Annex 2 Time Series Analysis of Business Events

Strategy can be assumed to consist of a set of individual business decisions that together make up the actual direction of a firm. I call those 'business events'. A new business event was anything of importance outside continuing existing business. Examples of business events included the expansion of an existing business; a new venture with a new or existing partner; a spin-off or acquisition. Each business event was listed in a separate one-page document with a title, a description, a date and information (plus their sources) giving more details about the event. An example of such a new business event is given below.

Business Event:	**Liem Sioe Liong and Robert Kuok form sugar empire**
Date:	April 13, 1994
Short Description:	Liem Sioe Liong and Robert Kuok merge sugar interests in Indonesia
Context:	Robert Kuok is an ethnic Chinese from Malaysia

Source 1: South China Morning Post, *April 13, 1994*
Indonesia's Liem Sioe Liong and Malaysia's Robert Kuok plan to create one of the largest sugar empires in the world by merging their sugar interests in Indonesia. According to a *Business Times Singapore* report, the two tycoons plan to set up a new holding company and invest more than US$ 1 billion on seven projects in south Sumatra. Each of the projects, costing about $ 130 million, will cover some 25,000 hectares and will have a factory capable of crushing 10,000 tons of cane a day to produce about 120,000 tons of sugar a year.

Source 2: The Financial Times, *April 20, 1994*
Two of south-east Asia's wealthiest businessmen, Mr. Robert Kuok and Mr. Liem Sioe Liong, are teaming up to develop a series of sugar plantations and refining operations in the south of the Indonesian island of Sumatra. Mr. Kuok, a Malaysian Chinese, controls a global business empire with interests ranging from housing schemes and beach resorts to ownership of a controlling interest in Hong Kong's South China Morning Post newspaper group. Mr. Liem, an Indonesian Chinese, is generally regarded as Indonesia's richest businessman with interests ranging from cement manufactur-

ing to noodle making. The Salim group, Mr. Liem's main company, had turnover of more than Dollars 9bn last year. The fortunes of both Mr. Kuok and Mr. Liem were founded on the commodities business.

Sources: Lexis Nexis database

In order to measure relationship- and market-based strategies over time, I developed four indicators and a coding strategy that allowed the measurement of the movement between a relationship- and market-based strategy over time. Two indicators were related to a relationship-based strategy and two to a market-based strategy.

Strategic Themes

T	*Indicators*	*Source*
T1	Ethnic Chinese Relations	Theories on the CFB and diaspora approaches
T2	Political Connections	Theories on Crony Capitalism
T3	Foreign Partners	Institutional Approaches to Strategy in Emerging Markets
T4	Market-Based Environment	Institutional Approaches to Strategy in Emerging Markets

Relationship-Based. According to one set of theories, ethnic Chinese businessmen prefer to do business with other ethnic Chinese rather than with foreigners. The first characteristic of a relationship-based strategy is therefore that Chinese form ethnic Chinese business networks. Secondly, another set of theories suggests that ethnic Chinese family firms are characterised by crony relationships with powerful officials. Together these network strategies represent the relationship-based strategy.

Market-Based. Measuring market-based strategic models is not an easy exercise because the literature offers few clues of what proxies we could use. Much of the literature on strategy in emerging economies focuses on conglomeration and diversification. The existence of weak institutions encourages conglomeration whereas this strategy has become rare in Western economies. Less diversification could therefore indicate a more market-based strategy. I initially tried to create a measurable variable by looking at how it fit into the existing portfolio of each strategic business decision. The expected trend is that unrelated diversification will decrease over time. However, this variable, which should indicate the fit within the existing portfolio, was problematic. First, it is hard to assess, when one studies a large and elaborate conglomerate, whether a new business fits into the larger portfolio. While it was clear for some events, other events led to confusion. Also, when a conglomerate is already large, almost every new activity represents a fit somewhere within the current portfolio, so this type of measurement was not considered useful. Secondly, the literature also suggests that ethnic Chinese family firms modernise and become more market-based once they are subject to globalisation trends. The degree of embeddedness in a global business context outside its own domestic and ethnic partners may therefore indicate that a company is moving towards a market model. This can be seen in the number and importance of foreign partners (non-Indonesian and non-Chinese). If a company does extensive business in market-based environments, such as in the United States, one can assume that this company reveals its capacities to operate in a market-based manner. Therefore, the number of new business deals in countries with 'modern' or market-based institutions is another indicator. Together, these two proxies represent the market-based model.

The four indicators were tested on a sample of the data by a second and a third researcher, both unfamiliar with the case material. After developing the indicators the business events were analysed using a coding procedure. Coding is an analytical strategy that allows quantitative analysis of qualitative data. This requires a unit of coding, defined as: 'the most basic segment, or element, of the raw data or information that can be assessed in a meaningful way regarding the phenomenon'.[1] The unit of coding of this study was a new business event. A total of 277 events were entered into the database of which 266 have been coded. The remaining 11 events occurred prior to 1984. For the years prior to 1984, there was often only one database event annually, which was considered too few to attain a meaningful score. It was then decided to consider 1984 through 2003 (20 years) as the analysis period.

The purpose of coding raw data is to allow different data to be compared and processed using quantitative techniques. In this study, the various themes taken together establish a theoretical framework, which is called axial coding.[2] Generally speaking, the clearer the coding instructions, the higher the reliability of the code, which is an important indicator for the quality of the research process. In order to maintain the reliability of the data, I opted for a simple scale in which events were coded based on whether several characteristics (e.g., ethnic Chinese partners) were present or not. I used this presence-codification to plot business events on the relationship-market continuum over time. A coding technique has been applied to allow the different data to be compared where business events displaying characteristics of the relationship-strategy were given positive scores while the presence of market-based characteristics was rated using a negative score.

Coding Strategy

T	*Themes:*	*Rating*
T1	Ethnic Chinese Relations	Present (1) / Not Present (0)
T2	Political Connections	Present (1) / Not Present (0)
T3	Foreign Partners	Present (-1) / Not Present (0)
T4	Market-Based Environment	Present (-1) / Not Present (0)

The various codes have been given a label, a description, indicators, examples, and exclusions or special conditions. These are available as a codebook below. In order to combine the codes into a single graph, a scaling procedure was necessary. Scaling means combining scores into a single value. To enable a corporate strategy trend line, the values of all of the scores were averaged per year and plotted on a chart.

Development of Codes

In order to analyse all data and integrate them, a coding system was used based on a combination of deductive and inductive themes and indicators. The coding protocol below is offered for each code a title, definition, description, and examples or exclusions, which together form the codebook for this study.

Code 1	**Ethnic Chinese Relationships**
Definition	The presence of relationships or partnerships with ethnic Chinese businessmen, defined as anyone of Chinese descent.
Indicators	Ethnic Chinese partner, business venture in China.
Examples	The Salim Group set up a new joint venture with Robert Kuok, a Malaysian ethnic Chinese. Excluded are unclear events like when the former top Salim executive became the CEO of another ethnic Chinese company (since it is not clear that this is a Salim Group initiative, it could have been a personal step taken by the in-house executive).
Rating	Present (1) or Not Present (0)

Code 2	**Political Connections**
Definition	Business ventures include a component of political relationships, either with the Suharto family or with a government agency, or political connections linked to the deal are reported, either in Indonesia or in other (Asian) countries.

Indicators	The Salim Group has received a special license or exception from the general rule; media reports bribery or special connections; Salim Group is in business with government-owned firms in Asia or directly with the Suharto family.
Examples	The Salim Group enters into a new business venture with a member of the Suharto family. Indofood receives special license to expand production, despite this being against prevailing regulations; or Salim Group acquires half of Jakarta water utility while the other half is awarded to a Suharto family member in a reportedly opaque process. Reports of connections require multiple sources to avoid relying on rumours. Excluded are one-time rumours.
Rating	Present (1) or Not Present (0)

Code 3	**Foreign Partners**
Definition	Salim Group business event is linked to a foreign, non-ethnic Chinese and non-Indonesian partner.
Indicators	A Western partner is involved, or a Japanese firm. If a company is simply sold or acquired, one cannot speak of a continued partnership, and those cases are not to be counted.
Examples	Salim Group partners with a German cement company in Indonesia or set up a chemicals firm with a large Japanese multinational.
Rating	Present (-1) or Not Present (0)

Code 4	**Market-Based Business Environment**
Definition	Salim Group business event is linked to doing business in a market-economy (which includes rule-based economies: US, Japan, Europe, Singapore, Hong Kong, and Australia).
Indicators	The event takes place in one of the above-mentioned countries or regions. Divestments of businesses do not count.
Examples	The Salim Group buys Hagemeyer in the Netherlands.
Rating	Present (-1) or Not Present (0)

The analysis of case data by means of coding procedures can suffer from researcher biases which may unconsciously influence the actual coding. To control for this potential bias the reliability of the coding process is normally tested by using other people's judgements and comparing these with the researcher's judgements. This research worked with *interrater reliability* by measuring the percentage agreement on presence. The formula recommended for this type of presence/non-presence scoring is:[3]

$$\frac{2^* \text{ (\# times both coder A and coder B saw theme present)}}{\text{(\# times coder A saw it present + \# times coder B saw it present)}}$$

With regard to the corporate strategy coding procedure, calculating reliability is normally done by means of double coding. An independent coder, unfamiliar to the research has coded all of the business events achieving interrater reliability of between 74% and 77% (scores over 70% are normally considered sufficient).

Using this coding strategy, one can visualise the data in a 'map' which enables one to detect trends in corporate strategy development. In addition to the statistical analysis, the rich case data have also been summarised and analysed using interpretative techniques. The interpretative analysis is used to build a chain of evidence showing why strategy changes occur, how strategy develops, and whether the development of the corporate strategy can be linked to internal or external factors. Interpretative analysis follows a similar pattern of data reduction, visualisation, and building a chain of arguments, but in a qualitative manner. First, a chronological overview is made of the Salim Group strategy in different periods in time. After this, the strategy is interpreted in terms of 'relationship-based' or 'market-based' and expressed in a score on a scale from -5 (market-based) to +5 (relationship-based). These scores are then plotted in a graph using time as the x-axis. In this way, the interpretative analysis will also lead to a visualisation as given in figure 1.1. If 1. the interpretative analysis and 2. the results of the quantitative techniques both point in the same direction, the data offer clear patterns and one can draw conclusions that are supported using different analyses. If the results of the two techniques are opposed, strong conclusions are not possible given the mixed results.