasty, the Confucian tradition can fail before outside challenges, but Mao Zedong and Deng Xiaoping have revitalised the sense of being Chinese, and with it the sense of living in the Confucian tradition. While most Chinese would not necessarily think of recognising Mao's and Deng's communism as the saviour of the Confucian tradition, "socialism with Chinese characteristics" can have little meaning if it is not to draw on China's past, and that past is nothing if it is not Confucian.

Even the "anti-Lin Biao, anti-Confucius" campaign of Mao's last years was remarkable for the manner in which it affirmed the basic importance of the Confucian tradition in an independent modern China by subjecting it to the most vitriolic and negative criticism possible. Deng Xiaoping's turn of phrase, with its hint of something like Daoist naturalism and Chan Buddhist enlightenment, manifests strikingly the practicality, intellect, and spirit of the true Chinese life of achievement.

The problem for the West, as already remarked, is that this type of achievement not only presents a challenge in terms of major shifts of wealth and power, but it also threatens to undermine the Western sense of order, rationality and meaning in the world. In a sense, the West is all the more ill-equipped to respond to a world where the spiritual and other values of Confucianism, Daoism and Buddhism have a central role to play because of what might be called the "rationalist folly".

Slaves of Some Defunct Economist

Western rationalism is failing to respond flexibly and resolutely to the challenges which are emerging from East Asia. As has been noted, it is rather like Newtonian mechanical physics trying to understand the products of people working with the theoretical tools of relativity and quantum physics. John Maynard Keynes, sometimes thought to be the greatest economist of the 20th century, recognised the problem in the following words: -

... the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear the voices in the air are distilling their frenzy from some academic scribble of a few years back.¹

Clearly, rational economic thinking has served man well, just as Newtonian mechanistic physics has served man well, but it is folly not to recognise more powerful tools which are producing the East Asian "miracles". The rationalist folly is not, of course, confined to the economists, but rather pervades most of Western civilisation - the social scientists, the lawyers, the managers, the

1, Keynes, John Maynard *The General Theory of Employment, Interest and Money*, London, Macmillan, 1936, p383

marketeers, the bankers, even the doctors. It is largely a product of Enlightenment thinking with its confidence of remaking the world to serve man better.

However, the world created by the Enlightenment of Western civilisation seems to be passing back into the hands of Eastern civilisation in a manner which is raising some major questions about the West's continued practical reliance on many of the attitudes of the Enlightenment.

There is now a pressing need to heed the words of John Maynard Keynes, cease to be "the slaves of some defunct economist", and explore and explain some of the practical implications of the "East Asian Miracle" for global social, economic and political organisation in the future.