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Globalisation and Ethnic Integration in Corporate Malaysia:
The case of public-listed companies in
the Klang Valley and Penang

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**Globalisation and Ethnic Integration in Corporate Malaysia:
The Case of Public-listed Companies in the Klang Valley and Penang**

Abstract

This thesis offers a critique of the present literature on development in Malaysia. It argues that the present analyses have generally revolved around a state-centric perspective; hence, neglecting companies as a vital unit of analysis or even a foci of societal transformation. Although numerous studies have focused on ethnicity, few have examined ethnicity within companies, much less the impact of globalisation on companies' practices vis-à-vis ethnicity. Therefore, the objectives of the present research are four-fold: (1) to assess the general state of globalisation and ethnic integration among public-listed companies in the Klang Valley and Penang; (2) to examine the perceptions of executives with regards to globalisation and ethnic integration; (3) to examine the possible connection between globalisation and ethnic integration; and (4) to explore the underlying social dynamics of the connection between globalisation and ethnic integration. Companies are classified into foreign transnational corporations, Malaysian transnational corporations and local corporations, followed by comparative analyses of their globalising tendencies and ethnic integration practices. The thesis employs Granovetter's social embeddedness argument as a basis in formulating its analytical framework. The research findings show that most of these companies and their managers support globalisation and most of them have formal plans to go global. The research also found that most of these corporations show low degree of ethnic integration. However, when globalising tendencies are factored in, it is revealed that the companies scoring high on globalising tendencies also scored high on ethnic integration and vice-versa, with few exceptions. Finally, the qualitative findings strongly suggest company embedded relationships play a pivotal role in shaping the paradigms and practices of ethnic integration within the company. By showing the relevance and significance of ethnic elements in companies' embedded relationships, the findings call into question the assertions about the thinning of ethnic preference among managers and companies.

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CHAPTER ONE:

INTRODUCTION

1.1. Background and Research Objectives

In 1991, when presenting a new direction for the country, the Malaysian Prime Minister proposed Vision 2020. Among the nine challenges set out in this Vision 2020 is to establish “a prosperous society, with an economy that is fully competitive, dynamic, robust and resilient” and “respected by the peoples of other nations” (Mahathir, 1991, pp3-4). In addition, he stated that “Malaysia will continue to drive the private sector, to rely on it as the primary engine of growth” (p10). Yet, while Malaysia’s private sector is identified as the main machinery for development, little research has been carried out by scholars on issues related to the global players and would-be global players, transnational corporations and their executives in Malaysia, as well as the impact of their practices on the local economy¹.

The purpose of this research is to make a contribution to fill that void. If the assumption that the leadership of the private sector lies with the firms is correct, and if the firms’ decisions can and will affect changes in the nation’s development, then they (the firms) warrant more rigorous and closer scrutiny than ever before.

Equally crucial, as far as Malaysia is concerned, is the significance of ethnicity which originates from Malaysia’s historical evolution. Being a multiracial society, ethnic relations have been at the heart of social concerns. The importance of ethnic relations is reflected by the fact that ethnic-economic equality was incorporated into

Malaysia's 20-year New Economic Plan (1970-1990). Ethnicity, thus, will be dealt with extensively in the coming chapters.

The present research is a study on ethnic integration within companies in Malaysia and how company's globalising elements shape ethnic relations within their own organisations. Among the main research objectives of the thesis are:

1. to assess the general state of globalisation as well as the general state of ethnic integration among companies in Malaysia in the Klang Valley (where Kuala Lumpur is located) and Penang;
2. to evaluate the differences among foreign transnationals (FTNCs), Malaysian transnationals (MTNCs) and local companies (LCs) vis-à-vis ethnic integration;
3. to examine the perceptions of corporate executives with regards to globalisation and ethnic integration;
4. to examine the possible connection between globalisation and ethnic integration within these companies; and
5. to explore the possible explanations and the underlying social dynamics of the connection between globalization and ethnic integration.

1.2. Significance of the Study

Three aspects underline the significance of this study. First, the research examines the connection between globalisation and ethnicity within companies operating in a society in which the political power is known to be controlled by a majority group, namely the indigenous Bumiputra², while the economic power is controlled by a minority group, the Chinese. Therefore, this research attempts to formulate a new type of theorising or a new approach for the analysis of two

seemingly colliding forces (globalisation and ethnicity) within contemporary multi-ethnic society like Malaysia.

Second, the significance of this research lies within the unit of analysis. Choosing the individual firm as the main analytical unit, this research places ethnicity at the heart of economic activities, whereby ethnicity as a major force in the Malaysian society comes face to face with the economic motives of the firm, such as profit maximisation and market expansion. The individual firms will have to resolve any possible contesting interests within its organization; hence, bringing the analysis to the level of individual firms will help to reveal some of the dynamics at work in resolving these different interests. More importantly, the firm-level analysis will enable the research to question the assumption that these interests are contradictory. In addition, since the findings will show how ethnic integration varies vis-à-vis globalising tendencies of companies, this analysis may assist in answering the question whether firms are appropriate vehicles to rely on as the primary engine of growth to realise the nation's development agendas, especially in terms of ethnic-economic equality. This research will propose a theoretical framework to examine whether or not the firm's globalising tendencies influence its ethnic elements. In other words, within the context of a corporation, since profits must generally be maintained for the corporation's survival, ethnic factors, therefore, are to be contextualised within this framework, i.e. that profit is one of, if not the primary purpose of the corporation. Showing that these ethnic factors vary according to the firms' globalising variables and that these two sets of variables are connected will be one of the important goals the research attempts to achieve.

Finally, once the connection between the two sets of variables is established, the research proceeds with the analysis of the connection, in order to unearth the

‘whys’ and the ‘hows’. Therefore, another significance of the present research is deciphering the dynamics underlying these two forces. This brings the research to the analysis of how they (globalization and ethnicity) are perceived and managed/governed in the corporate sector. In doing so, the research attempts to identify and examine the different relationships embedded within the firms which play a role in shaping the outlooks, decisions, strategies, actions, and structures of the firms.

This leads to the examination of embeddedness of four relationships which influence the firms’ structures and actions. These relationships are (1) *company-government relationships*, including political groups and institutional regulatory agencies, (2) *company-market relationships*, including customers and clientele, (3) *company-company relationships*, and (4) *company-internal-community relationships*, i.e. shareholders, management, employees and non-human resources, such as: technological, capital, material, and land resources. These four relationships essentially become the stage or the platform on which the firm’s actions and structures with regards to globalisation and ethnic integration take place. One of the goals of this research is to evaluate the extent to which the variables of globalisation and ethnic integration exist within these multiple social contexts of relationships. This embedded-relationships thesis is indeed not new. Granovetter (1985) asserts that institutions and behaviours of institutions must be examined in the context of their interconnection with the social relations embedded within them. Granovetter terms it the embeddedness argument, “the argument that behaviour and institutions to be analysed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding” (p53). Focusing mainly on firms, and claiming that sociologists have been sidelined by economists vis-à-vis the behaviours

within the market, Granovetter applies this embeddedness thesis to explain various issues and problems concerning the firms.³

Of relevance to this present research is the significance placed on the relations between firms and networks of social relations. Granovetter discusses four reasons such networks can offer good information.⁴ In addition, he states that in establishing order in the economic sphere, inter-firm social relations have a higher degree of significance than the authority within firms (p71). He also draws attention to power relations between firms raising the need to understand how firms dominate other firms by pointing out literature on interlocking directorates, dual economy and the role of financial institutions in relation to industrial institutions (p71). In a recent work, aptly entitled Social Networks in Silicon Valley, Granovetter (2000) together with several authors investigate Silicon Valley social networks and address some crucial issues. The term social network is defined as “a set of nodes or actors (persons or organizations) lined by social relationships or ties of a specified type.” (2000, p219). Furthermore in describing this idea further, he adds, “a tie or relation between two actors has both strength and content. The content might include information, advice or friendship, shared interest or membership, and typically some level of trust” (p219). The networks also play a pivotal and powerful role in mediating labour flow (p221). He explains that social networks can serve as a regulatory and governing entity. “Social networks function as a distinct governance mechanism, a social “glue” that binds actors and firms together into a coherent system” (p222). The “network governance structure” is also a typical way to regulate inter-firm alliance practices” (p222). His team has highlighted the significance of networks both within institutional sectors as well as externally, the exchange and “the flow of people, resource and information among the sectors” (p245). Nevertheless, as they admit

themselves, this is not a new discovery. So, perhaps their more significant contribution is in identifying the connection between the different types of networks and the different types of outcomes. In addition, equally important is making the distinction between “network structures that lead to stronger or weaker outcomes”⁵ (p246). Therefore, the focus of the problem stems no longer from who will triumph over whom (large or small companies) but rather how “regional economy links firms of various sizes and competencies together, and with what results” (p246). In essence, the answers lie with the analysis of these different networks of social relations; and within different social contexts, it is necessary to map out the different players and groups of players and how their interconnectedness influences the outcomes.

Ross and Trachte (1990) have provided a thorough analysis on global capitalism based on a similar relationship framework, albeit they focused only on three core relations⁶. Relevant to company-market relationship, they argue that companies have now shifted from operating in a monopolistic environment to a more competitive one and argue that TNCs are most suited to thrive in this market environment. “The global firm and conglomerate is designed for survival under competitive conditions of the new era” (p65). In addition, “[u]nder global capitalism, giant firms of different national origins compete aggressively for shares of a global market that encompasses many different national markets” (p65). However, some scholars dispute the notion that TNCs are fixated to a single mode of action in dealing with different markets and hold that the dynamics of the global production system are anything but a uniform process. McMichael states that TNCs “global production system are hierarchically ordered, and the hierarchies are fluid” (p90).⁷ Furthermore,

as Dicken (1998) emphasises that transnational corporate networks are in effect in a continuous state of flux” (p238).

The importance placed upon company-government relationships is equally prevalent in the literature. In formulating a new paradigm of state’s involvement in the economy, Block (1994) outlines four areas in which governments play a vital role: the control of productive assets, the structure of recurring relations, means of payment with regards to money and credit, and managing the international boundary. Block challenges the notion that “the state and the economy are analytically separable entities, each of which operates according to its own axial principles” (p691). He also claims that relationships between the state and the economic institutions are nothing new⁸. In discussing the dominance or the monopoly of one group of people over others in occupational positions, he stresses that the government is also said to be playing a crucial role in its enforcement of such efforts, or ignoring them or by eliminating them; in other words the state is instrumental in governing company’s practices by actively supporting certain efforts while neglecting others (p701). In emphasising the importance of state-company relationship, specifically TNCs as a ‘nexus within the global economy’, Dicken concludes that the relationship can be both conflictual and co-operative⁹ (1998, pp275-6). Nevertheless, their interdependence is noted by the fact that the state needs TNCs to generate wealth, while TNCs need the states to render the environment and infrastructure conducive to the TNCs operations.

A similar degree of emphasis placed on the company-government relationship can be found in some selected writings in Malaysia’s development literature. Using the concepts of rent¹⁰ and rent-seeking, Gomez and Jomo (1997) contextualise this government to company relationship into the Malaysian political economy. They

propose a thesis that the Malaysian government is able to accomplish its agendas through the utilisation of rents vis-à-vis various corporate groups and individuals. “The exercise of power by the executive has not only helped to channel state-created rents to well-connected businessmen, but has sometimes also required them to deploy some of these rents in particular ways”(p4). Those seeking rents have capitalised on government’s political patronage to gain contracts, licences and privatisation projects. They substantiate their rent and rent-seeking thesis by examining specific companies and businessmen with close ties with government, with particular emphasis to the ruling coalition party, all of whom have benefited from these rents.¹¹

Furthermore, Malaysia’s initiative on privatisation has been argued to lead to government’s closer links with private enterprises. Malaysia Privatisation Policy was introduced in 1983. After it has undergone early stages of trial-and-error and the “Guidelines on Privatisation” was published in 1985, followed by a more elaborate Privatisation Masterplan (PMP) in 1991 (Noruddin, 1999, pp294-5). In the PMP, privatisation is defined as “the transfer to the private sector of activities and functions which have been traditionally rested with the public sector” (p295).

Among the outcomes of this national initiative is the emergence of a large number of privatised entities¹² and projects. Some of these enterprises were eventually listed in the Kuala Lumpur Stock Exchange. However, there is still a number of these enterprises that are owned and controlled by the state. State-owned and controlled companies can be defined as “any commercial enterprise predominantly owned and controlled by the state or by state institutions, with or without separate legal personality” (Bockstiegel, 1984). Indeed, state-owned companies will inherently have closer ties with the government, albeit they have been corporatised.

A number of issues related to privatisation are pertinent to our discussion on company-government relationship. One important aspect of Malaysia's privatisation plan indicating state's direct involvement in listed companies is the government's golden share. Although it is a single share, this golden share entitles the government the veto power over decisions made by the management (Gomez, 1994, p19). This special share is also perceived as a middle ground between the control for government's aspirations and the commercial goals private management (Gomez, 1994, pp29-30). Jomo and Gomez also argue that despite the fact that government has already had such degree of power through the golden share and that privatisation is supposed to divest and spread the ownership, the state still holds large amount of shares in many public-listed companies (1997, p90). In other words, the state has also become an active player in the private sector.

The privatisation was also a policy mechanism to promote more Bumiputra participation in the private sector. The policy requires a minimum of 30% Bumiputra involvement in the ownership of these privatised entities. Simultaneously, it also benefited non-Bumiputras through joint-ventures, contracting and subcontracting of projects as well as the opening-up ownership of privatised companies to non-Bumiputras (Noruddin, 1999, p305). However as it turns out, this mutually-benefiting arrangement can also become a source of problem. As Noruddin explains (1999), a study carried out by Economic Planning Unit on 101 companies revealed that among privatised entities before December 1994, there has been a shrinking of overall Bumiputra interests. In fact the analysis shows that since the privatisation initiative of 1983, by the end of September 1995, Bumiputra interests have reduced from 65.3% to 38% (p312). This drop is partly due to sale of share and takeovers since these private shares can be bought and sold in the open market. As a measure to

protect the Bumiputra interests under government's own privatisation initiatives, the Bumiputra equity not taken-up by Bumiputras is to be sold to trust agencies such as National Equity Corporation (PNB), Bumiputra Trust Scheme (ASB) and National Unit Trust Scheme (ASN) (Noruddin, 1999, p312-3). These efforts to safeguard Bumiputras' interests can again lead to stronger government connection with companies.

For all these reasons, in the context of Malaysian private sector, it will not be an understatement to say that there is a dynamic relationship between companies and government. Hence, ignoring this company-government relationship will distort a good sociological assessment of company's practices on ethnic integration and globalisation.

There is also no shortage of literature on the inner workings of companies. Theories and concepts from sociology of work and even from business management, particularly organisational theories provide useful insights with regards to the relationships and the dynamics within the companies themselves. Grint (1991), for instance, has identified no less than fourteen contemporary theories of work organization (pp113-151). In examining these theories, Grint has formulated a twin-axes framework in which the theories are charted along two axes. One axis projects a technocratic-critical continuum, the other a determinist-interpretivist continuum (pp115-117). The technocratic end contains mostly management theories which essentially aim at increasing the efficiency and profitability of companies, while the critical end examines and often criticises the social effects of organizations and their activities. On the other axis, Grint places theories ranging from Leninist, Paternalist, and Taylorism at the determinist end. These are "approaches which stress the scientific and objective way in which organizations can be assessed, often relating

specifically to underlying structural conditions and requirements” (p115). At the other end of the axis, the interpretivist pole, Grint puts Foucault’s, post-modernism, actor networks and action theories. These theories emphasise “approaches which focus on the indeterminate and contingent nature of reality, the significance of human interaction, the unintended consequences of human action, and the influence of interpretation” (pp115-116). What is pertinent to the present thesis, especially for company-internal community relationship, is the fact that Grint classifies a major portion of the theories on work organization at the interpretivist end of an axis, highlighting the significance of interaction and relationships within groups of individuals and networks which in turn create their own logic within the organizations. A good example of this interpretivist approach is the actor networks model¹³. Reconfiguring internal relationships structures has also been a key strategy in boosting organisational capabilities for companies to expand their businesses overseas. Bartlett and Ghoshal (1989) have argued that organisational capabilities are the next battleground for businesses (pp3-57). They have identified four types of organisational relationships structures which organizations adopt: multinational, international, global and transnational. These structural variations can be seen as strategic formations for companies to succeed in the global game¹⁴. Once again these reconfiguration strategies reflect the significance of the company relationships with its internal community insofar as the rearrangement and restructuring of companies human and non-human relationships can influence the goals of the businesses. In their more recent work, The Individualized Corporation: A Fundamentally New Approach to Management, Bartlett and Ghoshal (1997) deliberate on the necessary transformation of companies’ internal management roles and tasks in order to become a cohesive and competitive organization. They diagnose the inner workings of

organisation even at a more intricate level and prescribe the needed changes. They call for managers of various levels to play down or evolve away from their traditional roles and adopt different paradigms in managing their responsibilities and competencies (for the operating managers, from frontline implementers to innovative entrepreneurs, for senior-level managers, from administrative controllers to developmental coaches, for top-level managers, from strategic architects to institution builders). Their central thesis is that the focus of companies' internal development should be less of strategy, structure and system and more of purpose, process and people (1997).

The eclectic paradigm, expounded by Dunning, describes international production based on a combination of three advantages: (1) ownership-specific advantages, (2) location-specific advantages, and (3) internalisation advantages - also known as the OLI framework. International production can be examined and explained by referring to all three advantages (1992, pp78-83, 1988)¹⁵. Two of these advantages, ownership-specific advantages and internalisation advantages, relate closely to the relationship between the company with its own internal community. Dunning's eclectic paradigm (1992) asserts that a company's relative position vis-à-vis its competitors is essentially determined by these three advantages, hence the importance of an effective and efficient relationship with its own internal community. Indeed, in order to achieve the organisational goals, one of the main preoccupations of company management is to manage its own production, productive capacity as well as workers. Therefore, the relationship with internal community is instrumental in ensuring the success of the company as far as its organisational goals are concerned.

1.3. Conceptual and Empirical Considerations

The present research is based on the following theoretical and empirical considerations:

i) ***Ethnic relations.*** Empirical research on ethnic relations and ethnic diversity in Malaysia has centred mainly on the state. There is a vast empirical vacuum in the ethnic relations literature which focuses on *corporate Malaysia*; hence, this research is an attempt to fill that gap. The unit of analysis will therefore be *individual corporations* in Malaysia.

ii) ***Globalisation.*** There is also a void in the research of globalisation in Malaysia. Despite increasing rhetoric on globalisation in the mass media, there is no serious study or actual assessment on the state of globalisation in Malaysia, structurally and culturally, with regards to Malaysian corporations. Therefore, the present research is an exploratory study since there is no directly relevant academic literature on this topic in Malaysia.

iii) ***Connection between Globalisation and Ethnic Integration within Companies***

The third, and perhaps the most crucial of all, is the lack of sociological research with companies as the unit of analysis. As the literature review in chapter three will show, world-system theory, dependency theory, and modernization theory have overwhelmingly dominated the main theoretical thrusts of the development literature in Malaysia. To be sure, each of these theoretical frameworks has contributed significantly to the understanding of development in Malaysia. In an attempt to provide an alternative perspective, the present research seeks to illuminate the nature of interconnections between the Malaysian corporate world and the global economy. In other words, this research aims to understand the relationships between the companies in Malaysia and global economic forces

originating from outside Malaysia, how 'globalised' they are structurally and operationally. Given the fact that Malaysia's economy is increasingly becoming an export-oriented economy, and given the government's active pursuit of affirmative-action policy in relation to ethnic diversity which has moulded the economy to a significant degree (this issue is discussed in chapter three and four), if one were to better understand the development that companies in Malaysia have experienced, it is quite relevant and important to carry out a study which investigates the link between globalisation and ethnicity in these companies. Hence, this research which uses companies as the unit of analysis is a shift from, and a complementary perspective to, the analysis of how Malaysia as a nation-state interacts with the current global forces.

1.4. Ethnic Integration and Globalisation

To reiterate, one of the main aims of the present research is to ascertain whether there is a connection between globalisation and ethnic integration within companies in Malaysia. My argument is that if there were to be a higher degree of ethnic diversity and integration among the more globalised corporations than the less globalised ones, then to a certain degree 'globalisation' may account for the difference (A more elaborate discussion on this matter can be found in chapter five).

The present research is not an attempt to prove a linear causation between globalisation and ethnic integration; in fact, as the findings will show, there is probably a dialectical process at work. Nevertheless, this research may be able to show that within corporate entities, when one of the variables, either ethnic integration or globalisation, changes, the other changes as well. Hence, the research also searches for an explanatory dynamic which establishes and shapes this possible

connection between companies' globalising tendencies and ethnic integration. In a market-oriented corporate world, the drive for profit maximisation may well be part and parcel of the underlying dynamics. If ethnic relations helps this profit motive, then it follows that ethnic integration will be advocated, and vice-versa. However, there could be other motivations for ethnic integration, aside from profit-maximisation, such as long term market expansion, economic survival, public-relations and corporate-image or mere socio-cultural tendencies to co-operate. To stretch the research further, in addition to its primary inquiry of evaluating the companies' globalising tendencies and their connection with ethnic integration, its secondary task will be to explore why and how this connection may possibly arise.

In the greater scheme of things, this inquiry of how development affects ethnic relations and how ethnic relations shape development relates back to the beginning of the New Economic Policy (NEP) introduced in 1970. It has been claimed that

“the NEP witnessed the proliferation of public enterprises involved in activities that covered the entire range of the economy. Bumiputra trust agencies ... were established to acquire corporate assets on behalf of the community. The state's increasing incorporation of public enterprises to help Bumiputras elevate their economic status encouraged non-Malay political parties in the governing coalition to venture into business, ostensibly to safeguard the economic interests of the communities they professed to represent”(Gomez, 1994, p3).

Under this state-centrist perspective, economic development can be interpreted to be directed by government strategies strongly influenced by its ethnic restructuring agendas. As suggested by Jesudason's (1989) ethnic development thesis (further discussions on this thesis are in Chapter Two), efforts to include more global players such as large foreign firms into the Malaysian economy and to expand local firms through joint-ventures can be seen as part of state's strategies to address an internal problem especially with regards to ethnic inequality. The proponents of government policies will argue that the agendas are positive, while the opponents will have the

opposite viewpoints. Indeed, there is a strong circumstantial support for this reverse-racism thesis. Policies such as privatisation are regarded as positive discrimination to balance the distribution of the economic pie. Prime Minister Dr Mahathir stated that "it [privatisation] would not negate the objectives of the NEP. The Bumiputras will get their share, both in terms of equity and in employment" (Gomez, 1994, p15). Although it has not reached the NEP target of 30% corporate equity [for Bumiputras], Bumiputras ownership has increased almost ten-fold from a meagre 2.4% in 1970 to 19.6% in 1990 (Faaland et al., 1990, p42).

Jesudason's (1989) ethnic development thesis highlights the internal social relations as the dominant force which largely explains the Malaysian history of development. Specifically, it advances ethnic relations as the determining factor of social transformation. However, such a rationale portrays corporate elites, who are economic players, if not the major economic player as being passive instruments of the state. This ethnic development thesis fails to explain the logic of global capitalism. Global capitalist expansion often seeks to penetrate domestic economies and attempts to incorporate or rearrange social systems for the purposes of maximising production, exchange, and accumulation at a global scale. Far from being isolated, the Malaysian society has also been largely moulded by multiple colonisation and massive immigration ever since the beginning of its modern history. More importantly, the economic boom of early 1990s in Malaysia has been driven in part by external capitalist forces present in the Pacific-rim.

Nevertheless, it must be stressed that the present research operates on the assumption that ethnicity is not necessarily the sole determining factor in companies in Malaysia, but definitely a major social force that is well-ingrained in the local economy. In Malaysia, ethnic relations have their own internal-historical dynamics

which affect, or in some way will be dominant, for a long time to come, over many other social structures. This line of inquiry is beyond the temporal-spatial scope of the research. The present research is designed to carry out empirical tests to get at the reality, as far as the companies' ethnic integration is concerned.

In Malaysia, since independence, the thrust of nation-building by the state to stabilise and strengthen ethnic relations may have leapt from what Balibar terms 'nationalism of liberation' to 'nationalism of conquest' (Balibar & Wallerstein, 1995, p45). But under the rapid growth of global expansion, the 'conquest' is economic rather than militaristic or political. Indeed, this parallels the collective capitalist models of Japan and Korea which emphasise internal unity in order to expand into new economic territories, even though the short-term profits may not pay off. The motivation to establish long-term market expansion in these cases may supersede short-term profit-maximisation. This motivation to expand collectively together with other ethnic groups might partially explain the Malaysian government 'Look East' policy since the early 1980s, whereby Malaysians are encouraged to model after the positive work ethics of the Japanese (and the Koreans). Indeed, it is arguably a rational thing to do for a small Asian country competing and participating in global capitalist economy.

The research inquiry is also inspired by the theoretical propositions of the global system theory as well as the quest for an alternative framework to explain the ethnic relations phenomena in Malaysia. Of particular relevance to this research is the significance global system theory places on the analysis of TNCs and transnational practices (TNPs) in order to liberate analysis from the limitations of state-centric standpoints (Sklair, 1995, pp6-10). This thesis focuses on the corporations and corporate management in Malaysia for the reason that they play an important, if not

the most important role, in an economy increasingly driven by capitalist interests. Analysing their practices and tendencies facilitates a better understanding of how they connect and impact other crucial social elements. This research evaluates the propositions of global-system theory, asking questions about the extent to which TNCs form the 'backbone' of the transnational capitalist class (TCC) which consists of (1) corporate executives, (2) globalizing bureaucrats and politicians, (3) globalizing professionals and (4) consumerist elites (merchants, media) (Sklair, 2000).

The second focus of the research is ethnicity. But, ethnicity, in this thesis, is studied in the realm of corporations. Three types of corporations are studied: foreign TNCs (FTNCs), Malaysian TNCs (MTNCs) and local companies (LCs) (The specific definitions of these companies are discussed in the Appendix). Studying ethnicity in these three types of companies will yield the necessary comparative data on the connection between globalisation and ethnic integration. Since the private sector has been 'given' the role as the primary engine of development by the Malaysian government, it is highly relevant to examine the ways in which corporations (TNCs and non-TNCs) are influenced by, or influence, or interact with ethnicity. Focusing on companies enables the research to move away from state-centrism and to study several important aspects of transnational practices.

At a more idealistic but practical level, it is hoped that this line of inquiry sheds some light on the future of Malaysian development driven by these corporations, especially, vis-à-vis an important variable like ethnicity. The character of ethnic relations in Malaysia may vary according to the degree and the nature of globalisation that exists; or vice-versa (Balibar and Wallerstein, 1995, pp34-35). Nonetheless, with the global-system theoretical perspective of development

complementing the ethnic relations analysis, the observations yielded can be made more concrete; hence, a better assessment of development can be obtained.

With the rise of the private sector in Malaysia, companies increasingly dominate the workplace; thus, their decision-making becomes more influential. Therefore, it becomes vital to comprehend the companies' 'scorecards' with regard to ethnic integration and to evaluate the decision-makers and their decision-making within these companies. This includes how they perceive ethnic integration and the globalisation phenomena, what their motivations are, how they see the future and what their future directions are. Placing ethnicity at the centre of the economic arena, the research studies whether ethnic integration is supported in the corporation and the extent to which the globalisation project influences the companies' management in this respect. By studying the relationship between ethnicity and globalisation, it is not my intention to down play ethnicity; but in fact to explore the degree of ethnic integration precisely in a new origin of social change, i.e. the corporations.

In contributing to current theoretical literature on ethnicity, the abductive research strategy (this will also be explained in Chapter Two) employed in this research will uncover conceptions of globalisation and ethnicity that can be used to evaluate Mansor's thesis of the thinning of ethnicity in Malaysia as well as Light and Karageorgis's ethnic resource thesis.

To outline the gist of Mansor's ideas, his main arguments are:

1. As a social factor shaping individuals' social actions in Malaysia, the significance of ethnicity and ethnic consciousness is ebbing (Mansor, 1998a, 1998b).
2. The crucial factors in the formation of inter-ethnic business partnerships are the personal values, business experience, business expertise, and business potentials of the individuals involved (Mansor 1998b, pp3-6).

3. If there is continuous high rate of economic growth, then ethnic consciousness will further decline (Mansor, 1999, pp77-78).
4. "[C]hanges in alignment come about as a result of individual choices" and that "choices have to be made between individual responses and group alignment, or between alignment on the basis of class, or ethnicity, or religion (Mansor, 1999, p62).

On the one hand, Mansor (1998) argues that in Malaysia, ethnicity is diminishing in its importance especially in the contexts of businesses. On the other hand, Light and Karageorgis (1994) explain that ethnic resources can complement class resources and that ethnic resources can be accessed by co-ethnics. These ethnic resources consist of a whole range of advantages such as, "kinship and marriage systems, trust, social capital, cultural assumptions, religion, language, a middleman heritage, entrepreneurial values and attitudes, rotating credit associations, relative satisfaction arising from nonacculturation to prevailing labour and living standards, reactive solidarities, multiplex social networks, employer paternalism, an ideology of ethnic solidarity, and underemployed and disadvantaged co-ethnic workers" (Light and Karageorgis, 1994, p660)¹⁶. Therefore, while Mansor believes that as the economy grows, there will be less emphasis placed on ethnicity, Light and Karageorgis propose that the expansion of economy can be explained by the exploitation of ethnic resource. Both of these theses will be examined further in Chapter Two under the sections entitled *Review of Malaysian Development Literature*, *Vital Issues and Gaps in the Development Literature* as well as *Main Theoretical Thrusts*.

It is important to note that although the aim of this research is *not* to negate or confirm any of these theses, the construction of subjective reality through the use of the agents' qualitative data enables us to carry out some degree of critical evaluation

and possibly contribute to their theoretical work. Furthermore, due to the more bottom-up nature of the abductive research strategy (as opposed to a more top-down approach of deductive research strategy), as the qualitative data reveal relevant insights that can be connected to these two theses, there will be discussions to link the findings with these theoretical ideas.

To reiterate, this research revolves around the relationship between ethnic integration and globalisation. Equally important is the task of exploring the social dynamics of companies in order to suggest explanations of the varying degree of globalisation and ethnic integration found in companies in Malaysia. Therefore, there are two sets of variables for globalisation and for ethnic integration.

1.5. The Conceptual Framework

The globalisation variable will be measured in three dimensions: structural, operational and attitudinal. Therefore globalisation is a composite variable made up of dimensions with separate measures. The structural and operational dimensions provide measures for the companies, whereas the attitudinal variables provide measures for the agents' (managers') views and attitudes. There are three dimensions of globalisation; and there are a number of variables underneath each dimension:

Structural Dimension:

- i) foreign investment
- ii) TNC status

Operational Dimension:

- iii) market- or forward-linkages,
- iv) corporate mission/ vision,
- v) corporate planning and strategies,
- vi) international certification
- vii) benchmarking;

Attitudinal Dimension:

- viii) managers' views on government's promoting globalisation
- ix) managers' views on company's success vis-à-vis globalisation

This three-dimensional framework enables the research to study the globalising tendencies of companies and their managers from multiple perspectives: structural, operational and attitudinal. Each perspective informs the understanding of globalisation differently and together they yield a broader picture of companies' organisation and operations.

Similarly, ethnic integration variables will also be measured in three dimensions. The structural and operational dimensions evaluate the companies' state of ethnic integration, while the attitudinal dimension explores management views about ethnic integration.

Structural Dimension:

- i) ownership structure
- ii) ethnic composition of workforce

Operational Dimension:

- iii) patterns of promotion

Attitudinal Dimension:

- iv) managers' views on ethnic quotas

Discussions on operationalising the two variables and how they are being measured are placed in the Appendix. Included in the Appendix is the specific percentage points whereby a variable is defined as ethnically integrated or not and the rationale behind these 'cut-off' points.

The following three figures (Figure 1.1, 1.2 and 1.3.) show the conceptual framework and summarise the two sets of variables. In short, the degree of globalisation and the degree of ethnic integration are both measured in three dimensions: structural, operational and attitudinal.

Figure 1.1.
Variables of Globalisation

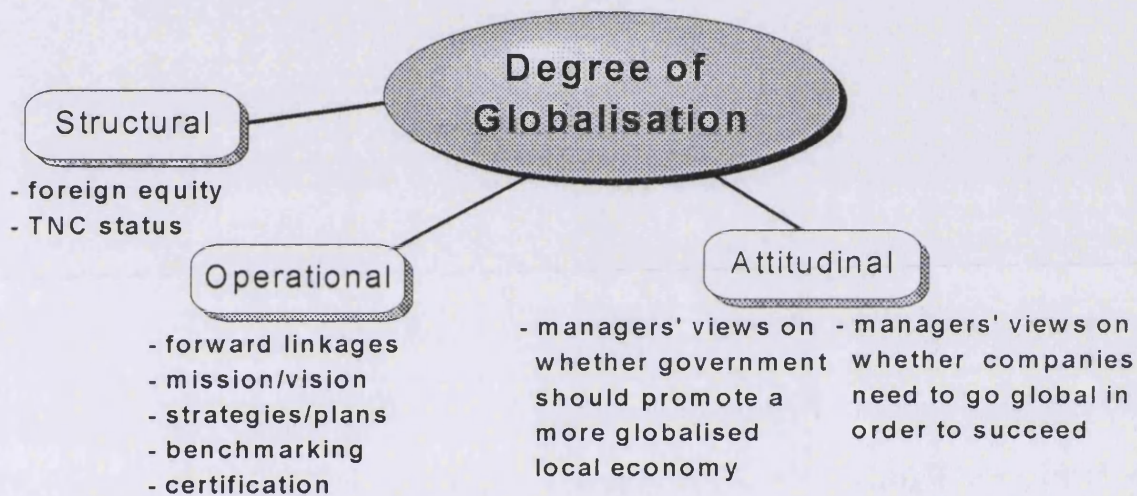


Figure 1.2.
Variables of Ethnic Integration

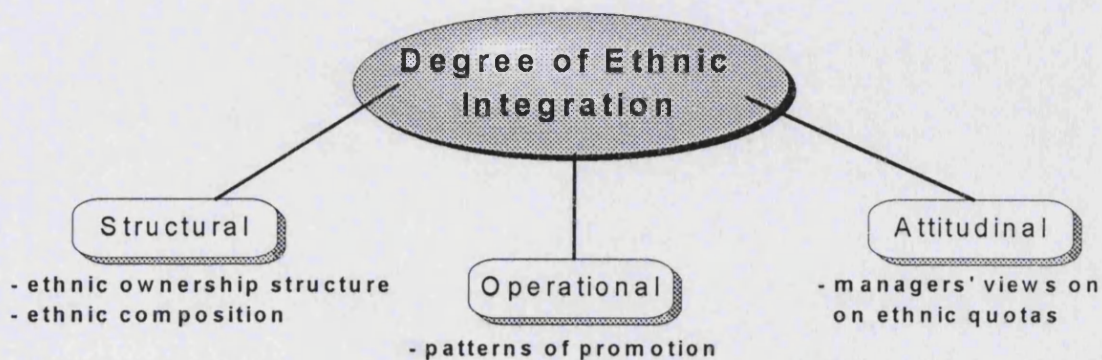
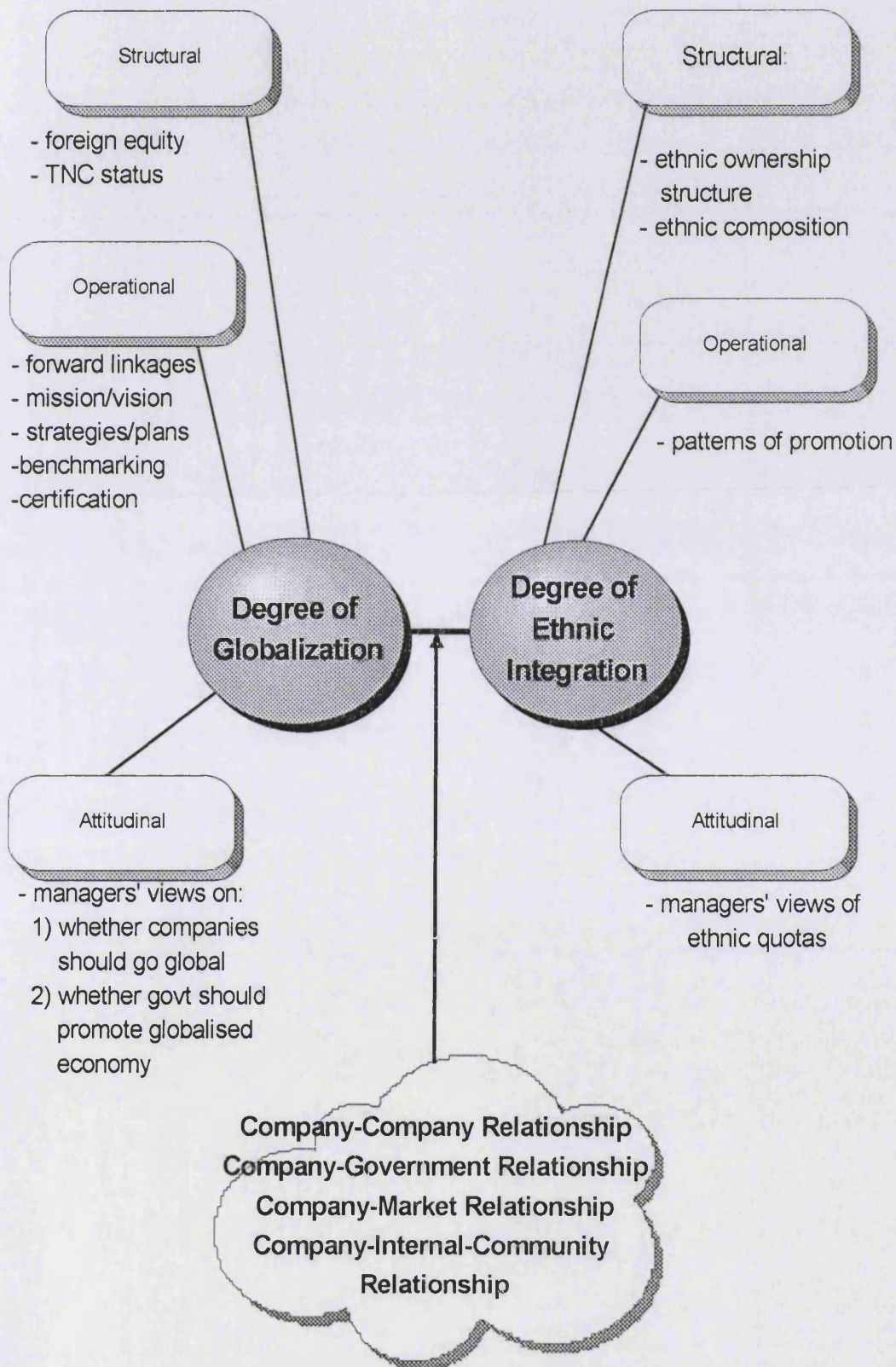


Figure 1.3.
Conceptual Framework of the Research



1.6. Overview of Chapters

The following is an overview of the entire thesis, chapter by chapter.

Chapter Two: Literature Review and Critique sets the stage for the actual empirical exploration. It provides reviews of relevant literature essential for understanding the contextual and theoretical background which the research is based on. This chapter is divided into three parts.

The aim of the first part is to situate the present research in the social context of Malaysian historical development. It is to provide an analysis of the interplay between internal as well as external forces throughout the Malaysian experience, in particular, its 'modernisation' experience. Hence in reviewing the history of colonisation and modernisation in Malaysia, the chapter deals with three broad issues: ethnic relations and power struggle within the dominant class; ethnic division and ethnic integration amidst so called 'ethnic conflict'; ethnic relations as the basis of the overarching developmental/modernisation policy in Malaysia.

This part also discusses colonial rule; how the British established their presence, and how social relations changed. It describes the coming of immigrants from India and China to what was once called Tanah Melayu (Land of the Malays). In the post-colonial period, the chapter investigates the Bargain of 1957 which defines the ethnic-relations in much more explicit terms. However, the superstructure left by the colonisers was fragile and would not withstand the type of laissez-faire economy it created. Angry populist movements in the society who were disenfranchised from the status quo and seeking for solutions challenged the power of the existing capitalist class. The ethnic riot of May 13th, 1969 was a reflection and a turning point in the society's history of development in which the New Economic Policy (NEP) was introduced as an overarching national solution. Since then, there had been an increase

in state intervention activities with a greater policy emphasis on ethnic-economic equality.

The second part discusses the evolution under the NEP. It provides a general evaluation of the NEP, as it ended in 1990. Several aspects of ethnic-economic equality/inequality will be highlighted including employment, income distribution and ownership. Since poverty eradication is one of the two goals of the NEP, an analysis of poverty will be included. The discussions are accompanied with critiques on capitalist framework of economy, for these developments take place along side a strong presence of capitalist expansion. Therefore, in assessing the re-distributive strengths of the NEP, the class and the ethnic issues are placed together.

The third part theoretically reviews the development literature on Malaysia and subsequently offers a critique to further advance the development discourse. It examines two major themes in the literature: ethnicity and economic development. Under the theme of ethnicity, the chapter describes the dominant arguments including ethnic inequality, ethnic cultures, and politics of ethnic relations; whereas under the theme of economic development, three spheres of debates are prominent: government policies, specifically policies related to the NEP (New Economic Policy 1970-1990), industrialisation, and regional competition and co-operation. The critique section gives special emphasis to three issues or conceptual gaps: the significance of ethnicity, the balance between local and global factors, and the problem of state-centrism. This chapter ends with four points of contention which relate to both ontological as well as epistemological elements for a new type of theorising on the development in Malaysia.

Chapter Three: Research Methodology introduces the methodology, which consists of selecting the sample as well as choosing the methods and instruments. The research sample covers mainly corporations operating in Malaysia--foreign transnationals (FTNCs), Malaysian transnationals (MTNCs) and local companies (LCs).

The literature section on research methodology weighs the pros and cons of three main methods: survey questionnaires, interviews and document analysis. The chapter outlines the stages of the actual research exercise: (1) pilot study, (2) surveys, (3) interviews and document analysis. The challenges and difficulties of the research experience are also noted.

Chapter Four: Company Globalising Tendencies and Their Connection with Ethnic Integration reports the quantitative findings. This chapter examines company practices. It presents the state of companies' globalisation and links them with companies' ethnic integration. The chapter shows the results of the different variables at the structural and operational levels. A comparative analysis of FTNCs, MTNCs and LCs will also be shown. This chapter critically analyses the thesis that there is a connection between globalisation and ethnic integration. It will also explain the different aspects of this supposed connection. In addition, it explores the possible 'hows' and 'whys' underneath the connection between globalising tendencies and ethnic integration. Supported by the qualitative findings, the chapter hopes to reveal the dynamics underlying this connection. An analysis of the four relationships in which companies are embedded is instrumental in getting to the crux of the matter.

Chapter Five: Managers' Views on Globalization and Ethnic Integration examines managers' interpretations and perceptions of globalization and ethnic integration. It complements the analyses of the company practices. While chapter

four investigates structural and operational elements, chapter five focuses on the attitudinal dimension. It scrutinizes the managers' views quantitatively and qualitatively. The analyses stemmed from five main questions: (1) Should the government promote a more globalized Malaysian economy? (2) Should companies globalize in order to succeed? (3) Should there be ethnic quotas within companies? (4) What does globalization mean to you? / What are your views about globalization? (5) What does ethnic integration mean to you? The managers' views and interpretations are examined; and consequently, common paradigms and themes of globalization and ethnic integration are then constructed based on these findings. The four embedded relationships are also incorporated into these analyses. Therefore, it is hoped that this combination of analyses will reveal the ways in which the four relationships: company-company, company-market, company-internal community and company-government relationships are incorporated into the managers' main paradigms of globalization and ethnic integration.

The final chapter, *Chapter Six: Conclusion and Further Considerations*, ends the thesis with salient points and main highlights of the research. It summarises the research and discusses the limitations of the findings and the scope of the research. More importantly, this chapter examines the implications of this research on conceptual and theoretical issues pertinent to Malaysian development, globalisation, ethnic integration and the idea of having companies as the main engine of growth. It also submits areas for further investigation.

¹ We will discuss these gaps in detail in chapter two. However, some exceptions in the literature which cover these issues include Gomez and Jomo's Malaysia's Political Economy: Politics, Patronage and Profits (1997), McVey (ed.) Southeast Asian Capitalists (1992), and Toh's The State, Transnational Corporation and Poverty in Malaysia (1982).

² The indigenous Bumiputras consist of all indigenous groups such as Dayak, Iban, Malay, and Khadazan. Among them, Malays are the largest group.

³ Granovetter (1985) utilises the embeddedness argument in explicating different aspects of firms and their behaviours. Some interesting ones include applying the embeddedness thesis in (1) debating against the over-socialised and under-socialised conceptions of human actions, specifically within the firms; (2) explaining why companies often stick to the same suppliers to source their inputs; (3) identifying the reasons big firms do not frequently vertically integrate the small companies; and (4) the problems of transfer pricing (within firm) in which the economic motives are often not obvious.

⁴ The four reasons why networks offer good information: "(1) it is cheap; (2) one trust one's own information best - it is richer, more detailed, and known to be accurate; (3) individuals with whom one has a continuing relation have an economic motivation to be trustworthy, so as not to discourage future transactions; and (4) departing from pure economic motives, continuing economic relations often become overlaid with social content that carries strong expectations of trust and abstention from opportunism." (Granovetter, 1985, p61)

⁵ In discussing the types of outcomes, Granovetter draws attention to the discussion of the kinds of ties that link networks of small firms with more established ones such that together, they form a kind of global network of partners and suppliers. He points to the fact that the Silicon Valley depends largely on the larger companies such as Hewlett-Packard, Intel and Cisco Systems; yet these larger firms do not squeeze and "compete to the death with small firms, but instead have an elaborate and complex relation to them that has been a source of vitality not yet adequately charted" (2000, p246)

⁶ Their framework is based on capital-to-labour, capital-to-capital, and capital-to-state relations. They assert that MNCs are the main organisational form under global capitalism (pp62-78). (Ross and Trachte, 1990, p66).

⁷ McMichael adds that "transnational corporations sometimes organise production hierarchies based on joint ventures with firms in other countries through capital investment or technological licensing." (McMichael, 1996, p90).

⁸ Block gives an example by citing the fact that government-banks relationships have been in existence long before the creation of modern central banking system and the regulation of financial institutions. Governments provided protection to bankers and even offered debt-collecting services to help them with defaulting loans. Emphasising the need to understanding the government-lenders-borrowers relations, he proposes the establishment of sociology of finance to provide a systematic analysis of the types of activities which are financed, the reasons they are financed and policies implications upon them (pp701-703).

⁹ While states need firms in order to create wealth, the firms need states for both the institutional and physical infrastructures. Therefore, both need each other to realise its goals. Dicken contends that "TNCs and states may be rivals but, at the same time, they may collude with one another" (1998, p275).

¹⁰ Gomez and Jomo (1997) adopt Tollison's definition of rent: 'a return to a resource owner in excess of the owner's opportunity cost' (Tollison, 1987, p144).

¹¹ Among the businessmen and companies who have benefited from these rent-seeking activities are: Daim Zainuddin, UMBC, Hong Leong Group, Shamsuddin Abdul Kadir and the Sapura Group, Wan Azmi, Vincent Tan, and Ananda Krishnan (Gomez and Jomo, 1997).

¹² Gosh states that there are some four-hundred privatised enterprises (1998, p169).

¹³ Grint (1991) categorises actor networks model as one of the theories located at the interpretivist pole (pp.148-150). It is a model which rests on the unity between human and non-human actors or elements. It submits a thesis that closely relates to company-internal community relationship in that power is dependent upon "the construction and maintenance of a network of actors" (p.148). Grint also stresses the importance of the fact that these networks are fragile, transient and in constant need to be reproduced (p.150). To be sure these networks are not merely internal networks, they also involve those external to the organization. The emphasis, nevertheless, is placed on understanding how these networks are formed and how they function together.

¹⁴ The multinational organisation model is analogous to a 'decentralised federation' (Bartlett and Ghoshal, 1989, pp49-50), in which the key assets and responsibilities are decentralised; hence, the form of control is much more personal, albeit there are simple financial controls. The overseas operations are considered as a portfolio of independent businesses by the top management. This model empowers companies' development of responsiveness to local market differences as well as local political climate. Under the international organization model, the companies resemble a 'co-ordinated federation' (p51). There still exists a degree of decentralisation of many key responsibilities and assets; however, there is an administrative control installed via formal planning and control from the headquarters. In this second model, overseas operations are considered as 'appendages to a central domestic corporation' (p51). Their main advantage is the effectiveness in transferring knowledge and skills from the parent company to the local operations. The global organization model has tight operational control of decisions, resources and information; it is practically a 'centralised hub'. Overseas operations are seen as merely channels to deliver products to a global market. This third model enables companies to plan and execute highly focused and co-ordinated strategies (p51-3). In transnational organization, the companies combine all the strengths of multinational, international and global in competing in the world economy. This implies that the companies themselves obtain the competitive capabilities of efficiency, responsiveness and learning simultaneously. Therefore, transnational organizations configure their assets and capabilities in such a way they become dispersed, interdependent, and specialised. Overseas operations make 'differentiated contributions by national units to integrated world-wide operations', and knowledge development is a collective effort and knowledge-sharing is carried out across borders (p65).

¹⁵ Dunning (1992) describes the three advantages as follows: ownership-specific (O) advantages are those gained through the company's internal assets, including property rights, possession of intangible assets, technology, capital, as well as advantages of common governance which entail benefits deriving from size and established status of the enterprise. Internalisation (I) advantages are those meant to safeguard the firm from or even to take advantage any market failure. Some of these advantages comprise costs such as avoidance of undesirable negotiating costs, property rights enforcement costs, buyer uncertainty, prohibition of price discrimination, necessity for product quality protection, avoidance or exploitation of government intervention, as well as controls over supplies and market outlets. Among the location-specific (L) advantages are resource endowments and markets as well as their spatial distributions, production inputs, including quality of labour, material, energy and component inputs, transportation and communication infrastructures, incentives and what Dunning terms as 'psychic distance' (e.g. language, culture, customs) - these are available to other firms too; but are specific to the geography of the locality (1988, p27).

A company's position relative to its competitors or would-be competitors vis-à-vis these three advantages is vital in international production. The hypothesis of eclectic paradigm is that only when all three conditions are satisfied will a firm engage in 'foreign value-adding activities' (1988, pp25-29). In answering the question 'why do firms wish to engage in foreign production?', Dunning rejects the idea that a single theory can have the explanatory power to decipher the motives of international production. However, he contends that a paradigm can contain various competing and non-competing theses to provide a general framework to explain the relationship between phenomena (1988, pp63-64)

¹⁶ In discussing these advantages of ethnic resources, Light and Karageorgis make reference to Yound (1971, p142); Webner (1984, p167); Foner (1985, p717).

2

CHAPTER TWO

LITERATURE REVIEW AND CRITIQUE

Introduction

The purpose of this chapter is to review the literature on Malaysia's political economic evolution as well as its development and to offer a critique on it. Specifically, the literature review involves three main objectives. First, it will examine the historical roots and social forces shaping Malaysian political economy from which many of the present developmental agendas (including the New Economic Policy (NEP), an important national policy) have emanated. Following this examination, it will analyse the trajectories of Malaysian development paradigms, evaluating their dominant themes and arguments. Finally, with this review, this chapter will critique the literature to identify ways of advancing the theorising of development in the Malaysian context. It is hoped that by critically identifying and evaluating the core conceptual components as well as the vital contextual insights from the literature, this research will be able to contribute to the Malaysian development discourse.

The flow of this chapter, therefore, follows these three objectives. It is framed in three sections. In mapping out the political-economic history of Malaysia, the first section addresses five broad questions: (i) How did ethnicity and ethnic-related problems such as ethnic inequality and ethnic conflicts become critical issues in Malaysia's development? (ii) What was the role of the British colonialists in shaping the patterns of development in Malaysia? (iii) How did the Chinese and Malays come

to occupy different dominant positions within the social structure of the Malaysian society? (iv) How did the development philosophy of the NEP come into being? And finally, (v) how did the NEP measure up as a national policy to improve the ethnic-economic conditions? Indeed, since this research is couched in terms of the issues such as ethnic integration and companies practices which are both shaped by the agendas and implementation of the NEP and the social relations within the Malaysian society, as well as the positions and interests of various ethnic groups, it is useful to inquire about the evolution of Malaysia's political economy.

The second section introduces the major Malaysian development perspectives, themes, and explanations. It identifies the main theories and paradigms dominating the landscape of development discourse.

It is then followed with section three which is divided into two parts: the first part provides a critique on specific issues such as ethnicity, global versus local factors, and state-centeredness, and the second part evaluates the literature from ontological and epistemological standpoints. It should be noted again that the critique of the literature is offered here and not earlier in the review section. So, comments will be reserved for the critique section in which specific arguments will be highlighted and evaluated.

2.1. Literature on Malaysia Political Economic Evolution

In order to further understand ethnic integration within the Malaysian context, it is necessary to examine the history of how ethnic relations came to occupy the centre stage of Malaysia's developmental agendas. In the first part of this section, we will analyse whether or not the various factions of the dominant class co-operated

with each other, in an attempt to advance their individual interests collectively, and if so, whether or not this co-operative relationship was punctuated by hostile moments.

This history of Malaysia's political economy will demonstrate the strength of global capitalist forces in rearranging the social relations to accommodate the local social forces in Malaysia, in order to further advance the global capitalist interests in the local economy. It is argued that since independence, there has been a "consolidation of power" with a new capitalist class emerging, connected with "high levels of foreign investment and economic influence. There have been shifts in power within the ruling coalition of political parties and groups representing this new class, Chinese and Indian national bourgeoisies, and - indirectly - transnational capitalists" (Nonini, 1992, p143). The global capitalist expansion can be framed together with the national development agenda; and the national agenda had to satisfy the needs and interests of global economy, if it was to be part of it.

Our review begins with the literature on the fall of the Malacca Sultanate, the main origin of Malay civilisation in Malaysia, as it enters a period of colonisation. We will then examine Malaysia's post-colonial experience up to the May 13th 1969 ethnic riot, which signifies a different course of action in its development history. This section will conclude by discussing the New Economic Policy (NEP) which was introduced in 1970 and the debate behind it. In charting out the history of Malaysia¹, several questions are relevant in providing an overview of the colonial period: What was the background for the British capitalist expansion and how did it bring in foreign immigrants? How were ethnic social relations rearranged to serve the capitalist interests? What forms of ethnic conflict exist under the capitalist development?

2.1.1. The coming of the British

In 1511, the Malacca Sultanate fell into the hands of the Portuguese; and the last sultan fled to the East. Malacca entered a new era, the European colonial era. Since then, the people were colonised by different western empires. After the Portuguese, the Malay Peninsular (as it was called by the colonialists) was passed to the Dutch, and then to the British (Snodgrass, 1980, p15). 1874 signified an important turning point in the history of British colonial rule in the Malay Peninsular because it was that year that Pangkor Agreement was signed; thus, marked the official British intervention and opened the doors to full colonisation of the rest of Malay States. The treaty was a result of a negotiation after the British assisted the rulers of the states of Selangor and Perak in putting down a civil war among Chinese immigrant miners. Subsequently, the British imposed upon the local rulers a British Resident “whose advice must be asked and acted upon on all questions other than those touching Malay religion and custom” (Cho, 1990, p32).²

2.1.2. Waves of immigrant workers

The discovery of tin in Selangor and Perak (in about 1850) was exploited by growing British mining interests. Chinese merchants also brought massive numbers of workers from China to work in these mines. The Chinese who came settled in the mines, towns, and ports³. The British government also facilitated the opening of exclusively Chinese new villages located close to the tin mines and in the outskirts of towns. In the Larut Valley of Perak state, for instance, where there were considerable mining activities, the Chinese population increased from “zero in 1850 to an estimated 40,000 in 1870” (Young, 1980, p12). Consequently, a significant number of Chinese villages mushroomed throughout many parts of Malaysia⁴.

At about the same time, the industrial revolution in Europe led, among other things, to the discovery of rubber as the principal material to produce tyres. It was the rise of the rubber industry that saw the immigration of Indian labourers⁵ to the new British rubber plantations on the Malay peninsula (Tregonning, 1964, p182). This provided employment for large numbers of Indians, many of whom were forced to work at low wages at subsistence standard of living.⁶ However, it must be noted that there were also Indians who came as small money-lenders, textile merchants, and clerks for British civil service as well companies⁷.

2.1.3. Divide and rule

Having separated the Chinese and the Indians, the colonialists made sure that the Malays did not disrupt this division of labour. They kept the Malays away from the towns, the mines, and the plantations. The general policy was to divide and rule. "British attempts, when successful, to direct the members of specific ethnic groups into certain occupations and not others in the colonial division of labour, reinforced these cultural divisions" (Nonini, 1992, p95). Others have verified the presence of this strategy of divide and rule of the British colonisation⁸. More importantly, this strategy, (or ideology) allowed the colonialists to stay in power by dividing the society along ethnic lines and exploiting each group separately⁹. In some cases, the Malay Bumiputras actually attempted to participate in this new commercial economy and their involvement might even have threatened the British material interests¹⁰. Many measures were taken to mitigate the possible local threats against the colonial interests¹¹.

This set the pattern of disparity among the ethnic groups: the Chinese and the Indians were placed separately in the more developed western coastal areas, while the

Malays were left in the rural parts of the country (Cho, 1990, p33). This artificial separation of the society created the base for long-term ethnic-economic and social-cultural conflict. The strategy of division was implemented to form a smooth infrastructure of wealth accumulation, one very important element in building a capitalist economy¹². With the spatial and economic segregation in place as the new pillars of the society, the British then placed a 'roof' to provide a system of control to hold the pillars together. In order to complete this process, a superstructure consisting of compatible legal, political and ideological systems had to be installed.

2.1.4. The main players

Before we discuss the superstructure, let us identify the "invisible hands" moulding the society at that time. Since the British forces entered Malaysia, beginning from 1786 to 1957, the country was gearing up to become a capitalist economy. Pertinent to the ownership of the means of production were the three major players: the Malay aristocrats, the Chinese merchants and the British colonialists (including British capitalists). The British East India Company¹³, for instance, owned and controlled large numbers of rubber plantations, mines, ports, railways, engineering firms, commercial houses and some other industries (Silcock, 1965, p181). Therefore, with their combined economic and political strength, the British had the most advantage among the players.

The Malay royal families played a diminishing role in this equation. The sultans of the various states were allowed to keep their thrones, but the government was run by a British administration. In addition, the British had some crown colonies or settlements like Malacca, Singapore and Penang (then Prince of Wales Island).

The well-to-do Chinese were the least rich among the three powerful players. Eventually, when the cash economy expanded through the introduction and transaction of more British pounds and shillings, the Chinese financial knowledge benefited the Chinese community. This advantage was partly due to the fact that the Chinese merchants were monopolising most of the businesses in the new towns, and their advantage was further facilitated by their previous experience in dealing with cash in China where money handling had been much more commonplace¹⁴.

However, in this picture, the Indians were mostly left out in the plantations as rubber tappers, except for the few textile merchants, money lenders, and petty businessmen who formed a higher class or caste of the Indian population. So the struggle for control of the economic base remained among these three players: Malay aristocrats, Chinese businessmen and the British colonialists.

2.1.5. Segregating superstructure

Returning to the discussion of superstructure, in order to enhance an economic base that yields British hegemony over others, the British colonialists had to maintain the inter-economic separation in the society. In other words, the base necessitated a superstructure to perpetuate the nature and the existence of the base. The logic of this social dynamic appears systemic and structural in nature. But, the essence within the appearance is also an effort to rearrange the socio-ecological habitat. Among other things, the superstructure emphasised and reaffirmed segregation among the ethnic groups. The British created institutional dams in order to hold back the possibility of the coming together of ethnic forces.

Educational institutions were part of the segregation strategy. Malay, Chinese and Indian schools were established and each group went into separate schools

(Snodgrass, 1980, pp237-241)¹⁵. Furthermore, different ethnic schools carried out different types of syllabus. There was more mathematics stressed in Chinese schools, while Malays were taught literature and techniques of better farming and fishing. A quote from an annual report in 1920 illustrates this colonial mind set: the aim of Malay education "...is not to turn out a few well-educated youths, nor yet numbers of less well-educated boys; rather it is to improve the bulk of the people and to make the son of the fisherman or peasant a more intelligent fisherman or peasant than his father had been, and a man whose education will enable him to understand how his own lot in life fits in with the scheme of life around him" (Snodgrass, 1980, p236).

In the legal system, in order to win the support of the Malay rulers, the British had worked out an agreement that they would handle civil matters and left the ceremonial codes and religious traditions to the royal palace. The strategy aimed at reducing the power of the state by reducing the sultans' political position to just heads of religion¹⁶.

In the Chinese community, the ideology of clannism and the consciousness of motherland became stronger and stronger as the Pan-Chinese nationalist resurgence of 1919 led to the claiming of sovereignty over ethnic Chinese everywhere by the Chinese government in China (Snodgrass, 1980, p239). Most Chinese in Malaysia were in support of the overthrow of the Manchu government by the Kuomintang Nationalist Party (Wan-Hashim, 1983, p29).¹⁷ Many legitimate Chinese associations were also founded to care for their well-being. Therefore, the Chinese were more politically organised and economically active than the Indians. In addition, these collective groups granted the necessary cohesion to provide a stable financial base for the Chinese. As for the Malays, in the early stages of British colonisation, though

there were some radical Malay leaders, their resistance movements were neutralised. Some were killed by the British soldiers¹⁸.

However, a case can be made that the biggest flaw of the British government which undermined its ability to perpetuate its colonial existence was in the political system. Its superstructure may have contradicted its base. Following the strategy of divide and rule, the colonialists allowed and promoted the establishment of ethnically based political parties. This development occurred after World War II. During World War II, the Japanese fuelled the idea that the British Empire was after all not invincible (Young, 1980, p14). Consequently, ideologies of nationalism rose and dominated the political climate after World War II. Among other factors, Asian nationalism was probably one of the most crucial domestic developments that precipitated the downfall of the British rule on the Peninsula. Apart from the growing awareness of the failure of British rule, the emergence of these ethnically based political parties occurred during the British fight against the Communist movements.

The communist movement also exposed the weakness of the British hegemony¹⁹. In reaction to the communist insurgence, the British colonial government declared a state of emergency in response to the recurrence of violence. Within this framework of political turmoil and rising nationalism, political parties based on different ethnic groups emerged. These included: Malayan Indian Congress (MIC), which sought to represent the Indians; Malayan Chinese Association (MCA), and Democratic Action Party (DAP), parties which mainly represented Chinese; and United Malay National Organisation (UMNO) and Pan-Malayan Islamic Party (PAS) parties which mainly represented the Malays. There is a wide array of literature which provides good accounts of these developments²⁰.

2.1.6. Independence and the Bargain of 1957

As noted earlier, besides the British, the Chinese and the Malays were also active players in the economic structure. With the different political parties being formed, all the different ethnic leaders became even more conscious of their own political as well as economic positions and strengths in the country. There was then a shift in ideology. Nationalism took the centre stage and seemed to dominate the thinking of the general public. The Malay political leaders, reflecting back upon the power and wealth of the Malacca Sultanate, started to question the British-dominated government. Led by the Malay leaders, all these different political parties teamed up to work out an understanding; and together they demanded independence from the British. After a series of long negotiations, and as the British were pressured to withdraw from other colonies, Malaya (as it was named then) gained independence on August 31, 1957.

The disparity between the ethnic groups was clear by that time. The Chinese occupied the “high ground” in the economy, whereas the Malays controlled the political sphere (Cho, 1990, p33)²¹. Independence was reached through the historic “Bargain of 57”. This Bargain is testimony of the inner contest within the dominant class. In effect, it was a reflection of early stages of structural integration among the different groups within the dominant class. Certain terms of agreement had to be reached to continue to operate as groups of the dominant class. The main aspects in this Bargain were citizenship for the immigrants in exchange for the recognition for the Bumiputras’ special position to receive governmental assistance (Hussain, 1986, pp19-21)²². Following the supposed tradition of mutual respect, the understanding was reached during a high-level diplomatic bargaining process held behind closed doors, so as to preserve societal harmony. This process and compromise reflected the

Confucian norm in which change is to be carried out in an orderly manner. The two minority groups, Chinese represented by MCA (Malaysian Chinese Association), and the Indians, led by MIC (Malaysian Indian Congress), asked for “citizenship, a secular state, continued official use of English in addition to the Malay language, a meritocracy and a laissez-faire economy” (Snodgrass, 1980, p46). And to reaffirm their status, the Malays in return “concentrated on recognition of their special position as indigenous people of the country and on acceptance of measures to accelerate their socio-economic progress in competition with the more aggressive immigrants” (Faaland, 1990, p11).

2.1.7. Post-Colonial Experience

There are two primary issues in the discussion of post-colonial Malaysia. First, how did the structures left by the British colonialists mould the local capitalist development? Secondly, how did the various players of the dominant class mould the economy and the politics?

In the march towards independence, ethnic conflict had been latent. It occurred in subtle ways, for instance, in the ideology of the Malay elite - i.e. the belief that Malays were the hosts and Chinese were the guests or outsiders remained strong. The political conflict of a segregated society left by the British was a time bomb. The old system of ethnically based politics, economy, ideology and education remained unchanged. Malaya had a superstructure which had strong potential to clash with its economic base. This was because the ethnic group which dominated the political sphere had very little economic power. Thus, the Malays could make political decisions against the Chinese as a whole to favour the Malays, while the economic

opportunities mostly controlled by the Chinese could be manipulated to keep the Malays economically subordinated.

The political system was virtually a direct duplicate of the British government. It was a system of parliamentary democracy with a constitutional monarchy. Most of the political parties consisted exclusively of members of particular ethnic groups. However, there were attempts to form multi-ethnic parties, but they failed. Nevertheless, there were a number of political leaders who took this common concern of 'unity and stability', but who approached it in a different manner. Political leaders of different ethnic parties sat together and formed another party that acted as an umbrella for different ethnic parties underneath it. It was called the Alliance, which started out with only three parties (later the name changed to the National Front which consisted of thirteen parties in which Malays' party, UMNO, is the biggest party). This party managed to get fifty-two out of the fifty-three Legislative Council seats in the 1955 general election.²³

When the country gained independence, the first Prime Minister was a British-educated Malay lawyer. Leaning towards the capitalists, he adopted mostly laissez-faire economic policies. Economic changes became apparent. "The period since 1957 has seen accelerating change: the transition to independence and political maturity, economic growth at a pace unknown since 1920s (and including for the first time industrialisation on a significant scale), and continued high-speed population growth" (Snodgrass, 1980, p47). Despite or because of the political structure which held the society together, there was a sudden economic boom. As a result of this competitive and unregulated economic environment, only the fittest survived, as a social Darwinist would put it. Many, for example, stayed at the fringes or avoided the hyperactive core of the market place.

2.1.8. The May 13th 1969 Riot

By the end of the 1960s, it became increasingly apparent that the majority of well-off people in Malaysia were not Indians and Malays. For many decades, the Chinese had been in urban and commercial occupations where a lot of wealth was generated as opposed to the Bumiputras and Indians who worked in rural villages and plantations. The big plantations and industrial businesses were in fact owned by the British. As shown in the Table 2.1 even as late as 1970, 51% of the agricultural areas and 50.8% of the industrial fixed assets were foreign-owned. This suggests a disproportionate amount of wealth was extracted from the local economy and transferred to foreign ownership. Aside from the foreigners, the Chinese owned the largest economic share among the three ethnic groups.

Table 2.1.
Peninsular Malaysia: Ownership Pattern of
Modern Agriculture and Industry (1970)

Ownership	Modern Agriculture		Industry	
	Area in acres ('000s)	%	Fixed assets (in \$M)	%
Malay	354.3	14.1	15.1	1.0
Chinese	700.3	28.0	500.3	33.8
Indian	79.7	3.2	5.4	0.4
Others	61.3	2.5	188.6	12.8
Government	17.0	0.6	17.5	1.2
Sub total	1212.6	48.4	726.9	49.2
Foreign Ownership	1293.6	51.6	751.4	50.8
Grand total	2506.2	100.0	1478.3	100.0

- Adapted from MTRSMP (Mid-Term Review Second Malaysia Plan, p.12) and Purcal (1975, p66). Aiken et. al., 1982, p22.

A drastic incident that reflected, and in turn shaped the ethnic relations was the May 13th Riot. It began with the decision to separate Singapore from Malaya²⁴. This divisive decision led to discontent in the Malay-led parties, including UMNO - the dominant party in the Alliance. Many Malays were sympathetic with Malays and angry for the Malays in Singapore. Resentment against Singapore's dominant party, PAP, and its leadership grew (Snodgrass, 1980, p.51). Many Malays argued that the

Chinese took away lands in Singapore that had belonged to the Malays for centuries, and that it was unfair. Singaporean Malays were furious that the Malay-led leadership would allow such a loss to occur to the Malay heritage.

Yet, there were other underlying forces at work. The ethnic time bomb left by the colonialists had not been removed after the Malaysian independence. As showed earlier, the economic development was lopsided in that the ethnic groups did not seem to get a fair share of the economic pie. To make things worse, the economy was going through a downturn. The Malays experienced relative deprivation. At the end of the 1960s, the average income of the Malays was half of the Chinese. Some 80% of the Malays were “still in the rural areas, primarily in traditional agriculture”. Furthermore, the proportion of share capital of limited companies held by the Malays was only about 2%, while the Chinese held twice as much land as the Malays (Young et al., 1980, p20). Faaland et al. (1990) states that the riot of 1969 was but a tip of an iceberg caused by structural problems related to ethnic plurality, economic dualism and inequality (Young et al., 1980, p12). Four developments were identified as critical to igniting the riot (pp13-14). First, the ‘bargain of 1957’ was publicly challenged by predominantly Chinese opposition parties. Second, the militant campaigns carried out by opposition parties on the theme of “Malaysians’ Malaysia”. Third, the increased political strength of the opposition Chinese party realised by the easy access to citizenship for Chinese manifested into vehement objection against the bargain of the 1957, thus making it hard for the Malaysian government to deliver the promises of the Bargain in order to stabilise the society. Fourth, the hopes of Bumiputras to upgrade their economic standing did not materialise. Being on the poor end of the economy, the Malays as an ethnic group seemed frustrated with the laissez-faire economy, for their status had not improved. For example: “huge

contracts, which were part of the development plans, went to Chinese firms” (p13); hence, the Malays felt that they were relegated to economic and possibly political inferiority in their own country. The ethnic riot was sparked by the DAP and Gerakan parades, two predominantly Chinese parties, to celebrate their election victory in the largest Malay village area in Kuala Lumpur (Hussain, 1986, p62). The processions turned unruly and insults were hurled (Goh, 1971, p21). Some of their leaders even went to the residence of Chief Minister of the Selangor state, an ethnic Malay, demand for his resignation (Jesudason, 1989, p70; Comber, 1983, pp69-70). A counter-demonstration was planned by the Malays led by UMNO (Comber, 1983, p70). It is within this backdrop that disturbances between Chinese and Malays were reported and the rest was, practically, history. Once the clashes started, the bitter ethnic riots lasted about two months (Jesudason, 1989, p70).

2.1.9. Resolution for Development: Two Opposing Rationales

After some time, when the streets were calmer, the different political organisations came together again. This “May 13 Tragedy” was a sobering experience. Virtually all parties involved came to grasp that ethnicity was a factor not to be swept under the carpet. Again, based on the supposed shared tradition of social harmony and societal order, the parties sat down and reached a new understanding, the New Economic Policy (NEP)²⁵. Examining the politics of planning behind the NEP, Snodgrass (1980) concludes that the NEP was born out of a battle between two opposing rationales of development (pp9-10). Two government bodies represented these rationales respectively. On one side, there were those who supported economic “growth” as the number one priority. At the forefront of this pro-growth approach was the Economic Planning Unit (EPU). EPU²⁶ maintains close relationships with

various government ministries especially with regards to sectoral planning, including “Education Planning and Research Division in the Ministry of Education, the Planning Division of the Health Ministry, the Highway Planning and Public Transport Unit of the Works and Utility Ministry, and the Research and Planning Division of the Ministry of Commerce and Industry” (Ibrahim, 1994, pp284-285). On the other side was the Department of National Unity (DNU), a government department with research and operational divisions “intended to provide standards and measures in order to ensure that all policies and actions of the Government were consonant with the national ideology and so, conducive towards national unity” (Hussain, 1986, pp67-68). In essence, the DNU approach advocates restructuring of society to promote national unity. In other words, their emphasis was equitable distribution²⁷.

After a long process of negotiations and political debates, the DNU advocates succeeded in defeating their pro-growth EPU opposition in that their (DNU) position was taken as the government official position²⁸. They asserted that ever since independence, government reliance on the private sector had brought about lopsided development (Faaland et al., 1990, p32). Thus, the DNU solution was to get government to play a proactive equity engendering role. Commensurate with this, within the proposed framework, specific targets should be set for sectoral levels (e.g. manufacturing, construction, transport) down to sub-sector activities of manufacturing, finance, plantations, mining, construction, wholesale and retail trade.

2.1.10. Malaysia's New Economic Policy

The overall objective of the NEP is national unity. It is based on a two-prong strategy: i) eradicate poverty and, ii) restructure society to correct economic imbalances among the ethnic groups²⁹ (Lim, 1983, p3).

Targeting as the first strategy of the NEP, the government decided to reduce the incidence of official poverty from 49% of households in 1970 to 16.7% in 1990. This target was ambitious, considering that “the vast majority of the poor - 86 per cent in 1970 - live in rural areas” (Young, 1980, p61). Furthermore, the incidence of poverty among households was twice as high in rural areas as in urban areas. This made the effort of eliminating poverty twice as hard - since the rural areas were the least commercially productive. In realising this goal, several government agencies were set up or revived (Hussain, 1986, pp73-74)³⁰.

To be more specific, the government formulated a 20-year Outline Perspective Plan (OPP) to carry out the NEP aims. The policies and programs laid down contained aims such as:

“to generate employment opportunities at a rate sufficient to reduce current levels of unemployment”,

“to increase the productivity and income of all those engaged in low productivity rural and urban occupations”,

“to expand opportunities for those engaged in low productivity activities to move to more productive endeavours in agriculture, forestry, fisheries, mining, construction, transportation, manufacturing, commerce and service industries”,

“to reduce the existing inequitable distribution of income between classes and races”,

“to modernise rural life and improve the living conditions of the poor urban areas through the provision of wide range of social services”,

“to promote the creation of commercial and industrial community among Malays and other indigenous people”,

“to ensure that employment in the various sector of the economy and employment by occupational levels will reflect the racial composition of the country”

“to expand education and training facilities, other social services and infrastructure of the country to effectively support the attainment of the above objectives”.

- Excerpts from OPP (Summarised in Faaland et. al., 1990, pp77-78)

It is obvious that ethnicity became the core element for the NEP programme and the expansion of a bigger and a more representative capitalist class - the promotion of commercial and industrial community among Bumiputras. In principle, the NEP was designed to gear up all members of the society, especially the Bumiputras, to participate actively in this 'future' that has yet to be built. In addition, by process of education, training, and recruitment, the NEP also attempted to bring the rest of the society into the commercial and economic spheres. With the NEP, public enterprises mushroomed and covered a wide range of economic activities. Bumiputera trust agencies were created to "acquire assets on behalf of the community" (Gomez, 1994, p3), and they were an immediate and effective means to elevate the Bumiputera economic status. Some have argued that this was the reason why the MCA, the Chinese political party in the ruling coalition, launched a new wing of commercial organisation to advance the Chinese economic interests in 1968 (Gomez, 1994, p3).

Besides the fact that ethnicity and ethnic inequality has become central issues of development in Malaysia, it has also become apparent that the Malaysian government, at least since the 1970 onwards, has adopted a hands-on approach to managing the economy. This is evident with the establishment of various government agencies and bodies to regulate and engage the economy from multiple fronts. This is a noteworthy point for this research since in later chapters, we will examine some aspects of what some managers may call the 'interventionist approach' of the Malaysian government in companies in Malaysia.

In addition, this brief discussion on the evolution of Malaysia's political economy has shown us how the various ethnic groups, particularly the Chinese and the Bumiputras have come to occupy different positions within the society, with the

economy being dominated mostly by the Chinese, while the politics being essentially dominated by the Malays. This is relevant to the current research for these two ethnic groups tend to have different types of bargaining power to bring to the negotiation table during ethnic conflicts as well as ethnic collaboration. Furthermore, the NEP has also directed attention to the private sector; hence, the significance of the companies as a main focus of development or possible power-struggle. Indeed, the companies can also be the arenas in which the various actors must converge and negotiate their interests. Whether the interests of the various ethnic groups will remain the same in that members of a particular ethnic group will continue to champion the plight of their own ethnic group or instead align themselves with the companies' objectives will be an interesting question to explore. However, it is important to analyse the twenty-year development, which took place under the NEP and evaluate whether the changes brought about under the NEP have made much difference to Malaysia's social dynamics.

In the following discussion, we will examine the development of the NEP by evaluating its successes and limitations, not only in terms of its two-prong objectives, but also politically, economically, and as a redistributive instrument of change.

2.2. Assessing the NEP

We begin this evaluation of the NEP by re-emphasising its stated aims: to eradicate ethnic inequality and to eliminate poverty. There have been as many debates as there are different ways of measuring the extent to which this ambitious policy has accomplished its purposes³¹. Therefore, we will focus on the assessment of ethnic relations within the two decades of development since the 1970s by analysing three major areas of inequality: (1) employment, (2) income, and, (3) ownership.

These three areas are part and parcel of the question of class inequality. There are segments within each ethnic group that are poor; hence, progress towards eliminating poverty cannot be assessed by observing ethnic inequality alone. For this reason, the class issue will be explored in the final part together with the assessment of the redistributive strengths of the NEP.

Since a major part of this research pertains to ethnic inequality in companies, the discussions in this chapter will be pertinent for they provide both background as well as foreground information on the state of ethnic inequality in Malaysia as a whole. Furthermore, as this research evaluates the connection between measurements of globalisation with measurements of ethnic equality or integration, the findings will show whether the globalising tendencies of companies help or hinder the agendas of the NEP. Hence, the various critiques on the NEP, which will be examined in this chapter, can also be evaluated through the findings in later chapters. Two areas of inequality are particularly relevant: employment and ownership; this is due to the fact that among the variables or measurements of ethnic integration which this research examines are companies patterns of promotion and ownership structure.

2.2.1. Major Areas of Inequality

Employment Pattern

In terms of employment, the NEP has emphasised the necessity of equitable placement of Bumiputras in the private sector. The NEP has encouraged employers to hire more Bumiputras in their companies. The underlying reason for this policy is to take affirmative action measures in order to secure a representative percentage of Bumiputras in the modern sector comparable to the numbers of Bumiputras in the community. Most of the poor are Bumiputras; therefore this approach is consistent

with the government strategy to end poverty by targeting the participation of Bumiputras in the growing modern sector. Since hard-core poverty is concentrated in the rural areas, encouraging the poor to participate in this flourishing sector of the economy would not only minimise the population living in poverty, but also boost an economy for the rural poor.

However, based on sectorial distribution of labour force, the efforts of the government have produced mixed results. As Table 2.2 indicates, the proportion of Bumiputras in the secondary and tertiary sectors closely approximated the 1990 targets. A more detailed analysis of the secondary and tertiary sectors also demonstrates a continuing ethnic disparity in employment patterns.

Table 2.2.
Restructuring Targets and Achievements:
Employment Restructuring (sectorial employment %)

Economic Sector	Actual (1970)	Target (1990)	Achieved (1990)
Bumiputra			
Primary*	67.6	61.4	76.4
Secondary**	30.8	51.9	49.8
Tertiary***	37.9	48.4	50.9
Non-Bumiputra			
Primary*	32.4	38.6	15.5
Secondary**	69.2	48.1	50.2
Tertiary***	62.1	51.6	49.1

* Agriculture

** Mining, Manufacturing, Construction, Utilities and Transport

*** Wholesale & Retail, Finance, Government and Other Services

Source: The Second Outline Perspective Plan (p49)

While Table 2.2 illustrates the differences between the targeted goals and the actual achievements, the following Table 2.3 shows evidence that Bumiputras remain under-represented in certain vital sectors of the economy such as commercial businesses. These businesses include wholesale and retail trade as well as import and export operations, where huge profits can be made. Thus, while Bumiputras dominated in agricultural production (where 75.2% of the employment in 1990 was Bumiputras), they represented only 34.7% of the employment in commerce. As for

the Indians, their employment statistics in all areas came close to their number in the population (i.e. 10%), whereas the Chinese appeared to be over-represented in many major areas including manufacturing (45%) and construction (49%) given that their overall percentage in the population (35%) is lower than that of Bumiputras (55%). These data show how far the native Bumiputras have yet to go to overcome disproportionate representation in the distribution of sectorial employment.

Table 2.3.
Distribution of Ethnic Employment in Selected Sectors of the Economy

Sector	Ethnic Group	1985(%)	1990(%)
Agriculture	Bumiputra	75.0%	75.2%
	Chinese	15.5	15.1
	Indians	8.8	9.1
Manufacturing	Bumiputra	45.8	44.0
	Chinese	42.8	45.0
	Indians	10.9	10.3
Construction	Bumiputra	42.2	42.9
	Chinese	51.0	49.1
	Indians	5.8	6.8
Transport	Bumiputra	52.4	52.0
	Chinese	33.9	34.6
	Indians	13.0	12.8
Commerce	Bumiputra	36.4	34.7
	Chinese	55.2	57.7
	Indians	7.8	7.1
Government	Bumiputra	66.7	68.2
	Chinese	24.3	22.5
	Indians	8.5	8.7
Other Services	Bumiputra	57.7	66.9
	Chinese	24.2	23.8
	Indians	8.5	8.7
Total	Bumiputra	57.7	56.6
	Chinese	32.6	33.6
	Indians	9.0	9.1

Source: Midterm Review of the Fifth Malaysia Plan, from Faaland et. Al., 1990, p136

Furthermore, an analysis on occupational distribution shows that Bumiputras are seriously under-represented in most administrative and professional categories. As shown in Table 2.4, Bumiputras composed only 28% of the employees in administrative and managerial positions, compared to 66% Chinese. Similarly, there

is a big gap in the professional groups such as architects (only 22% Bumiputras), lawyers (20%), physicians (26%) and engineers (29%). The Indians fare rather well in many of these professional fields - 36% of the physicians, 29% of the lawyers, and 36% of the veterinarians are Indians. What is apparent from this brief review is that (1) the Bumiputras have a lot of catching up to do in occupying professional positions; (2) the Chinese have succeeded in all fields, except for veterinary; and (3) the Indians have mixed results; not very well in administrative, accounting and architectural employment, but exceptionally well in the fields of medicine, law and veterinary. Indeed, although scholars recognise that there is some employment restructuring, some assert that the changes have not been sufficient (Yusof, 1994, pp605-606). Some have also identified the lack of skills among Bumiputras as being the cause of such lopsided figures, while others attribute the prominence of Chinese and Indians in modern sectors employment to the immigrant culture (Faaland et. al. 1990, p135; Anand, 1983, p3). Snodgrass (1980) relates to the question of skill development as being more than just an access to higher education.³²

Table 2.4.
Employment by Occupation & Ethnic Group
Membership of Registered Professional (as of 1988)

Occupation	Bumiputras	Chinese	Indians
Administrative & Managerial	28	66	5
Architects	22	76	2
Accountants	10	76	6
Engineers	29	82	5
Physicians	26	63	36
Lawyers	20	35	29
Veterinarians	34	24	36

Source: Mid-Term Review of the Fifth Malaysia Plan, from Faaland et al., 1990, p138

Income Distribution

Imbalances in the representation of ethnic groups also hold true in relation to income distribution. Table 2.5 clearly demonstrates that of the three ethnic groups,

the Bumiputra households persist to be the only group receiving below the overall average incomes. This inequitable income distribution is reinforced when compared with how much more the non-Bumiputras received relative to the Bumiputras, i.e. how do the rest fare if we were to take the Bumiputras as 100%? The computations show that by 1990 the Indians and the Chinese receive respectively 29.42%³³ and 75.75% more than the Bumiputras (see the computations in the end note). The failure to close the gap significantly between 1976 and 1990 is partly the result of Bumiputras limited involvement in the modern sectors of the economy; and their greater involvement in the rural economic activities such as farming and fishing, in which the rates of return are not as high as those in the modern commercial and industrial sectors. It is here, in the rural areas, that we find modern economic growth often fails to penetrate to provide job opportunities, let alone profitable ones. Bussink has identified four important determinants of income distribution; they are: (1) education; (2) occupation (3) distribution of physical assets and (4) provision of social services (1980, pp122-124)³⁴. All these factors are amenable to policy intervention. Tan (1982) discusses the factors of income distribution in detail. However, he chooses to examine some selected sectors of the economy in order to identify their specific factors of income distribution. For the rice paddy farmers, the three major factors are: land tenure (which includes the size of the cultivated plots), productivity, and price (Tan, 1982, pp30-57, 62-65). In the case of rubber smallholders, due to the complexity in inter-relationship of the socio-economic factors, Tan states that it is more difficult to determine the factors; nevertheless, he listed a host of factors: the size of the holding, the density, age, and seeding of the trees, the number of replanting phases and the price of rubber at the time of tapping and finally the cost of production (Tan, 1982, pp75-92). Instead of placing the blame on Chinese or Indians, Fong

(1989) attributed the low income and low productivity of rural Malays to the British colonial policy of keeping the Malays to land-related activities, which generate little growth (pp53-54)³⁵. In addition, he argues, as lands become commodified into tradable entities, Malay peasants' access to lands has become even more difficult, resulting in "fragmentation of Malay customary land" (Fong, 1989, p53). Indeed, Abraham (1997) makes the same conclusion that the social structure created by the British colonial rule had adversely impacted many aspects of economic life of the Malays and income distribution being one of them (pp54-93).

Table 2.5.
Mean Monthly Household Income (in current prices)

	1976		1990	
	As ratio of mean income (M\$)		As ratio of mean income (M\$)	
Overall	505	1.0	1167	1.0
Bumiputra	339	0.7	928	0.8
Chinese	796	1.6	1631	1.4
Indians	537	1.1	1201	1.0
Others	996	1.8	3292	2.8

- Source: The Second Outline Perspective Plan (p45).

Ownership Patterns

There is even greater disparity when we examine the heart of capitalism - corporate ownership. Table 2.6 which follows clearly verifies this. By 1990, the Bumiputras had only 13.6% of the corporate equity. Even incorporating the percentage owned by the Bumiputras trust agencies into the calculation., the total only adds up to 19.6, far from the 30% target to be achieved by 1990 as set by the NEP. The non-Bumiputra Malaysians own the majority (56.7%) of the corporate sector, while foreign ownership amounts to 23.7%.

Table 2.6.
Ownership Restructuring (% of corporate equity)

	1970	1971	Target 1990	Achieved 1990**
Bumiputras*	2.4	-	30.0	19.4
Bumiputra Individuals	-	2.6	-	(13.4)
Bumiputra Trust Agencies	-	1.7	-	(6.0)
Other Malaysians	32.3	37.5	40.0	56.2
Foreign Ownership	63.3	53.3	30.0	23.7

* Includes individuals, trust agencies and related institutions

** It should be noted that the total percentage adds up to 99.3% [19.4% + 56.2% + 23.7%] and not 100%. These figures are extracted from the above-mentioned source.

- Source: The 4th Malaysian Plan (from Faaland et al, p142)

It is clear that these figures all point to a chasm between the NEP objectives and the actual Bumiputra participation in the national economy. After 20 years of implementation, achievements of the three main ethnic groups are far from reflecting the actual ethnic composition in the society.

To be fair, we must recognise the positive attempts of the NEP. Most of the NEP objectives were partially met by 1990. It can also be argued that the NEP has significantly reoriented the society by improving the ethnic economic balance in the Malaysian society, which had been colonised and exploited by four colonialists including three western powers (the Portuguese, Dutch, and British) and one eastern empire (Japanese) between 1511 and 1957. At the same time a close scrutiny of continuing inequality of income, employment, and ownership reveals the serious persisting economic disparity among the ethnic groups.³⁶

Since the ethnic riot of 1969, the NEP has shouldered a Herculean task to deconstruct the deep-rooted socio-economic structures and to disentangle the centuries-old ethnic knots; knots tied at least as early as 1511 - since the fall of the Malay Melaka Sultanate. Considering all the complex historical and global forces imposing themselves on this small Far East Asian country, as a vehicle of change, the NEP has brought some changes in reversing the inequality. As shown in Table 2.6, in

1971, the Bumiputras had only 4.3% ownership of corporate equity (of that only 2.6% - Bumiputra individuals); since then this figure has increased sharply to 19.6%, four to five times increase. As for household income, Table 4.4. indicates that there is greater equality among the three ethnic groups in 1990 compared to 1976 figures. For instance, the Bumiputras household income increases; thus comes 10% closer to the ratio of the mean income, while Chinese and Indians household incomes have both adjusted closer to the overall mean income by 20% and 10% respectively. These readjustments are evidence that the direction of change is towards income equality. These improvements would have been unlikely without a policy like the NEP. Perhaps the situation would have been even worse if the policy of *laissez faire* had been allowed to continue instead of implementing the NEP restructuring policies.

In the following section, we will focus on three aspects of the NEP to provide an integrated and more in depth perspective on the impact of this 20-year policy. These three aspects deal with the issues of (1) economic strength, (2) political strength, and (3) distributive strength. These strengths are useful to examine in order to understand the ways in which the NEP can potentially influence Malaysia's development particularly with regards to issues such as globalisation and ethnic integration which are central to the present research inquiry. Also pertinent is that such discussions can provide further background understanding to the company practices and the social embeddedness, which may develop out of the company practices, as well as the company responses to the implementation of the NEP.

2.2.2. Evaluating the Strengths of the NEP

Economic Strength

This part examines how much economic strength this policy wields to counter the economic encroachment of the capitalist forces manoeuvred by external as well as internal economic players, which in effect opposed efforts to create ethnic-economic equality. This issue of ethnic economic equality is the major obstacle to a progressive future for ethnic relations in Malaysia. There are some results that can be attributed to the development under the NEP. When we examine ownership, there is a single group with the largest over-representation and it is neither the Indians nor the Chinese. Rather, it is foreign investors and expatriate residents in Malaysia. As shown in Table 4.5. in 1970, even though the non-Bumiputras own 13.4 times more than Bumiputras (32.3% versus 2.4%), it is the foreign group, consisting of less than 1% of the population who own 63.3% of corporate equity or 26.3 times more than the Bumiputras. Even in 1990, the foreign capitalists held 23.7% of the corporate ownership. Clearly, the percentage of corporate equity held by external capitalists overwhelmingly outweighs that of the non-Bumiputras. Although the foreigners' economic grip of corporate ownership has loosened drastically since the NEP was implemented - from 63.3% in 1970 to 23.7% in 1990 - they still have significant control of Malaysia's economic pie. Among them are the transnationals who have the advantage of being able to leap from country to country and from continent to continent to extract wealth. The possible divestment of TNCs can easily affect the local economy, at least in terms of the level of unemployment.

There are also domestic capitalists. These two players, foreign and domestic capitalists, may work together to mould the Malaysian economic base. In the 1980s, the NEP took a more aggressive approach in promoting economic growth through

foreign and domestic investment. The logic behind this was that if the economic pie grows bigger and bigger through capital investment and rapid industrialisation, soon there would be more wealth generated to redistribute; hence, ethnic relations would improve further. Certainly, this approach has resulted in the competitive growth the government desired. In a Time International article on the Global Competitiveness Report, Malaysia is considered among the top ten most competitive countries (Time International, June 10th 1996).

The issue here is whether the growth should be accompanied by egalitarian distribution to promote ethnic equality or should the society let nature take its course. If nature were to take its course, then - under capitalism - accumulation is the 'way' and concentrated wealth is the 'destination', and along the way there will be an unfortunate group who will be marginalised. In other words, inequality will probably continue to exist at the expense of the lower class so that the small owning class can reach their paradise.

Foreign investment interests could be seen as disrupting the effectiveness of the NEP to create a balanced economy for all the ethnic groups. In 1984 and 1985 when the foreign percentage of paid-up capital plunged to 22.7% and 17.8% from the targeted 30% of total investment as set by the government, the country's leaders and government officials became disturbed (Jesudason, 1989, pp186-187). Consequently, the government adjusted the equity rules to attract more investors and to avoid divestment. The outcome was a new set of guidelines for investment that has made Malaysia a safe haven for foreign businesses. In July 1985, the Ministry of Finance announced the following list of changes to the investors community:

"1) For projects exporting 80 per cent or more of production, foreign equity of ownership of up to 80 per cent would be allowed. A higher percentage, up to 100 per cent, would be allowed depending on the level of technology, size of investment, spin-off effects, value-added, location, and local content.

- 2) Projects exporting between 51 per cent and 79 per cent could have foreign equity of at least 51 per cent, and up to 80 per cent depending on the merits of each case.
- 3) Project exporting between 20 per cent and 50 per cent could have foreign ownership of up to 51 per cent while projects exporting less than 20 per cent would have a maximum of 30 per cent.
- 4) In high technology and priority projects, notwithstanding the above, foreign ownership of 51 per cent would be considered.”

- (Jesudason, 1989, p188)

As the price of oil (one of Malaysia's export commodities) dropped, and as unemployment continued to rise, the Prime Minister announced in September 1986 yet more incentives in foreign economic policies. He informed a group of investors in New York that foreign companies would be allowed 100 per cent equity if they exported 50 per cent or more of their production. This reflected a departure from the previous foreign investment policy in which only companies which export 100 per cent of this production would be given complete ownership (Jesudason, 1989, p188). The strength of the NEP policies could have been undermined when the foreign companies took advantage of these incentives without giving consideration to ethnic economic equality and the targets of the NEP. The twin dilemmas of dependence and economic downturn undoubtedly affected the country's will to strive for its egalitarian ideals. This example demonstrates how vulnerable the national policy of a developing society is to macro economic influence. Integrated into the global capitalist economy, the national policies can be influenced and shaped to be sensitive in order to cater for the needs of the external forces³⁷.

Political Strength

From a political standpoint, the NEP faces several challenges. As an instrument for conflict resolution, the question is how much political strength does the

NEP generate to facilitate resolution of the ethnic conflict existing in the enduring social structures of Malaysian society? Questions also remain on how much social acceptance for the NEP affirmative actions exist. Ultimately, after the NEP, the main question is can the society overcome ideological challenges that tear the ethnic groups apart? One of the aspects of the present research is to explore how the various ethnic groups cope with the supposed ideological challenges that may exist among them in the corporate world.

Nevertheless, there still exists some amount of dissatisfaction in ethnic relations in Malaysia and justifiably so, i.e., this dissatisfaction is quite legitimate in many instances. The Chinese and the Indians often find it unfair when Bumiputras, especially the Malays, receive 'preferential treatment' in education and in government assistance through public services. It can easily be argued that a 20-year long national level policy that favours Bumiputras just because they are indigenous people will have problems getting full social acceptance among the minorities. The minorities could easily feel unfairly treated for the minorities could always pose the question does the society 'give' based on needs or merits.

Capitalism places a strong emphasis on individual meritocracy (Berger, 1986, pp93-97). It claims promotion based on merits as one of its fundamental principles. In line with its principle of individualism, mobility is to be a function of individual effort, or in other words, individual merits. Under a capitalist system, a policy such as the NEP where one main objective is to create ethnic equality, becomes very difficult to implement consistently. By contrast, if we were to accept the socialist principle of "to each according to need and from each according to ability", helping the disadvantaged group(s) seems to make a lot of sense. It is exactly this strong political will in search of fairness and equality within the Malay-dominated politics that has

opened up many doors for the Bumiputras and has pushed this disadvantaged group to more actively participate in the economy. Without this policy assistance, the Bumiputras would probably continue to live at the bottom, for there appears to be no intrinsic structural means within the laissez faire capitalist economic system to pull them up. The reasoning behind the government assistance is to equalise opportunities.

Yet, there may still be a flaw in this approach. Among the Chinese and the Indian communities, there are also poor people who deserve special help from the government. Therefore, it is unfair not to help these disadvantaged segments of society who also are in need of strong support to take care of themselves and their families, especially in the demanding capitalist society. This leads us to the next point - the ability of the NEP as an instrument to redistribute wealth.

Redistributive Strength

Even if the economic and political efforts to 'sabotage' the NEP could be curtailed, could this vehicle of change actually bring the society to the ultimate purpose of elimination of poverty? Can it do what it is supposed to do: to restructure the society so that there is full employment and no inequality? In essence, this is a question of class. Indeed, capitalist development that occurred under or along side the NEP took a toll on the poor. According to the 1989 World Development Report, the poorest 20 per cent of households in Indonesia, the Philippines, and Thailand all had about a 6 per cent share of all household income, while in Malaysia the figure was only 3.5 per cent. By contrast, the richest 20 per cent in Malaysia secured no less than 56 per cent of household income, while in the three other ASEAN (Association of South East Asian Nations) countries, the "equivalent shares were about 50 per cent"

(Faaland et al., 1990, p148). Income levels have different impacts in different countries because of varying degrees of dependence on 'home grown' products among the rural poor, though the polarity in the other ASEAN states is by no means justified, and although we can never be sure if being poor in Manila is more comfortable than in Malaysia, the problem of inequality in Malaysia remains a serious one.

In explaining poverty, Aziz stresses two main points: (1) although the merchants and money lenders whom he lists as exploiters are predominantly non-Malays, the landlords and employers of rural labour who get equal billing are frequently Malays; (2) he also describes four forms of exploitation:

- "1. merchants who charge excessive margins for their services;
- 2. high rates of interest charged by money lenders and shopkeepers who supply the farmers with credit in kind or loans in cash;
- 3. high rents on lands and insecurity of tenure;
- 4. wage exploitation ... practice on farmers who are poor that they have to offer their labour for hire;"

(Aziz, 1957, quoted in Snodgrass, 1980, p125)

At this juncture, in understanding the issue of disparity further we will turn our attention to class inequality. Since the class structures, which distribute wealth unevenly, continue to exist and function even within ethnic groups themselves, it is insufficient to view inequality as completely an ethnic issue. Hence, the question of ethnic inequality cannot be resolved without dealing with the question of class inequality.

In order to understand this issue of class and how it relates to poverty, we will again examine the relevant Malaysian figures. Two things are immediately obvious to us as we look at Table 2.7. First, there has been a significant drop in the rate of poverty; and second, the Bumiputras still have the highest poverty rate (i.e. more than 1 of every 5 Bumiputras lives in poverty).

Table 2.7.
Incidence of Poverty

Percentage (%)	1970	1990 (Target)	1990 (Achieved)
Overall	49.3	16.7	17.1
Rural	58.7	23.0	21.8
Urban	21.3	9.2	7.5
Bumiputras	56.4	-	23.8
Chinese	19.2	-	5.5
Indians	28.5	-	8.0
Others	44.6	-	12.9

- Source: *The 2nd Outline Perspective Plan 1990 - 2000*, p46.

The poverty line was defined in terms of income level. In 1970, an average household of five persons with a yearly income of M\$ 1,980 (approximately US\$792) was considered poor (Mehmet, 1986, p33). The poverty line had been revised from time to time according to the rate of inflation. In 1977, for instance, the poverty line was increased to annual income of M\$2,700 (approximately US\$1,080). According to the Report on Poverty Assessment by the Prime Minister's department, in 1989 the poverty line was at M\$4,400 (approximately US\$1,776) for an average household of 5.14 persons (Report on Poverty Assessment, 1989).

As shown in Table 2.7, there has been a pattern of consistent decrease of poverty incidence across the board and, as a whole, the incidence of poverty has dropped from 49.3% to 17.1% of the population. However, no matter what the criticisms regarding the NEP favouritism for the Bumiputras, the data show that the poverty rates for both the Indians and the Chinese have reduced 71%, whereas for the Bumiputras, it has only dropped 57%, and still remains high relative to the non-Bumiputras. The incidence of poverty for the Chinese and the Indians has reached a single-digit level (5.5% and 8.0% respectively). The Bumiputras are still stuck with a two-digit poverty rate. If the NEP had not assisted the Bumiputras, the situation would probably be worse.

While the redistributive strength of NEP is obvious in its efforts of narrowing the incidence of poverty between the Bumiputras and non-Bumiputras, there is still the question of poverty not entirely eliminated during the NEP days. Kassim (1987) traced the causes for the persistence of poverty among the hard-core poor to the agricultural policy since NEP implementation.³⁸ On a similar note, Siwar et al (1994) discusses on the limited attention given to efforts in helping the hard-core poor improved their incomes³⁹.

Nevertheless, given the internal political and economic difficulties we noted earlier, the NEP has succeeded in bringing about significant improvements in levels of income for all three ethnic groups. However, it can be argued that the forces within this global economy will make poverty eradication difficult and may also affect the objectives of achieving more equitable equity. In light of this, examination of companies practices in relation to their globalising tendencies can be useful, at least in relation to the question of whether company globalizing practices are connected to practices of ethnic integration and ethnic equality. There is a possibility in a more globalised Malaysian economy that the achievements of the NEP can be reversed, for the transnational corporations do not necessarily share the same interests as the NEP. If so, old ethnic wounds may resurface again.

After mapping out the historical evolution of Malaysia's political economy and the assessment of the NEP, the next section provides an in-depth conceptual analysis of the development literature including theoretical, thematic as well as ontological examination of the existing scholarly writing.

2.3. Review of Malaysian Development Literature

The literature on Malaysia canvasses a wide breadth of development topics; but the recurring themes centre on two key areas: (1) ethnicity, and (2) economic development. Indeed, these themes are hardly mutually exclusive. They frequently intertwine. Nonetheless, most debates on development originate from or lead back to these two distinct points of reference. They overwhelm the literature landscape as the dominant subject matter.

2.3.1. First Key Area: Ethnicity

Ethnicity is by far the most common theme of all⁴⁰. To begin with, there is no evidence so far showing anyone disagreeing to ethnicity being a major societal and developmental concern in Malaysia. In fact, its importance has been repeatedly stressed with a good deal of intensity. Ariff (1991) asserts that “[t]he thorniest problem facing the country relates to socio-economic disparities among the various ethnic groups, which is an issue of considerable political sensitivity” (p3). In identifying ethnic structures as an important determinant, Jesudason (1989) stresses that “[n]either dependency nor world-system approaches, with their focus on external determinants, had much to offer as an explanation. I wanted to study the relative decline of the Malaysian economy giving due recognition to internal social-structural arrangements and, in particular, to the role of ethnic structures” (pvii). Although analysis anchored to the ‘ethnic approach’ will not exhaust the entire range of Malaysian social structure, it is considered “indisputable that the major facets of Malaysian life - urbanism, economic development, social mobility, stratification, political integration, or national unity - have their ethnic dimension” (Nagata, 1979, p1).

There are several reasons why ethnicity has captured considerable attention. First and foremost, ethnicity has been the focus of development planning in Malaysia. The towering significance of ethnicity is reflected by the government’s overarching development plan of New Economic Policy (NEP) with its dual objectives of: (1)

eradicating poverty regardless of race and (2) restructuring society to ensure that there is fair ethnic representation in all economic sectors and occupations (see Chapter Four for a more detailed discussion on the NEP). Therefore, whenever there are critiques on government development policies, they would almost certainly involve NEP which inevitably entails discussions of ethnicity.

A second reason that ethnicity carries so much weight is the social-historical context of Malaysia's own development (see Chapter Three). An integral part of Malaysia's recent history of developmental evolution involves the interplay of different social actors who belong to different ethnic backgrounds. As the history unfolded through colonisation, not only were the ethnic groups separated in different geographical locations, but the social actors of dominant political and economic institutions were also divided and controlled by different ethnic groups (Cho, 1990, pp32-34). Each group tends to carry its own ethnic interests; hence, ethnicity has become an influential force in shaping the development agendas. In addition, Malaysia's demography - with roughly 55% indigenous people (or Bumiputras), 35% Chinese and 10% Indians - dictates that the ethnic minorities are large enough to play a significant role in the political, economic or social spheres. The decisions and actions of the ethnic majority will in some way interact with those of the ethnic minorities; hence, the importance of ethnic relations. Furthermore, with such demographic statistics, understanding Malaysia's ethnic relations and managing these relations have become the key in legitimising some political and economic practices⁴¹.

Last and certainly not least, ethnicity is theoretically problematical, if not a challenging variable, especially in view of the Malaysian milieu. Since the ethnic structures in Malaysia have existed for centuries and had been accentuated during the colonial era, to a large extent, they have taken a logic of their own, independent of class structures⁴². However, there are arguments against having ethnicity as the sole determinant, although the nature of ethnic plurality in Malaysia is still considered vitally important, for example, the view that other processes like modernisation and politicisation of the masses are said to be key factors (Hashim, 1983, p xv). Indeed, it

is probable that the ethnic structures have been interacting with the class structures to ceaselessly shape the political-economic realities in Malaysia's history⁴³.

In problematising ethnicity in Malaysia, the development literature often revolves around two themes: ethnic inequality and ethnic relations. The following discussions review these themes. Again, it should be noted that the review section will be followed by a critique of the reviewed literature.

Ethnic Inequality

Many discussions of ethnicity carry at least an implicit critique of ethnic inequality by submitting ethnic equality, ethnic representation, and ethnic advancement as the yardsticks to evaluate developmental progress (Salleh and Osman (1991, p125-147); Oo (1991, pp15-24, 73); Young et. al. (1980, Chap 3); Snodgrass (1980, Chap 4); Faaland et. al. (1990, p136-142); Chee (1977, Chap 2)). Progress within this ethnic inequality has normally been defined in economic terms. Hence, comparisons of statistics such as those on ownership, income per household, representation in occupations and sectors are all used to measure development of the various ethnic groups. Snodgrass (1980) measures ethnic economic inequality using three dimensions: income distribution, employment patterns, and ownership and control of wealth and shows that there is a relationship between ethnicity and economic inequality. In evaluating the state of ethnic-economic affairs in Malaysia, Faaland and his colleagues produce a list of descriptions to depict the imbalances (the list is worth quoting):

"the average Malay has a lower standard of living than the average non-Malay;"

"Malays form a much higher proportion of population in rural areas than in towns;"

"Malays populate the relatively poorer states and occupations to a higher degree than do non-Malays;"

"Malays form a higher proportion of the work force in low productivity traditional agriculture and a lower proportion of the work force in high productivity modern industry and commerce;"

"...within given industries and enterprises, Malays - as compared to non-Malays - typically hold lower-echelon positions;"

"...placed in similar physical situations the motivation, incentives, energy and productivity of Malays in many activities fall short of those of non-Malays;"

"Malays own (or have property rights over) only about one third of land under agricultural cultivation;"

"Malays have a significantly lower share of ownership of industrial and commercial capital"

(Faaland et. al., 1990, p38, italics not added)

However, although Oo (1991) recognises that correcting the wrong of the past is noble, he argues that ethnocentric interests are not necessarily always right and that plural interests are not always wrong (p74). Oo points to unequal treatment of non-Bumiputras by referring to the non-bumiputra students who perceived themselves as victims of discrimination since the Bumiputras were receiving preferential financial treatment such as scholarships and loans as well as allocated quotas for admission into local universities in Malaysia (1991, pp18-19).

Ethnic Relations

The themes of ethnic relations are more complex than ethnic inequality. They derive mainly from paradigms of ethnic cultures and ethnic politics.

(i) The ethnic culture

On ethnic culture, emphases are placed on values and characteristics of the various ethnic groups⁴⁴. Abdullah (1992) has compiled a long list of values of ethnic Malays, Chinese and Indians (pp7-8). As for the Malays, the values associated with them are among others: respect for elders, humility, hospitality, politeness, loyalty and non-aggressiveness; for the Chinese: hard work, education, wealth, thrift,

happiness, while the Indians: fear of God, sense of belonging, brotherhood, family, security (p.8). She regards ethnic values as “a set of clear and uncompromising statements about what is important to that particular ethnic group” (p7). Besides the differences of values, there are also discussions on common and important cultural values shared by all ethnic groups such as face-saving⁴⁵ and ‘budi’⁴⁶ which roughly means kindness or indebtedness.

One aspect of ethnic culture discourse involves the linkage between cultural attributes and economic success. Simply put, Malays’ backwardness has been associated with their laziness and non-responsiveness, while the Chinese become better off because they are said to be industrious and enterprising. Huang (1974) carried out a study comparing two ethnic communities in government-subsidised farming settlements. His findings show that the Chinese have generally become more economically successful as farmers compared to the Malays (among the measurements of farming success: production, yields, income per year). He attributes the Chinese successes to their attitudes, which he considers to be a major difference between the Malays and the Chinese; however, he suggests that in time, when the Malays change their attitudes, the difference may diminish (pp812-815). Silcock (1965) discusses the differences in characteristics between Chinese and Malays, pointing out that the Chinese are generally much more industrious and have more financial skills than the rest of the races in Southeast Asia, while poverty among Malays is partly due to “Malays’ lack of interest in the dull routines of money-making and the tendency to exact excessive social obligation, which worked effectively enough to maintain capital as well as social cohesion so long as credit was not available, but which have since become a source of indebtedness” (pp5-6). Snodgrass (1980) concludes that Malays’ lack of responsiveness to opportunities is an established fact, yet the reason for this tendency is not empirically clear. Nevertheless, he finds more evidence on differences in ability between Malays and Chinese particularly on financial matters and asserts that ethnic inequality can be

reduced through altering the distribution of wealth, ability and opportunities (pp121-122, 131-132).

There are, however, scholars who offer different analyses and who disagree with this cultural attribute explanation, especially the Malays' laziness thesis (Abraham, 1997; Wikkramatileke, 1964; Abdul Aziz, 1965). Abraham (1997) argues that the economic position of the Malays is largely due to the structures created during the colonial rule (Chap 4). Wikkramatileke (1964), for instance, highlights the initial unequal financial position between the Malays and the Chinese whenever they venture into a new project or business places the Malays at a disadvantage relative to the Chinese (p48). Abdul Aziz (1965) rebutted the laziness thesis by pointing out to the large number of hard-working Malay peasants who put in long hours (p27). On the other hand, in identifying the origins of inequality, Snodgrass (1980) uses the synthesis of the cultural and structural hypotheses and rejects the use of single-hypothesis argument. Snodgrass (1980) cites Hirschman (1975) who states that "one might investigate separately the question of how socio-economic differences among ethnic groups originated and the question of how they are maintained (or reduced or eliminated, as the case may be), over time" (Snodgrass, 1980, p131). In addition, Snodgrass (1980) points out that, "[a]s regards the origins of inequality, the argument that something internal to their culture and experience enabled the Chinese to make more than the Malays out of roughly equal opportunities seems to be strong one. However, as discussed above, the role of acquired abilities, as opposed to values and inherent abilities may have been an important one, and this is not what most culturalists have in mind when they talk of inequality's cultural origins" (Snodgrass, 1980, p131).

Another cultural debate, which draws a lot of attention, is the debate on language. This debate stirred strong ethnic conflict. During the Bargain of 1957, Malay language was promoted to be Bahasa Malaysia (Malaysian Language) replacing English as the official language, in exchange for citizenship and the right to participate in the political process for the then immigrant non-Bumiputra groups.

This issue of national language again became a factor aggravating social unease and ethnic conflict prior to the 1969 ethnic riot (Young et. al., 1980, p16). Since the advocacy for Bahasa Malaysia was seen as domination of ethnic Malays over the Chinese, two organizations were established in order to keep the protest against this domination alive: the United Chinese Schools Committees' Association (UCSCTA) and the United Chinese Schools Teachers Association (UCSTA); together, known as Dongjiaozong (Tan, 1992, chap 8). Government policies on education and culture were vehemently challenged by them. Proposing a pluralistic (duoyuan) approach to cultural policies, Dongjiaozong asserted that "[t]he unitary (danyuan) approach to nation-building based on one language, one education system and one culture is rejected as hegemonic and inimical to the rights of ethnic minorities" (Tan, 1992, Chap 8). Kahn has also warned against such tendencies towards 'universalistic validity', arguing that cultural variations are crucial to check on the assertions of national identity in Malaysia which represents particular cultural traditions (Kahn, 1992, p177). The issue of national identity leads to discussions on politics, the sphere in which different contending groups negotiate their interests.

(ii) The ethnic politics

Ethnicity intertwines very tightly with politics in Malaysia. Development literature often discusses the politics of ethnic relations from two main perspectives: colonisation and communalism.

Abraham (1997) explains ethnicity using British colonialism by asserting that ethnic consciousness emerged among the Malays, Chinese and Indians as a consequence of social structures and divisive strategies imposed during British colonial rule. The social structures involved legitimising the Malay Ruling class within the structure of colonial government which put the Malay peasants at the mercy of the Malay Ruling class's exploitation, the division of labour which excluded the Malays from the modern economic sector as opposed to the Indian and Chinese immigrants, the use of opium as a means of social control of Chinese immigrants, and

the nature of estate employment for the Indian immigrants. Abraham points out that for the Malays, ethnic consciousness can be seen as a means of passive resistance to colonial rule. This fact is emphasised by the plight of the Malays in comparison to the Malay ruling class and the immigrants:

“The fact that the peasantry saw itself as being unable to gain access to occupations monopolised by the Chinese, as well as the fact that by the turn of the century immigrants had outnumbered the Malays, only serve to further heighten Malay ethnic consciousness as the only meaningful response. This response was relevant for as long as the colonial situation isolated and denied the peasantry access to political power.”

(Abraham, 1997, p91).

For the Chinese, Abraham discusses the significant development of Chinese ethnic consciousness arising from the process of displacement of Chinese miners by European and British capital (p141)⁴⁷. In the case of the Indians, Abraham explained the context in which the Indians were neglected by the colonial government due to the Indians' failure to establish themselves and also how they fought for their rights as a group⁴⁸ (pp177-178).

Abraham argues that political conflict in inter-ethnic relationships emerged at the beginning of the 1930s economic depression (pp218-219). The colonial government responded with pro-Malay policies when the Malay ruling class demanded special economic privileges. These policies enhanced the definition of Malays and non-Malays, reflecting the polarisation of ethnic groups along lines of racial identity.

Likewise, Gomez and Jomo (1997) state that colonialism had led to many of Malaysia's ethnic problems. Among the problems resulted from colonialism are the close identification between race and economic function, the socially and geographically segregated plural society, the formation of ethnically based politics and political institutions (pp10-15). Similarly, in discussing the Malaysian colonial legacy, Cho (1990) traces the roots of many of the ethnic-economic difficulties back to colonialism and especially the multiracial character which resulted from the mass non-Malay immigration, and the polarisation based on geographical location and communal identification due to unequal development where the Bumiputras were

adversely impacted (pp32-34). British colonial education policy also sought to control the development of the indigenous rural Malays by formulating a curriculum which was 'rural-biased', for instance, lessons on basket-making and other manual and agricultural subjects; hence, ensuring that the Malays were not sufficiently educated to challenge the British (Rudner, 1994, pp287-288).

Ratnam (1965) discusses communal relations from World War II up to 1961. The issues of citizenship, the special position of the Malays, religion and language were the source of communal conflicts. On the question of citizenship, the Malays "fear the implications of placing the Chinese and the Indians on an equal footing with themselves", while the non-Malays, especially the Chinese demanded *jus soli*, which meant that every person born in the country should be made a citizen by operation of law and for their economic and numerical strength (pp67-68). The special position of the Malays which was inherited from the colonial period continued to be recognised but the 'legitimate interests of the other communities' became a new political vocabulary (p105). While the non-Malays recognise Islam as the official religion of each Malay state, the political tension arose more from the extent to which the moderate or extremist elements unify the Malays (pp119-122). The language issue carried the highest political overtones in communal relations. While the Malays proposed cultural integration by establishing the Malay language as the national language, the non-Malays insisted on cultural pluralism as they consider their culture to be superior to the Malays (pp132-136.) In describing the relationship between communal identity and political behaviour in Malaya, Ratnam states that,

"The 'communal problem' has arisen not merely by virtue of the presence of three different communities in the country; communal identification has become a significant variable in the political behaviour of the Malayan society only because circumstances have rendered it politically relevant."

(Ratnam, 1965, p212)

The political tension in ethnic relations is also identified as the conflict between the Malays and non-Malays. Vasil's (1980) main thesis on the politics of ethnic relations in Malaya is on the Malay political 'paramountcy'. He explains that

the political scenarios prior to the 1969 riots and the 1969 elections, and the post-1969 elections showed that the creation of 'Malay Malaysia' was inevitable. Vasil argues that prior to 1969, the *quid pro quo* arrangement or politics of accommodation between the Malays and non-Malays that guaranteed political paramountcy for the Malays and allowed the non-Malays free play in the spheres of trade, commerce and industry (p218). However, after the 1969 elections, Malay political paramountcy was seen as inadequate and steps were taken to establish that Malaysia is a country of the indigenous Malays, to entrench the special position of the Malays, to forge Malay unity and to use Malay political power to give the Malays a reasonable share of economic and commercial power (pp222-223).

While Ratnam (1965) attributes the political conflict to the communal identification and Vasil (1980) stresses Malay political paramountcy, Wan Teh (1983) argues that it is the politicization of ethnic differences and not the differences themselves that create problems. He also asserts that although the policies of the British colonial government created the segmented society and communal groups, the politicization of ethnic differences is the cause of conflict among the Malays and non-Malays. In addition, Wan Teh points out the role of modernisation in increasing the communal tension and conflict as "success in economic and social development was not matched in the political sphere" (p98). He blames the problems in the political sphere on the "rapid politicization of the masses which was not matched by an improvement of the nation's ability for compromise and conflict resolution", competitive communalism related to economic inequality among the Malays and political inequality among the non-Malays, and the communal tension that emerges out of government's effort to reduce communal imbalances in wealth, status and power (pp98-99). Amidst this political tension, co-operative tendencies amongst the communal parties were also evident in the development of Malaysia's party politics. The Chinese, Indians, and Malays (represented by three major parties, the Malaysian Chinese Association (MCA), Malaysian Indian Congress (MIC) and United Malays National Organisation (UMNO), respectively), formed the Alliance party (presently

National Front) by the end of 1953 (Arasaratnam, 1970, p121). The MIC participation as a partner was based on a non-communal participation when compared to the participation of MCA and UMNO. Since the Indians were a minority race population and viewed as the political under-dog, the MIC leadership preferred to secure their position and co-operate with the MCA and UMNO. Thus, the MIC leaders enjoyed support from the Malay leadership which dominated the Alliance (Arasaratnam, 1970, pp131-32). On the other hand for the Chinese, MCA was argued to be the best political vehicle to advance the Chinese interests because it is through collaboration with the Malay majority in the Alliance Party (the former name of the National Front) that the Chinese community can better negotiate their position. This was in spite of the fact that UMNO was strengthening its position relative to MCA at each general election since 1969, underscoring the importance of inter-ethnic co-operation rather than ethnic conflict or polarisation (Chua, 1988, pp85-118).

Indeed, different analyses and ideas are articulated to resolve this polarisation and to bring about national integration. While Wan-Teh (1983) concludes that Malaysia's solution to ethnic relations lies in between accommodation and assimilation, he propounds partial assimilation through socialization of common values and adopting common elements shared by all three major races in Malaysia (Chap 9). But, some have questioned the integration idea, its implementation and the institutions to which the integration mandate has been entrusted⁴⁹.

In describing Malaysia's development, Jesudason has submitted a thesis that Malaysia has followed what he terms as an ethnic development framework. Although there are many other elements, we will analyse three aspects of his ethnic development framework: TNCs, local capital, and class alliance.⁵⁰

According to Jesudason, while the dependent development thesis presupposes that TNCs, being capital intensive, exacerbate unemployment, under the ethnic framework of development, TNCs "provide the state with an alternative to entrepreneurs from the advanced ethnic groups" and "[h]elps the state with employment creation (in labour-intensive, export industries)" (1989, p17). With

regards to local capital under ethnic development framework, businessmen from advanced groups face constraints imposed by the state. They are also weak in mobilising against the state. Yet, as he emphasises many times in his book, entrepreneurs from the backward groups are strongly promoted by the state. Finally, as for class alliance, he argues that with the ethnic development framework, there is no national policy of collaboration and no division of labour but much duplication of investments, especially between the state and ethnic capital (p17). In other words, the government strives for the advancement of the backward majority group, in this case the Bumiputras, at the expense of the minority advanced group, the Chinese, and that collaboration with TNCs are used as a means towards this end.

Since then, Jesudason (1997) has admittedly revised his conclusions about Malaysia's political economic realities. While his original thesis on ethnic development framework (Jesudason, 1989) states that the state upgrades Bumiputras' position by using TNCs to play against the more economically advanced Chinese capitalists, his latest work advances new observations⁵¹ (Jesudason, 1997). Jesudason (1997) argues that, due to changes in the internal organization of the Chinese business community as well as the class structure of indigenous society, there has been an increasing incidence of inter-ethnic co-operation; hence, rendering the "Chinese versus Malay" view of ethnic conflict as no longer useful. He conceptualises the interaction between Chinese and the state into three distinct phases starting from phase one, the dominance of the Chinese business community in the domestic economy, followed by phase two, the fragmentation of the Chinese business community, and finally, phase three, co-operation between Chinese and indigenous population. Thus, as he suggests, it is possible to replace the term 'Chinese business community' with 'Chinese in Malaysian business' (Jesudason, 1997). When the Chinese transnational 'Guanxi' (connection) is factored into the equation, this inter-ethnic collaboration becomes even more vital since the local Chinese are perceived as "an asset that will facilitate guanxi for prospective Malay investors in China" (p136). Strengthening this claim are the facts that the Malaysian Prime Minister led a 300-

person trade delegation⁵², the biggest ever, into China and “the fierce scramble among businessmen of all ethnic groups to be in the coveted circle of delegates” (Jesudason, 1997, p137).

Yet another staunch critic against the ethnic conflict bias in the Malaysian ethnic relations discourse is Mansor. At the heart of his thesis, he submits that the importance of ethnicity and ethnic consciousness is declining as a social factor in shaping individuals' social actions in Malaysia (Mansor, 1998a, 1998b). For instance in relation to his studies on Malay-Chinese joint-ventures, Mansor concludes that "Ethno-religious differences between these business partners were of no consideration in their choice and success of their ventures" (1998b, p6). Instead, what is considered crucial is the personal values, business experience, business expertise and business potential of the individuals involved. He has also conducted four other studies in which he found evidence supporting his argument about the declining importance of ethnicity in Malaysia in various spheres of life⁵³.

It must be noted, however, that being a pro-rational-choice sociologist, Mansor places his theoretical foundation on the assumption that "changes in alignment come about as a result of individual choices" and that "choices have to be made between individual responses and group alignment, or between alignment on the basis of class, or ethnicity, or religion (Mansor, 1999, p63).

He has made several other bold assertions as well. Indeed, he argues that it is due to the fact that group consciousness vis-à-vis ethnicity has reduced and that "[t]he consciousness of being Malay, Chinese or Indian in Malaysia resembles the secondary ethnicity of North America more than primary ethnicity that has contributed to the tension in the former Yugoslavia " (Mansor, 1999, p77). He also argues that there will be a further decline in ethnic consciousness, if the present trend of high rate of economic growth were to continue (pp77-78)⁵⁴. As we will argue later in this chapter and in the following chapters, the present research adopts a different view to this issue of declining importance of ethnicity.

Another contention that Mansor makes is that since groups interact and that not only the different group members are pulled towards different directions but that others in other groups are also engaging and interacting with them; hence, their ethnic alignment interact with these various institutions and is inevitably shaped by them (Mansor, 1999, pp77-78). This standpoint does not differ very much from Granovetter's embeddedness argument; nevertheless, we will explore this interaction between ethnic alignment and institutional interests in this research, and examine whether this interaction leads to a reduction or a strengthening of ethnic alignment or ethnic consciousness.

2.3.2. Second Key Area: Economic Development

Although focus on *ethnicity* has directed the main debates in public discourse, in a larger context, the development literature has also been preoccupied with analyses of economic development, specifically in relation to (1) the NEP (and government policies), (2) industrialisation and (3) regional competition and collaboration.

Discourse on the New Economic Policy (NEP)

Practically all major works on Malaysian development between 1971 (the inception of the NEP) and 1990 (its termination) have examined the NEP to a certain extent. The significance of the NEP has risen to a level that any study on Malaysia would be handicapped if it failed to mention it. The literature on the NEP covers various angles.

From the standpoint of racial fairness, Lim (1988) in The Future of Malaysian Chinese, criticises the first prong of the NEP which aims at no discriminatory or inequitable implementation of poverty eradication programmes. The major cause of concern was that the Chinese poor were worse off relative to the Malay poor (Chapter four, p37). Another concern was the second prong of the NEP: that the restructuring

efforts have led to the Chinese being deprived of new opportunities and thus, erosion of the Chinese economic position (Chapter four, p38). This is seen as creating “new imbalances” in the area of new investments and employment since the Malays were given more privileges than the Chinese to the extent of depriving the latter of their legitimate economic interests. Arguing along the same line, Crouch (1994) blames the Bumiputra-led government’s attempts of restructuring the society which have led to “racial polarisation and provided further justification for authoritarian government” (p33).

Reaffirming the primacy of ethnicity, Snodgrass (1980, Chap 10) argues that the future of NEP rests on the complex blend of ethnic- and class-based Malaysian politics. Snodgrass highlights the thesis, or rather the paradox, of modernization and communal identification, suggesting that development more likely leads to heightened communal self-identification and competition, instead of discarding these sentiments. “As communal groups develop at different rates along different lines, new social cleavages are created, (e.g., in occupational pattern or educational achievement), coinciding with and thus reinforcing the older distinctions which formed the original basis of communalism” (p282).

Casting doubts on the poverty eradication and restructuring agendas of the NEP, Jomo (1990) criticises the shifting of priorities by the government. Priority was shifting from poverty eradication towards restructuring from the beginning of the NEP formulation towards the Fifth Malaysia Plan (pp161-164). He stresses that this shift in emphasis “has tended to increase inequality within the Malay community” since a limited percentage of Bumiputra population would benefit from restructuring-type expenditure; instead, he argues that more Bumiputra will gain from poverty eradication activities as opposed to restructuring measures. He even questions some poverty eradication efforts that he claims would benefit the big farmers rather than the poor (p164).

As for restructuring, Jomo evaluates the Malay ownership share capital in the corporate sector and emphasises that although the achievement of the 1990 target of

30 percent Bumiputra ownership was suspended since in 1986, “the 30 per cent Bumiputra wealth ownership target has been achieved as far as the market value of corporate equity is concerned” (p161). Where occupational restructuring is concerned, success of Malay representation is achieved in low-income employment. However, the main sources of tension over employment-restructuring were access to business opportunities and lucrative occupations for the middle class (p165)

Jomo (1990) also discusses the other focus of the NEP objective, i.e. poverty reduction. He explores poverty reduction vis-à-vis increases in commodity prices. Poverty eradication was evident in the late 1970s due to favourable commodity prices for rubber smallholders and paddy farmers. However, as Jomo notes, “despite the tremendous increase in productivity in the mining and quarrying sector as a whole, and the considerable increase in the tin price between 1975 and 1980, poverty incidence among mine-workers rose in the same period” (p153). “The trend suggests that commodity price movements have different income effects on different types of producers. Whereas the incomes of self-employed commodity-producers tend to be directly linked to price movements of the commodities produced, incomes of wage-earners are not”(pp153-54). Therefore, he posits that raising productivity alone does little to eradicate poverty; the market prices of the commodities are what perpetuate the poverty among the rubber smallholders and farmers.

The problem on concentration of wealth, has been highlighted by several writers. Clad (1989) criticises that the role of the NEP in equity restructuring had led to market distortions where wealth is concentrated among the very few. These market distortions were prevalent in the share market and the banking industry (pp52-56). A more critical attack against this so-called weakness of the NEP comes from Mehmet (1988) who argues that the NEP adopts a ‘development by trusteeship’ strategy (p6 and Chapter 7). This critique holds that the trusteeship not only failed to eradicate poverty, but also perpetuated and reproduced it. This is the result of “a very rapid process of wealth accumulation under the control of the trustees themselves” (p157). Mehmet (1988) outlines five ‘distributional coalitions’ (a concept borrowed from

Mancur Olson) which he maintains as deriving 'quasi-rents' under the NEP trusteeship system (pp135-146):

1. Military Coalitions: the Ericson Telecommunication partnership,
2. Religious Coalitions: the Nestle Restructuring case,
3. Aristocratic Coalitions: the ANTAH Group of companies,
4. New Bureaucratic Coalitions: the National Equity Corporation,
5. Political Coalitions: the UMBC-MPHB affair

Essentially, Mehmet theorises that under the guise of trusteeship, these elites capitalise on the NEP to pursue their own economic interests.

Gomez and Jomo (1997) advance this problem of wealth distribution from the standpoint of political patronage. The authors support Adam and Cavendish (1994) and Yoshihara's (1988) views of cronyism under the NEP and linked the NEP to political patronage. Gomez and Jomo assert that, "There is much justification for such criticism since patronage networks, especially in UMNO, grew under NEP; it is through the NEP that rents have been created, captured and disbursed, ostensibly as part of government's policy of 'restructuring' to attain greater inter-ethnic wealth parity and to develop Bumiputera entrepreneurs" (1997, p25). They also state that the implementation of the NEP "was seen to be contributing greatly to the consolidation of the 'new rich', some of whom were reputed to be proxies of prominent politicians" (1997, p26).

Nevertheless, from the perspective of implementation, Faaland et al. (1990) present the complexities of realising the goals of the NEP and project a rather positive overall view of the NEP. Faaland et al. evaluate NEP's role in employment, ownership of companies and entrepreneurship, and income imbalance and summarised the importance of NEP in creating racial balance with respect to Bumiputra and Chinese population, and that while its major objectives have been achieved, another 20 years or longer would be needed before ultimately racial balance can be achieved (pp129-151). Economic development under NEP involved the modernisation of the agricultural sector in the rural areas through land development

and creating growth in the modern sector to promote Malay employment. However, poverty eradication was difficult in the rural areas since agricultural output did not sufficiently extend into many Bumiputra activities involved in paddy cultivation and small-scale activities (p129). Employment of Malays in management positions within the modern sector was also difficult as high level of skills were required. (p135). Faaland et. al. also refute that allocation for Malay equity ownership was at the expense of Malaysian Chinese and Indians:

“A thirty per cent capital holding which may be diffusely held is not a controlling interest and if capital issues are made on terms which properly reflect their market standing and expected profitability, they may even have been welcomed as a source of additional capital that would otherwise not have been readily forthcoming.”

(Faaland, 1990, p144)

In his book, The State, Transnational Corporations and Poverty in Malaysia, Toh (1982) discusses the core problems of the NEP with special reference to attaining fair corporate equity. These problems are (i) maintaining proportion of corporate ownership of Malaysian residents at approximately same level, (ii) reducing proportion of corporate equity of foreigners, (iii) inconsistency between the state's eagerness in promoting foreign investment and decreasing foreign corporate ownership, (iv) need for an alternative source of growth to restructure ethnic composition of the owners corporate equity, (v) disincentive effect upon private investment, (vi) possibility of the state divesting its accumulated shares (pp15-20). In essence, he has shown the problems encountered in the growth with equity agenda of the NEP, which often entails some degree of contradiction and which must be dealt with in order to achieve the objectives of the NEP. (We will discuss the NEP at length in Chapter Four which contains a detailed analysis of the development in Malaysia during the period of the NEP).

Despite all these problems, Siwar and Hasan et al (1985) have identified a list of achievements under the NEP (1985). Indeed, much of the literature criticising the NEP has been selective in providing the data on what the NEP set out to achieve; hence, have somewhat presented an incomplete picture. The information furnished in

Siwar and Hasan (1985), however, covers a rather comprehensive account of the NEP performance. They evaluate the NEP based on what its goals were. On poverty eradication, they analyse data from five perspectives: unemployment, income, poverty, regional development and differences and provision of basic amenities (pp250-257). Based on the empirical data, they have shown that under the NEP, some of the targets have been achieved (for instance, incidences of poverty have been reduced to 15% by the year 1990, beyond the 16.7% target, from 49.3% in 1970), while for those areas with unmet targets, notable progress has been made. On restructuring the society, they analyse four areas: distribution of household incomes, employment in primary, secondary and tertiary sectors, corporate equity, the establishment of Bumiputra Commercial and Industrial Community (BCIC) (1985, pp257-260). Siwar and Hasan et al (1985) argue that the goal of the NEP to restructure the society in order to produce fair ethnic representation in various aspects of the economy has produced mixed results. While in the areas of distribution of household incomes and sectoral employment, the conditions have improved markedly with results beyond the NEP goals, the NEP has not produced the expected outcome for corporate equity and the establishment of strong Bumiputra business community, although there have been some degree of improvement since 1970. They also counter the argument that the NEP would deprive non-Bumiputras from advancing their economic well-being by citing the increase of corporate equity among non-Bumiputras from 32.3% to 46.2% (which is beyond the NEP 40% target for non-Bumiputra), whereas the Bumiputra corporate equity has only expanded from 2.4% in 1970 to 19.0% in 1990 (which is still below the NEP 30% target for Bumiputras).

Nevertheless, the NEP has not been the only focus of literature critique; development and social analysts aim at other aspects of Malaysian development as well. Even though for more than two decades the NEP has been the main 'hot topic', there is another dimension of economic development, namely industrialisation, which is capturing a growing share of the development literature in Malaysia and claiming an increasing share of the credits and blames for the country's development.

Industrialisation

For the most part, the literature has focused on the impact of industrialisation in Malaysia. Indeed, it has been shown that industrialisation entails both costs and benefits to the country's development and together with these diagnoses scholars often provide their prescriptions as well (Brookfield (1994)⁵⁵; Jomo (1993); Siwar et al (1985, pp95-100); Low (1992, pp192-210); Machado (1990, pp504-531); Rao et al (1997, pp127-131); Warr (1987, pp30-55)).

As a start, Crouch (1994) posits that industrialisation, economic growth and the NEP have generated substantial changes in the class structure (Chap 2). As it produces a more complex class structure, he explains, industrialisation and economic growth have produced "the middle and business classes which have relatively more capacity to make the government be responsive to pressures from society" (p29). Lim and Pang (1991) argues that this push towards an industrialised nation accelerates the transformation for a highly interwoven economic structures enveloping all important spheres within the Malaysian society, creating what they term as a "complex web of linkages between the private, state, local and foreign sectors" (p30).

In the following paragraphs we will discuss further research which has analysed the factors that influence Malaysia's industrialisation as well as the advantages and disadvantages: Low (1992); Taylor and Ward (1994); O'Connor (1993); Fong (1986); Warr (1987). This discussion is useful because subsequently, in the critique section, we will examine some problems with certain aspects of this literature which include, among others, state-centrism, the fact that companies' practices are often taken as a given, lack of critical analysis of the external elements, lack of analysis on backward linkages vis-à-vis the free trade zones (FTZs) companies and their suppliers as well as the neglect of some of the power relations among the firms and within the industries.

Low (1992) has identified a host of external factors⁵⁶ confronting Malaysia's industrialization, including rapid innovation in technology, trade blocs, globalization of business, credit scarcity, environmental concerns, and competition for investments

(pp192-197). He has also analysed internal obstacles which consist of Malaysia's narrow manufacturing base, high reliance on FDI, lack of linkages with local companies, and limited export markets (pp197-210). Finally, Low has forwarded a wide-range of recommendations to enhance the competitiveness of Malaysia's manufacturing industries, and for each different set of problems, he has offered a different set of recommendations (pp208-229).

We will highlight two of his recommendations. In improving the reliance on FDI and stimulating domestic investment, Low (1992) proposes that (1) domestic investors be treated equally favourably and that family and small and medium size companies be encouraged to expand their companies and get their companies publicly listed in the stock exchange; that (2) there should be sufficient support such as providing venture capital, long-term soft loans and spreading off manufacturing opportunities and accessibility to technology; and that (3) in developing linkages and building a wider manufacturing base, Malaysian companies be upgraded to meet the requirements of MNCs (p207).

Secondly, on the lack of linkages with local companies, he suggests that (1) incentives be given for companies with local content to encourage greater degree of backward linkages; that (2) selective tariffs be imposed on certain foreign components; that (3) in order to encourage greater local inputs, policies to increase them be continued; that (4) in order to create opportunities to small and medium size companies, Government Purchasing Scheme is to be continued; and that (5) the five-percent abatement for big companies which source small industries components be extended to cover medium-sized companies, companies with RM10 million⁵⁷ shareholders' fund, and supply of supporting services (p208). Finally, Low also provides some solutions for upgrading developing export markets⁵⁸.

In Brookfield's (1994) anthology entitled Transformation with Industrialization in Peninsular Malaysia, Taylor and Ward have analysed how Malaysia's rapid industrialization process has been shaped by various factors. Taylor and Ward examined these factors through a framework which focuses on foreign

investment and government policies (pp104-121). In leading towards the discussion on foreign investment, they assert that “MNCs are the single greatest force promoting the global relocation of production and the emergence of new centres of manufacturing in countries such as Malaysia” (p104). Malaysia’s achievement of rapid industrial growth has depended heavily on this foreign investment, yet the “the need for such investment has been tempered by a desire to advance the role of Malays and other Malaysian residents in the economy through the operation of the New Economic Policy” (p106). Indeed their central thesis focuses on the tension between getting foreign investment to fuel industrial growth versus the government policies to achieve other developmental agendas (especially the NEP) which have shaped the industrial transformation since 1970s. Malaysia is said to face greater challenges than the other NICs “in reconciling its industrial development objectives with its political and social goals relating to regional development, Bumiputra employment and the restructuring of equity ownership” (p114).

In analysing a more specific business sector, O’Connor (1993) problematises the electronics industry experience through four main issues since its development in the 1970s (pp226-233). The four issues confronting the future of Malaysia’s electronics industry are: (1) strengthening the domestic electronics and related firms, (2) developing the needed human resources to maintain a competitive industry, (3) strengthening the R&D efforts, (4) fostering the diffusion of information technologies⁵⁹. The dependence on direct foreign investments has not assisted Malaysia to develop dynamic local firms. He also emphasises that since Malaysia’s electronic industry is narrowly-based, this narrowness has become a stumbling block to effective industrialisation that benefits the local economy, and that profits mainly foreign-owned equipment suppliers; nevertheless, currently this structural weakness is being addressed in the Malaysia’s Industrial Master Plan (IMP)⁶⁰.

This mixed review about Malaysia’s industrial development extends to another facet of industrialisation, free trade zones (FTZs). Fong’s (1986) analysis on electronics companies in FTZs and outside FTZs in Malaysia has led him to conclude

that those in FTZs are more internationally competitive than the counterparts who operate outside FTZs (pp59-63). He states that the international competitiveness of Malaysian FTZs electronic firms is due to their export-oriented nature, and hence not protected (p63). Using real spending as the unit of measurement for the comparative study of the benefit-cost analysis in which free trade zones (FTZs) exist versus situations in which FTZs do not exist, Warr (1987) explains that the net benefits of FTZs existence outweigh the net costs even if there was no net gain from firm's foreign exchange conversions; however, he stresses where FTZs are concerned, the lack of backward linkages is the thorny issue in Malaysia's industrialisation⁶¹ (p50). "It must be recognised that the primary obstacle to greater linkages between FTZ firms and the local economy is not a lack of willingness of FTZs firms to use domestically produced raw materials, intermediate goods or capital equipment, or even a lack of incentive for them to do so, but rather the inability of FTZs firms to obtain these materials domestically at the required standards of quality and dependability" (p54). Similar conclusions have been reached by Taylor and Ward (1994) on textile, clothing and footwear industries in Malaysia. Despite the fact that textile, clothing and footwear industries were among the firsts to be established in the FTZs and licensed manufacturing warehouse (LMW) areas, these industries have shown little integration and linkages with the rest of the domestic economy, except for some emerging 'embryonic complex' in Penang (pp155-158).

In response to the problem of lack of linkages in FTZs, Malaysia's Industrial Master Plan adopted heavy industrialisation as a strategy to reduce this weakness. Two case studies by Machado (1990) analyse this problem which involves the state-company negotiations. In examining the heavy industrialisation development in Malaysia, Machado focuses on two specific industries. There are two salient points to Machado's analysis on Malaysia's national car, PROTON, and the steel industry: the first is that the external factors affected the heavy industrialisation drive even more so compared to the internal factors. The external factors involved the Yen appreciation and the 1980s world economic recession which encouraged the Japanese firms to be

more willing to co-operate with Malaysia's government (because of the high cost of production in Japan itself due to the currency conversion), while the internal constraints include partisan politics and top management conflicts within the companies involved. The second is the importance of Malaysia's assertiveness in negotiating its developmental agendas with corporations (pp504-531). As far as advancing the developmental agendas of the country, Malaysia's assertiveness with the Japanese firms was instrumental in ensuring that the local content of PROTON met the 60 per cent target and in exporting PROTON to overseas markets. Hence, Machado states that Malaysia's heavy-industrialisation strategy was partly formulated to counter the weaknesses of FTZs, which include the lack of linkages (pp508-9). The industrialisation path pursued in Malaysia has also challenged some of the existing economic arrangements which were dominated by foreign interests. The production of the national car, Proton, has driven out four of the existing manufacturers, while upgrading the local engineering capacity and simultaneously developing component industries for exports (Harris, 1986, p112). Yet, despite government's attempts to make industrialisation work, many problems are still being attributed to the growth of industrialisation in Malaysia⁶². It is within this context that this present research hopes not only to investigate companies' ethnic integration and globalizing tendencies but also to analyse these elements vis-à-vis the interplay between the different players, i.e. the local companies, the local TNCs, the foreign TNCs and the government.

Regional Competition and Co-operation

The issues covered under the theme of regional co-operation range from not only TNCs (or MNCs) and foreign direct investment (Natarajan and Tan (1992); Lim and Pang (1991)) but also to matters relating to co-operation or competition among nations, especially with NICs, ASEAN, and Japan (Ariff (1991); Jomo (1985) and (1994); Skully (1985)).

The first thing that is obvious under this theme is the importance scholars placed on the issue of regional co-operation, especially among ASEAN countries⁶³ (Suriyamongkol (1988); ASEAN Secretariat (1997); Ariff (1991); Natarajan and Tan (1992); Sopiee (1997)). Ariff (1991) emphasises in his central thesis that Malaysian economic advantages are to be seen and linked to a larger framework of regional development and that the success of development in Malaysia depends very much on how Malaysia integrates into this regional capitalist economy. "In addition to the significant industrial restructuring and adjustments occurring in the individual countries of the Pacific, important constellations of regional forces are constantly at work reshaping the region through regional co-operation, coalition-building, and bloc formations" (p6); therefore, as the logic goes, it is only commonsensical that Malaysia participates in these efforts in order to take full advantage of the regional development (chap 5 and 6). In analysing foreign investment in Malaysia, Taylor and Ward (1994) show how investments by other ASEAN countries are beginning to become more substantial than before, hence increasing the importance of the ASEAN countries' regional co-operation (pp109-111). Suriyamongkol (1988) also discusses how this regional economic co-operation has become much more significant now than in the 1960s and the 1970s because there is a higher degree of political 'conduciveness' within the countries themselves for such co-operative efforts (chap 2 and 3). Placing great importance on economic resilience for Southeast Asia, Wong and Higuchi (1991) discuss the need for Southeast Asian countries to have outward-looking policies, even those policies that go beyond the region towards global economy (pp1-5). At the individual or corporate level, Heng (1992) has shown that the Chinese business groups and business men have co-operated with others in the region and have formed extensive joint-ventures and the like⁶⁴ and some are interested to expand beyond Southeast Asian region into other Pacific countries, including North America. Ariff (1991), who views regional co-operation to include economies beyond Southeast Asia, states that "the role of the pacific actors is crucial, not only because the market for Malaysian industrial output lies mainly in the countries which are

investing heavily in the country, but also because the industrial experiences of some of the major Pacific investors, especially those of the NIEs are particularly relevant to Malaysia, as the country is apparently trailing the footsteps of those who have succeeded” (p134). Taking the example of Malaysia-Singapore-Thailand regional development as an illustration, Natarajan and Tan (1992) argue that, first, as Singapore-based companies relocate part of their operations to Malaysia and Thailand, the Singapore operations benefit by upgrading to new product lines and higher-technology activities. The second point is that there was a far greater complementarity than competition among Malaysia, Singapore, and Thailand. Thailand’s chief advantages are cheap industrial land and plentiful supply of low-cost and hardworking production operators. Its drawback is an over-strained, congested infrastructure. This is diametrically opposed to Singapore’s position. Malaysia’s position is mid-way in this spectrum. Thirdly, the intensity of Malaysia and Thailand’s aspirations to catch-up with Singapore showed that continuous technological upgrading has taken place. Fourthly, the three countries are part of a “global value-added chain” and there are many ways for each node to add value to the products and services⁶⁵. This inflow of MNC investments has strengthened their networks and has led to greater integration of the three economies (pp59-61).

Another facet of this regional co-operation and competition discussed in the literature is the changes resulting from cross-national investment and incremental integration. In explaining the issue of foreign direct investments (FDI) in the regional development, Lim and Pang (1991) claim that many FDIs now involve investors from more than one source country to build strategic alliances and that truly transnational or a-national business corporations have begun to emerge; and hence, global corporate interests increasingly take precedence over the national interests of home as well as host countries. Furthermore, according to them, foreign investment has contributed to the growing convergence of industrial structures and patterns of investment in the NIEs and the developed countries (pp180-181).

Yet, foreign investment can be seen as creating problems to local economy; from this critical standpoint, Jomo (1997) discusses the issue of evolution among the import substitution industries in relation to cross-border investment, stating that in Malaysia, these (import-substitution) industries are gradually becoming more outward-oriented. He refers to Rasiah's (1994) idea that due to the fall of protection which is a direct result of the development of AFTA (ASEAN Free Trade Area whose aim is to liberalise ASEAN economies' trade), Malaysia's non-competitive industries will be undermined⁶⁶. As for Malaysia's competitive industries, AFTA will boost their market shares; hence, there will be regional competition as well as co-operation (Jomo, 1997, pp109-110).

The regional co-operation-cum-competition (including such vehicle as AFTA) is also seen as a response to direct or indirect challenges of globalization (Ariff (1991); Sopiee (1997); Chee (1997)). Ariff (1991) speculates that if the world economy turns into several trade blocs, Malaysia would be at a disadvantage if it were not part of an ASEAN free trade zone; however, a better alternative would still be a larger Pacific trading group which includes East Asian countries (such as Japan, Taiwan and China) in order to benefit from trade-creation effects⁶⁷ (pp183-185).

Juxtaposing the regional co-operation against economic developments in the world scene, Chee (1997) argues that the rationale for an enhanced ASEAN intra-regional co-operation becomes clear, as the formation of other regional trade blocks such as NAFTA, MERCOSUR and the emergence of trade liberalisation, which destroys tariff and non-tariff barriers, and globalisation, which dissolves national borders, have increased the competitive tension at the global level (pp140-142). Supporting the Fifth ASEAN Summit⁶⁸, he describes the regional activities as being strategic in preparing the region for the global economic challenges in the 21st Century. Taken separately, each co-operative activity or scheme may seem insignificant, yet when combined, they form a meaningful model, i.e. an ASEAN region which is heading towards a single regional economy that is highly competitive (Chee, 1997, pp149-150). In advancing the idea of regional co-operation further,

Sopiee (1997) proposes the ideas of a Pax-ASEANA and an ASEAN Commonwealth. He presents these ideas in his discussion and reflection of a common ASEAN vision for the year 2020⁶⁹ in which he envisages that a Pax-ASEAN community which is peaceful and an ASEAN commonwealth with economic community that is prosperous and larger than United States and Japan, and again more capable to face all challenges at all levels: national, regional and global (pp134-135). In order to achieve this vision 2020 for ASEAN, he argues that a significant change is needed, in which all policies and strategies be based on the idea of “prosper-thy-neighbour”, i.e. finding ways to share, co-operate, and assist neighbouring countries within ASEAN and to remain united, instead of begging from each other (pp138-139).

2.3.3. Critique: Vital Issues and Gaps in the Development Literature

As far as critiquing the literature is concerned, there are three major issues to be addressed. The first deals with the significance of ethnicity as the literature has reinforced what seems to be the paramount status of ethnicity in the analyses of Malaysian development. The second major issue is the need to identify a complementary perspective or perspectives to local factors such as ethnicity. The third area involves the unit of analysis. Almost all scholarly attention has been steered towards the state apparatus, specifically the Malaysian government and political parties; therefore, there is a possible gap which needs to be seriously studied and explained. Finally, the chapter will conclude with the ontological and epistemological limitations of current theoretical frameworks of Malaysia's development literature; there seems to be insufficient discussions or theorising on how the major social forces and social relations converge and interact to shape the various social realities in Malaysia.

Ethnic Issue

In presenting the ethnic economy thesis, it is useful to reiterate the emphasis on ethnicity as a main variable, or even a candidate for the determinant, behind the

development history of Malaysia. As we have discussed early in this chapter, ethnicity has probably shaped or interacted with most of, if not all, other factors and forces of change in the Malaysian society. Its significance is directly or indirectly emphasised by virtually all writings which have dealt with Malaysia's development history⁷⁰. Ethnicity is particularly relevant and significant sociological issue in Malaysia especially as it relates to inequality and power struggles within the public and private sectors. Social scientists studying ethnicity in Malaysia should not lose focus of this emphasis on ethnic inequality at least until more equitable social realities emerge. Therefore, the present research affirms the significance of ethnicity and ethnic equality by examining the degree of integration at the structural, operational and attitudinal levels of the corporations. Furthermore, given the socio-political and economic evolution, and the structures of Malaysia's society, studies on main centres of power in Malaysian would have limitations if ethnicity is not factored in.

However, the present research is predicated on the assumption that the social reality in Malaysia cannot be explicated with an economic framework alone nor can it be reduced to ethnicity as the primary determinant. It is against this backdrop of complex social existence that we should examine the ethnic economy thesis in order to provide a working framework for the synthesis of class and race. There are several concepts and propositions from the ethnic economy literature that are of relevance and significance to Malaysia's development in general and specifically to the present research. To begin, ethnic economy is said to exist "whenever any immigrant or ethnic minority maintains a private economic sector in which it has a controlling ownership stake" (Light and Karageorgis, 1994, p648)⁷¹. Bonacich and Modell (1980) define ethnic economy as an economy with self-employed, employers, and co-ethnic employees of any ethnic or immigrant group who create their own sector of employment out of the local market (pp45, 110-11).

Co-ethnic members of an ethnic economy are able to tap into what is termed as ethnic resources (such as networks, cultural values, kinship and marriage systems, trust, social capital). Therefore, in practice, in order to support ethnic economy's

entrepreneurial activities, class resources, including capital as well as means of production and distribution, are combined with ethnic resources.

As for market power, industrial clustering by co-ethnics explains the control over selected sectors of trades and professions. In addition, Light and his colleagues (1994) refer to the studies carried out by Wilson and Porter (1980) who conclude that the ethnic economy obtains oligopolistic-like advantages of big firms through the vertical and horizontal expansion via the placing or positioning of co-ethnic sons and son-in-laws into related industries. This industrial clustering is seen in many instances across many localities, such as cities in the US and the UK. By reducing and restraining competition within a particular industry, this pattern of ethnic-related economic behaviour leads to economic closure (the effective hindrance of other non co-ethnics from entering the industry), which has been achieved particularly by many East Asians (Light 1972, chap 4 and 5).

The ethnic networks that emerge within the ethnic economy become a potentially powerful resource for fellow co-ethnics. These networks have the ability to convey valuable business-related insights and strategies and to create the possibility for co-ethnic to obtain preferential purchasing, to penetrate new markets, as well as to build and sustain a significant degree of monopoly. Nevertheless, ethnic economies facilitate the increase of groups' incomes. When ethnic economies are large enough, they accelerate groups' economic mobility (Light and Karageorgis, 1994, pp661-3). The 'twist' in Malaysia's social reality is that the economic power is held under the so-called immigrant ethnic group, while the local ethnic group has been mostly left behind economically. Nevertheless, the ideas of ethnic resources and class resources are useful concepts to evaluate the various social spheres in Malaysia's development, especially when analysing the corporate world. Hence, as the present research seeks to incorporate both ethnic and economic variables into its framework of analysis, the ideas propounded in the ethnic economy thesis will facilitate a better comprehension of the differences among the ethnic groups as well as the general direction of development in Malaysia. This ethnic resource perspective may be useful in

understanding what the different ethnic groups in Malaysia can offer to one another that may encourage them to co-operate with one another, either within the company or even outside the company.

Turning the attention back to the Malaysia's development literature, although the importance of ethnicity has been repeatedly stressed, the current literature on ethnicity in Malaysia offers limited explanation in two areas. The first gap involves the issue of ethnic conflict versus ethnic co-operation or integration. Since many have focused on tension and conflict between ethnic communities (e.g. Kahn and Loh (1992); Ratnam (1965); Vasil (1980); Faaland et. al. (1990); Young et. al. (1980); Abraham (1987); Cho (1990); Tan (1992)), there is insufficient exploration into their co-operative efforts. In addition, the literature explaining economic inequality using cultural attributes points to the ethnic tension rather than cooperation between the Malays and Chinese. (Abdullah (1992); Huang (1974); Silcock (1963); Snodgrass (1980); Abraham (1997); Wikkramatileke (1964); Abdul Aziz (1957)). Last but not least, the discussions on NEP revolve around the fact that its implementation has led to more poverty and increased political tension between the Malays and the Chinese. (Lim (1988); Crouch (1994); Snodgrass (1980); Jomo (1990); Clad (1989); Mehmet (1986); Gomez (1994)). The second area in ethnicity, which lacks adequate analyses, is in the ways in which companies manage ethnicity. Indeed, there have been numerous discussions evaluating the objectives, the policies, and the implementation of the state and its related political and non-political machinery, yet not enough on the institutions in the private sector. To reiterate, this research focuses on companies' practices and policies on ethnic relations and ethnicity, exploring the various patterns of pertinent companies practices as well the ways in which they manage ethnic conflicts and ethnic co-operation. Nevertheless this vacuum will be discussed further in the section on state-centrism.

Global factors

But operating from an ethnic paradigm alone, at the expense of understanding other divisions: rich-poor, urban-rural, east-west, as indicated by Fisk, may lead to incomplete inferences (Fisk and Osman-Rani, 1982, pp8-19). Since ethnicity or race is very much linked to local social forces, studies of societal institutions which focus merely on it (ethnicity) and exclude global forces may have epistemological weaknesses. In such studies, ethnic variables should be complemented with global variables in order to factor in forces external to Malaysia. The significance in examining both local and global forces, at least at the ideological or doctrine level, is highlighted by Wallerstein and Balibar (1988) as they examine the abstract notions of racism and universalism. Wallerstein (1988) states that: "What we see is a tense link between the right dosage of universalism and racism-sexism. There are always efforts to push one side or the other of this equation 'too far'. The result is a sort of zigzag pattern. This could go on forever, except for one problem. Over time, the zigs and the zags are getting bigger, not smaller" (pp35-6)⁷². Wallerstein contends that racism is the solution to the paradox within the capitalist world economy by minimising the costs of production in order to maximise the accumulation of capital while minimising the cost of political disruption; "hence minimise – not eliminate, because one cannot eliminate – the protests of the labour force" (p33).

However, on the one hand, Wallerstein places the economy at the centre and sees that universalism derives from the structure of the economy and the market, and racism as an outcome of the division between core and peripheral labour markets. Balibar, on the other hand, places nationalism at the centre with racism being an expression of it (nationalism) and that universalism exists as a paradox within racism (pp9-10). Smith (1995) dwells with this issue from a different standpoint as he poses the question, "why, at the close of the second millennium, there should be a resurgence of ethnic conflict and nationalism, at a time when the world is becoming more unified and interconnected, and when the barriers between ethnic groups and nations are falling away and becoming obsolete" (p1). His answer to this question is

based on a framework of “mutual influence of ‘layers’ of social and historical experience, and the derivation of national phenomena from ethnic and territorial symbolism and modes of organization” (p6). Smith disagrees with the idea that changes in political and cultural domains can be deduced from changes in the economic sphere and asserts that polities and cultures contain their very own characteristics and nature, although he recognises the presence of the global forces at work which warrants closer scrutiny (Smith, pp8-28). Hence, the present study juxtaposes ethnic variables with globalisation variables not merely to examine the connection between these two sets of variables, but also to reveal a more complete picture of the dynamics of corporations and corporate practices.

State-centred paradigm

As for the persistent focus on the state and the government, inevitably most analysts have positioned their discussions in support of or against the policies of ruling administration or leaders. This state-centred bias turns analyses of development into a type of ‘policy science’, as argued by Preston in Rethinking Development: Essays on Development and Southeast Asia. He proposes the disentangling of social science from policy science in development studies (Preston, 1986, Chap 5).

Putting the state at the centre of analysis risks presupposing that present-day societies are uni-centric. The process of globalisation suggests that other economic forces are at work as well, particularly the world capitalist factors, such as transnational corporations, transnational investments or even the big business owners themselves, and such centres of power are emerging rapidly in Malaysia as well. The significance of these power centres can even be found in some state-centric literature on Malaysia’s development, for instance Heng’s (1992) discussion on Chinese business owners⁷³; or Machado’s (1990) analysis on Japanese corporation and Malaysia’s national car manufacturer PROTON⁷⁴; or Sieh’s (1992) examination of business transformation, equity ownership and management positions⁷⁵. While

numerous research projects on Malaysia have been carried out targeting on the state especially in relation to the successes and failures of the state and its policies, the 'private sector' especially the corporations, their policies, and their practices have not been adequately investigated⁷⁶. While a great number of writings on corporations in Malaysia can be found in management and business publications, these commonly have a general pro-business orientation and are of limited use for research purposes. The state-centred paradigm in Malaysian development literature still assumes, at least implicitly or indirectly, that power to originate change is the sole property of the government. Yet with the development of export-oriented industrialisation, privatisation, foreign direct-investment, free-trade zones, a poly-centric reality is fast emerging. Hence, these new centres of power must be evaluated with the same level of scrutiny as the state has been all this while. The vortex of political power has expanded, if not shifted, into 'new' zones, which social science has only begun to understand.

Comparative data among nations must be complemented with comparative data between and within industries and corporations if we are to explain development and its absence. The empirical work on corporations is increasingly vital since the Malaysian administration, like many others of the aspiring industrialising countries, has more and more similar economic policies and practices with other upcoming market economies. It follows that governments in these robust economies, like Malaysia, Thailand, Singapore, might learn from each other's successful economic policies, and quickly replicate and even match them in their own countries. Therefore, by merely comparing and contrasting aggregate data among different nation-states, research in social science may lose sight of the economic actors behind these data. This certainly does not imply neglecting the state's social-policy framework in which these economic actors are functioning. Nevertheless, in the Malaysian context, the state and its NEP have long been under the siege of development studies; so it is timely for new research to be directed to other emerging

centres of power. This is the rationale behind this present research inquiry into companies and companies' practices in Malaysia.

Main Theoretical Thrusts

Integrating these issues together with the relevant theoretical ideas, the present research will examine the findings vis-à-vis (1) the social embeddedness thesis focusing on the four relationships (discussed earlier in chapter one), (2) the ethnic economy thesis with emphasis on ethnic resources, (3) the global-system perspective, especially in relation to transnational practices (TNPs), and (4) Mansor's thesis on the diminishing importance of ethnicity particularly within Malaysia's business environments.

These will form the theoretical thrusts of the present research. In connecting them to the thesis, Sklair's ideas on TNPs and non-state centric perspective will assist in the research methodology, for instance companies are used as the unit of analysis and companies' practices are evaluated as the basis for measures for the research variables. The data obtained will be critically analysed against the social embeddedness thesis, the ethnic economy thesis and Mansor's thesis on diminishing significance of ethnicity in order to ascertain the relevance and the usefulness of each of these theses. They will be used to explore the possible explanations for the factors which influence both globalization and ethnic integration within companies. In other words, these theoretical thrusts are meant to be the 'golden threads' weaving through the core of the present research. We will return to and discuss these theories and theses in a much more in-depth manner for the analysis and explanations of the findings in later chapters.

2.4. Conclusion: Four Points of Contention for a New Type of Theorising

In concluding this chapter, we will raise four points of contention to build the foundations for a new type of theorising in order to advance the literature on

development in Malaysia. This new type of theorising has both ontological and epistemological challenges. The first two points of contention below deal with the ontological aspects, while the last two address the epistemological problems.

As an overview, the four points of contention involve:

1. The need to identify and analyse *major entities, institutions or groups* that have shaped Malaysia's development and not be constantly fixated on a uni-centric assumption of social reality (such as state-centrism) or marginalising certain entities, institutions or groups.
2. The need to examine *the relationships between these entities, institutions or groups* and assess the significance and the relevance of these relationships.
3. The need to verify *the existing theories and assumptions* by examining hard and soft evidence on the ground from the social actors themselves as well as from their social environment, including evidence on structural or institutional characteristics, policies, practices, and perceptions. Existing theories must be informed by and correspond to the empirical changes or verifications on the ground.
4. The need to be able to identify any '*emergence*' or '*arrival*' of *new entities, groups or institutions as well as relationships* in the scene of Malaysia's development. Again, changes in the empirical world may lead to changes to existing theories and assumptions.

Our first point of contention is that the literature on Malaysia must identify and examine the major entities, institutions or forces that are shaping the course of development. While the literature on Malaysia has factored in the major entities and players of development, it seems to be focusing on the same set of entities and issues. Yet, this new type of theorising should study major entities without necessarily assuming that a single entity occupies the centre stage while the rests gravitate around that entity, such as what has been the case with Malaysia's development literature which places the state as the primary mover of the society. This is evident in

Malaysia's development literature in which the government's policies and agendas, especially in relation to the NEP, have been given far more attention than the agendas of the corporations or even the labour movements. As we have shown in the writings of Siwar and Hasan (1985), and Faaland et. al. (1990); even Toh (1982) whose book is entitled The State, Transnational Corporation and Poverty in Malaysia, all have focused on the problems of the NEP. This does not presume that no single entity is able to be the origin of change. But to constantly operate with this assumption risks creating theoretical blind spots such as the state-centric paradigm, which steers all enquiries towards the state and draws attention away from conducting the same level of in-depth analysis of the transnational institutions such as transnational corporations and supra-national bodies, for instance IMF, WTO and the like. Another example is Low (1992) where despite his recognition of external forces facing Malaysia's industrialisation, his recommendations are geared toward the state, and appears to be uncritical of these external forces. Likewise, although Taylor and Ward (1994) emphasises the tension between foreign investment and government policies (especially the redistributive policies), their analysis centres on the Malaysian government rather than the Malaysian companies or even the foreign companies in Malaysia.

The challenge for this new type of theorising is not only to identify the major players and potential powers, but also, more importantly, the power relations between them. The importance of analysis of relationships between entities is at the heart of the second point of contention. These twin tasks - to identify the different social forces and the relationships between them as well as to collect the relevant data - pose both ontological and epistemological challenges which must be considered in such theorising. At the ontological level, we have pointed to the need to go beyond local factors, hence covering the relevant global factors as well examining other centres of power such as corporations. However, it may not be sufficient to shift focus and observe each individual entity or group in isolation. Studies focusing on a single entity needs to be complemented with those examining other important entities as

well, in order to establish a fuller picture of the social reality. What is necessary is to identify and analyse what relationships each entity has with other entities because the type of relationships each entity has may direct its priorities and actions. The key here is to understand their relationships. The knowledge of relationships will enable researchers to re-evaluate the conceptual divisions, such as the Bumiputra-non-Bumiputra division, and to reformulate new divisions, such as local versus foreign capitalists, as we discussed above.

The fixation on ethnic groups and on typical conceptual trajectories of Malaysian ethnic relations - particularly on whether one ethnic group (either Bumiputra or Chinese) is dominating or benefiting from the nation's development at the expense of the other - hinders or at least marginalises the type of theorising that explores 'new' realignment or groupings, such as the possibility of the growing local business alliances between non-Bumiputras and Bumiputras. This fixation may also hinder the theorising of 'new' conflicts, such as the local business alliances versus the foreign business corporations. Abraham's (1997) analysis on the ways in which colonialism has laid down the structures of ethnic conflicts in Malaysia fails to take into account the relationship established between the Malay aristocrats and the rich Chinese elites, although due credit must be given for his discussions of relations between the British and the Chinese communities. Yet, the co-operative relationship between the Malay and Chinese elites may have provided some insights as to how ethnic conflicts were suppressed or exploited after independence was obtained from Britain. Similarly, Gomez and Jomo's (1997) thesis on political patronage and rent-seeking activities by the state offers critical evaluation on the relationship between local businessmen and the government; nevertheless, it is short on the analysis on relationships between TNCs and government or TNCs and the local businessmen. One can argue that one of the main reasons such an alliance between the government and local capitalist is forged is to create sufficient concentration of power to negotiate with the TNCs who themselves have substantial concentration of power financially and technologically; hence the theorising can be improved with the analysis of

relationships with other entities which bear significance and relevance to the matter at hand. With regards to the literature on industrialisation and FTZs (for instance, Fong (1986); Warr (1987), Taylor and Ward (1994), the discussions on problems of backward linkages neglect to take into account the relationship between those export-oriented companies operating in the FTZs and their existing suppliers. We may discover that there are other important considerations besides the quality of inputs of the local suppliers or their dependability or lack of incentives, such as their long-term relationships or contracts with their supplier network which can be part of the competitive strategy for their company. This analysis of company-company relationship is also lacking in the literature on regional co-operation and competition (Suriyamongkol (1988); ASEAN Secretariat (1997); Ariff (1991); Natarajan and Tan, (1992); Sopiee (1997); Chee (1997). As we have discussed, the regional co-operation/competition is often taken as co-operation and competition between and among countries. There are insufficient analyses carried out to examine co-operation and competition between companies in Malaysia and those from other countries. Yet, with such inter-company analyses, we can be more informed as to the power relations that exist and whether Malaysian companies are benefiting from these co-operative/competitive relationships. In addition, when these discussions use the word 'Malaysia' or the phrase 'Malaysia will benefit', it is often unclear whether the word refers to Malaysian government, or Malaysian companies, or Malaysian workers or a combination of them. However, there are exemptions such as Jomo's (1983) critique on Malaysia's national car PROTON with Mitsubishi.

Therefore, in advancing the theories of development in Malaysia and in building and integrating the foundations of a new type of theorising, we have submitted two points of contention: 1) that there is a need to bring together major entities, groups or centres of power into a working framework of analysis; and 2) that once these entities, groups or centres are identified, the relationships between them need to be analysed.

The third and fourth points that we will focus on relate to the epistemological challenge of this new type of theorising on development in Malaysia. At least, in order to avoid reification of social entities or relationships that do not exist, studies should check these entities or relationships against the data on the ground, for instance researchers can verify this by examining the perceptions and practices of members of the groupings or entities as well as the more objective external structural elements. So, in the case of the present research, enquiries should be made to evaluate the perceptions and practices of managers and corporations as well as the institutional or structural data, such as corporate equity and ethnic composition of employees in the corporations. In advancing his ideas of transnational practices (TNPs), Sklair (1995) argues on the importance to study abstract concepts in relation to observable phenomena (pp59-62). Therefore, even though transnational practices are abstract, they describe and refer to practices of the agents (Sklair, 1995, p59). Such an approach based on practices, focuses on the observable and at times measurable, rather than abstract entities and relations. Sklair states that, “[I]t is not only *impossible* to theorize fruitfully on the basis of abstract relations which are nothing but abstract relations, but it is *only possible* to theorize fruitfully on the basis of abstract relations that refer directly to observable phenomena in material reality” (p59). Similarly, in the eyes of Mills (1956), in order to understand the power elites⁷⁷, he argues that it is necessary to examine their codes of honour as well as their actions as decision makers (pp284-287). Mills claims that codes of honour of the power elites “are the codes of their circles, those whose opinions they defer” (p284). The importance to analyse “their policies and the consequences of their conduct of office” is stressed because they are in strategic positions to make decisions which can lead to detrimental effects to the population (pp286-287). Although, Mills warns against operating with the assumption that these people belong to a club with permanent and well-defined boundaries, or with the assumption that the power elites have “unity of policy” because they know one another, he asserts that there are well-established

formal and informal relations, especially with respect to their shared beliefs, similarity of institutional structures, and coinciding interests (pp227-228).

At this point, it is necessary to outline some of the basic ideas involved in what Blaikie terms the “abductive approach” of theorising which can address the weaknesses of current development literature on Malaysia. The present research also adopts the abductive approach to a certain degree. Blaikie (1993) traces back the abductive research strategy to the Hermeneutic tradition. He argues that the abductive strategy is being adopted by many who are using the Interpretivist ontological and epistemological elements, including Critical Theory, Realism, Structuration Theory, and Feminism (pp176-177). In the chapter on *Abductive Strategies*, he discusses these ontological and epistemological issues in more detail (pp162-197). Essentially, the abductive approach emphasises the individuals’ accounts and explanation regarding their own and other people’s actions as the gateway and access to the social world. Consequently, the language of the individuals is crucial in that it embodies the relevant concepts and structure of meanings upon which they construct fragments of explanations or theories about their social world. Researchers, therefore, must integrate these fragments of meanings and interpretations into theories in order to construct a description of their social world. What sets the abductive strategies apart from either inductive or deductive strategies are its standpoints on social life in that it adopts a relativist view of social reality rather than a single reality, as well as its approaches to develop the understanding of social life in that social scientific knowledge is to be derived from daily perceptions, meanings and concepts that are socially constructed. Hence, while the inductive approach of Positivism and the deductive approach of the Critical Rationalism tend to neglect perceptions, meanings, interpretations and intentions, the abductive strategy views these elements as the foundation of theorising for social scientific knowledge.

Bringing these arguments back to generating a new type of theorising for development research in Malaysia, the present research sees that it is necessary to examine plans, practices and relationships in order to understand the nature and the

direction of the entities such as corporations. The research adopts the embeddedness approach prescribed by economic sociology in which social action and social networks are to be analysed in order to grasp a deeper understanding of economic life⁷⁸. The present research utilises the embeddedness thesis (as discussed in Chapter One) in explicating the connection between the variables of ethnicity and globalisation. In studying ethnicity, it will be insufficient to stick to gathering information on income distribution and occupational patterns (for instance, Snodgrass, 1980), or examining the values of the various ethnic groups (for instance, Abdullah, 1992); what is needed is to carry out more studies on their practices and performances of not only the social actors themselves (for instance Huang's (1974) case studies on two ethnic communities in government-subsidised farming settlements), but also the practices and the performances of the institutions and the networks in which the social actors operate. An example of the institution in which ethnic groups operate is the political parties which have been investigated to a significant extent (Arasaratnam (1970); Ling et. al. (1988); Gomez (1994)). But, beyond the political parties, little effort has been invested in areas such as corporations, labour movements, and NGOs. It is through the examination of practices of social actors, the practices of their social institutions, and the practices of their relationships that we can verify the win-lose assumptions that often become the basis of many ethnic conflict discussions such as Lim's (1988) criticisms on the inclinations of the NEP to deprive the Chinese of new opportunities and erode their economic standing or Vasil's (1980) arguments on Malay political paramountcy. Analysing these elements of practices, we may be able to find that there is evidence to suggest that there are some levels of ethnic collaboration and integration. Indeed, it is through the knowledge gathered from the field on the changing nature of groupings and relationships which leads Jesudason (1997) to critique his own previous views of Chinese versus Malay conflict as being no longer useful and that the interaction between these groups has entered a phase of inter-ethnic co-operation. In relation to the present thesis, this is a point worth noting. It is also the assumption of this

research that to investigate company practices based merely on ethnic conflict vis-à-vis Chinese versus Malay may be inadequate, if not misleading. Approaching the research from this Chinese versus Malay standpoint may marginalise other possible conflicts, such as local versus foreign capital; and more importantly, it may lead to an oversight of possible ethnic co-operation between the different ethnic groups, as we have discussed earlier.

Therefore, by examining the nature of ethnic integration in companies, the present research presupposes the possibility that there is some degree of ethnic integration occurring in these companies and this phenomenon is worth investigating. Nevertheless, the research does not seek to debunk the notion of Chinese business community as Jesudason (1997) attempted to. The facts remain that there are still numerous formal and informal ties which bind Chinese business persons together, for instance the associations of Chinese with the same family name, Chinese chambers of commerce, Chinese school alumni associations, and sub-ethnic Chinese groups such as Contonese, Hokean and TeoChu societies. All these possible networks can serve as the basis for business communities for fellow Chinese. However, the focus of this research is not on these communities, but rather on the integration of the various ethnic groups at different levels within the companies in Malaysia. So the research is a study of inter-ethnic integration as well as of intra-ethnic integration. Although inter-ethnic integration may lead to what Jesudason calls fragmentation of the powerful Chinese business community, it is beyond the scope of the present research to answer that interesting query. Nevertheless, it can be argued that Jesudason stops short of formulating a framework to identify a new division emerging between the local non-Bumiputra-Bumiputra business alliances and the foreign alliances. This brings us the next discussion.

The fourth point of contention aims at building the methodological ability in identifying new social integration and divisions as well as in constructing new theories. By checking the data on the ground, studies should be aware of patterns that may indicate emergence of new entities and groups or new relationships. These

entities, groups or relationships may come through by the changing nature of existing entities and relationships or through the arrival of new ones. The emergence of new entities, groupings and relationships does not necessarily eliminate the existing ones, since the incumbent entities, groupings and relationships tend to be more familiar with their own space and locality, and thus, might adapt to the changing environment, such as what has been argued by Dicken (1998) in the case of the state vis-à-vis foreign investment and transnational corporations (chapters 3 and 8).

Nevertheless, basing development theories on mere perceptions, meanings and concepts socially constructed by the social actors without critical evaluation as advocated by the abductive strategies can be erroneous for these actors can be influenced by the hegemonic powers which seek to condition the former to think and act in ways that support the hegemonic powers. Understanding these perceptions, meanings and concepts is important, but researchers must be able to assess them critically⁷⁹. The process of theorising ought to be a dynamic one. In bringing the development literature to a new level, the theorising should be able to (1) use theories in order to formulate conceptual frameworks, (2) study the evidence on the ground and identify new patterns to be the basis of theory formulation, and (3) explore the perceptions and the meanings of the social actors to capture the reality as constructed by them and their interaction. Therefore, although the abductive strategy advocates the view of social reality as a social construction of actors, for the fourth point of contention, we stress that both the 'insider' view as well as hard evidence from the 'outside' (such as events in Malaysia's history, changes in government's economic policies, or in the case of the present research, data on companies' ethnic composition of employees and patterns of promotion) should be the basis for theorising in development literature in Malaysia.

Given the significance of the historical development in understanding Malaysia's social reality, the next two chapters will outline the Malaysian historical evolution focusing on changes in the political and economic arenas, since it is against

this backdrop of Malaysia's political economy that the present research will make more sense.

¹ The main facts and discussions of Malaysian or Malayan history can be found in: Sir Richard Windstedt's Malaya and Its History (1996), and Amin and Caldwell (ed.) Malaya: The Making of a Neo-Colony (1977). For a more theoretical approach, see Snodgrass's Inequality and Economic Development in Malaysia (1980), and for a more radical review see Nonini's British Colonial Rule and the Resistance of the Malay Peasantry (1992). Other older writings but equally authoritative include K.G. Tregonning, The British in Malaya: The First Forty Years (1965) and J.M. Gullick, Malaysia (1969).

² Earlier when the British came into the Malay Peninsular in the nineteenth century, it started out as a British business venture where the British East India Company leased the island of Penang from the state of Kedah. By 1824, Treaty of London placed three trading ports, Singapore (the first free trade zone), Penang and Malacca under the British sovereignty, which were better known as the Straits Settlements (Tregonning, chap 6, 1965). But since 1874, the British Resident was then responsible for the administration, law, and taxation (Young, 1980, p13).

³ There are very limited books written specifically on Chinese in Malaysia; however, there is a number of articles and writings on Chinese in Malaya and Malaysia found in various chapters of Malaysian history and development literature. Comber's 13 May 1969, A Historical Survey of Sino-Malay Relations (1983) traces the history of Chinese-Malay relations from the fifteen century to the May 13th 1969 ethnic riot. His book outlines the history from the early periods to the Japanese occupation and British reoccupation to the emergency and the Malaysian independence and finally to the ethnic riot of 1969. Although the accounts are slightly sketchy in the first chapter, the rest of the chapters offer helpful discussions about the development of the Chinese people as a whole. The Future of Malaysian Chinese (1988) is written from a Malaysian Chinese perspective by several Chinese authors and leaders; and examines some aspects of a more recent Chinese history, such as Chinese political dilemmas, economic position, education and culture. Several chapters (chaps 4, 5, 6, 9 & 12) in Tregonning's A History of Modern Malaysia (1964) provide useful historical insights involving the Chinese in Malaya. British Malaya (1966) by Mills contains a useful chapter on 'the Chinese in British Malaya'; in addition, the two chapters which specifically discuss issues about Penang and Singapore, respectively are also relevant. Purcell's chapter, 'The Chinese in Malaysia', in Wang's (ed.) Malaysia: A Survey, frames the discussion from an 'overseas Chinese' standpoint, and analyses recent politico-historical issues such as the Chinese language vis-à-vis the Malay language which is the official Malaysian language, education, equal rights, and cultural heritage. Snodgrass, in Inequality and Economic Development in Malaysia, has several relevant chapters (chap 2, 3 & 4) which examine the history of Chinese in Malaya and Malaysia (along with other ethnic groups), including the emergence of plural society, the Bargain of 1957, the May 13th 1969 riot and the New Economic Policy. Hashim discusses three issues of Chinese nationalism: the Kuomintang nationalist movement, the Malayan communists and the Babas in his book Race Relations in Malaysia (1983). Abraham, in his book Divide and Rule: The Roots of Race Relations in Malaysia (1997) dedicates a major chapter entitled 'Chinese Immigrant Labour and Tin Mining'. Among others, it provides explanations on the social structure of Chinese society in the Straits Settlements and the impact of colonial situation in mitigating social class. Issues in Contemporary Malaysia (1977), written by a team of authors from a diverse ethnic background, has a chapter specifically on Chinese community examining their history covering the early twentieth century, the Second World War and the resistance movement of Malayan People's Anti Japanese Army, Malayan Communist Party, the Chinese new villages, as well as the Chinese economic and political activities.

⁴ Apart from the British effort, some Chinese came independently, as they already had contacts with the peninsula. Along with the workers, there were also a substantial number of Chinese merchants and contractors. It was these business-minded Chinese who operated businesses and developed control of the local economy in many strategic trading locations subsequently, these strategic locations turned into towns and cities.

"The creation of a secure and stable state bureaucracy and its necessary financial precondition - the emergence and prosperity of European and Chinese tin mining capitalism - were central pre-occupations of British officials in these years [1874-1905]" (Nonini, 1992, p44).

⁵ Similar to the discourse of history of Chinese in Malaysia, the history of Indians in Malaysia or Malaya is framed together with the rest of the ethnic groups in Malaysia. There are even fewer writings on Indians compared to literature on Malays or Chinese. There are hardly any books written with specific reference to history of Indians. However, Arasaratnam's Indians in Malaysia and Singapore (1970) is an exception. It begins its analysis by charting out the relationships between India and Malaya before the nineteenth century. Then it draws attention to the immigration and settlement of Indians focusing on the machinery and process of immigration, the growth of the Indian population in Malaya. The book also examines the development of Indian society in Malaya with regards to issues of labour, commercial and professional groups, politics, unionism, and education. A chapter entitled 'the Indians' in the book Issues in Contemporary Malaysia (1977), explains the history of Indians by tracing their geographical origins back to India (mostly from South Indian). Like many other writings, it emphasises the fact that the coming of Indians to Malaysia coincided with the development of the plantation industries which include industries such as coffee and rubber. Despite the fact that a number of them had business skills and capital, they did not develop into a powerful commercial community. It also discusses the political development of Indian communities with their involvement in the multi-racial party in order to strengthen their relatively weaker economic position. Divide and Rule: The Roots of Race Relations in Malaysia (1997) by Abraham offers a substantive chapter on 'Indian immigrant labour and the rubber plantation' in which the structure of the rubber industry is analysed together with the role of the colonial government, followed with the immigration of Indian labour and the ways in which the social class of the Indian community evolves. Hashim's Race Relations in Malaysia (1983) provides a brief account of Indian nationalism. He tracks the history of Indian nationalist tendencies back during the time when Hindus and Muslims managed to form an alliance to force the British out of India. Hashim credited the Indians stating that although relatively few in number (compared to Bumiputras and Chinese), Indians showed interest for their own welfare and organised the first Pan-Malayan Conference in 1928 to discuss the predicaments of the Indians in British plantations. The Indians had also protested against the British policy towards the Indians. Others writings include a section on 'the Indians' in Snodgrass's Inequality and economic Development in Malaysia (1980, pp39-44) and Sandhu's 'Some preliminary observations on the origins and characteristics of Indian migration to Malaya, 1886 - 1957' in K. G. Tregonning (ed.), Papers on Malayan History (1962).

⁶ There were, reportedly, significant numbers of deaths in these British plantations, from 200 per 1000 annually in British estates, compared with 10 per 1000 in those owned by other Europeans; and physical beatings and intimidation were commonplace (Amin and Caldwell, 1977, p24). Through the Indian Immigration Committee and Fund, the Indians came to Malaysia for a number of reasons (p23). Some were unable to pay their debts in India and saw this as an opportunity to free themselves from their financial liabilities. There were also those who were convinced that there were better paying jobs in the Malay Peninsula. Therefore, unlike the Chinese, many of them who came had little money. However, it must be noted that there were also Indians who came as small money lenders, textile merchants, and clerks for British civil service as well companies.

⁷ In addition to these more common professions, there were Indians who worked as Christian priests, surveyors, Indian labour agents, lawyers and doctors (Arasaratnam, 1970, pp82-84). Snodgrass provides a comparison of the 1911, 1921, 1931, 1947 and 1957 statistics of the leading Indian occupations (1980, p40). Indeed many worked as labourers, but as he noted in the discussion, some were traders, proprietors and policemen (pp39-40). This group of Indians assimilated well with the existing Indians on the peninsula who already had established themselves in the commercial sector of the economy.

⁸ Several scholars verify the presence of this colonialist strategy of divide and rule. Among the scholars are Abraham (1997) who has the British policy of divide and rule as part of his core thesis, explaining the roots of ethnic conflicts in Malaysia in which the British colonial government and companies created a polarised society based on class and ethnic formations. Arasaratnam who discusses the issue from British government structures for instance, having two different British authorities to deal with the Chinese and the Indians separately (1970, pp49-51). The divide and rule

approach is also apparent in British colonial education system, especially with its elitist philosophy of education which separates the people of lower status from those of upper status (Rudner, 1994, pp281-298).

⁹ To the British, it was obviously a smoother, more efficient, more orderly way to control and manage the people. Nevertheless, it has been argued that most Malays were not interested in the kinds of jobs and "the opportunities" that the British brought to the economy. They were also "disinclined to subject themselves to the exceedingly harsh living conditions in the mines and on the plantations" (Young, 1980, p13). To most of Malay Bumiputras, their villages and the natural surroundings provided them with abundance of food and resources.

¹⁰ As quoted by Ormsby-Gore, the Under-Secretary for the Colonies in his 1928 survey report on the Malayan rubber industry, "Native rubber production...introduces an element of competition which is destined to put the European estates, with their high overhead charges and costly management, to an increasingly severe test. It appears at first sight, indeed, the rubber production may quite conceivably follow the example of the coconut industry and become a predominantly native crop... The native is already a serious competitor." (Nonini, 1992, p78)

¹¹ These measures included Rice Lands Enactment (1917) which prevented rice lands of the Malays to be used for rubber plantations; and Malay Reservations Enactment (1913) which preserved lands exclusively for Malay ownership but prohibited rubber cultivation on them; and discrimination on Planters' Loan fund whereby Malay peasants were ineligible. (Nonini, 1992, pp.72-74).

¹² However even at this juncture, the British colonialists realised that the ethnic order could disrupt their capitalist venture of material extraction. The British colonisation left a great impact on the social relations between these different ethnic groups. The British also had a strong hold over the economy. Unlike the French and the Dutch, the British, being colonisers who had studied and understood the dynamics and the mindset of many Southeast Asian cultures, were able to create stability and a long-term relationship of exploitation. By establishing workable relations among the different groups, they were also able to co-ordinate the whole system in that colony (Silcock, 1965, p181).

¹³ Among other things, the British East India Company had monopoly control over all direct trade between China and England (Tregonning, p107). The Company had branches all over Malaysia (Bassett, 1965, pp113-127). The Company also owned important ports such as Penang and Singapore (Tregonning, p104; Turnbull, 1965, p128). In addition, Peng (1983) states that in 1953 alone, European companies, many of them British, also had ownership over 83% of the rubber plantations in Malaya, equivalent to 1.6 million acres. Likewise, in 1954, 62% of total tin output were owned and controlled by them; they also controlled majority of the imports and exports (pp39-40). However, the British capitalist interests were also represented by other actors or institutions (p39). Peng explains that the Malaya's financial dependence manifested in three areas: Currency Board System, public finance, and private banking sector (pp44-52).

¹⁴ As Silcock states, "they [the Chinese] are much more industrious and more enterprising than the other races of South East Asia. But other qualities also contributed. They are far more adept at using money and credit than the Indigenous races, and are much more skilled at turning a social and political situation to their own advantage" (Silcock, 1965, p183). With the different clans and secret societies, the Chinese labour force was much more organised than that of the Malays; therefore, the Chinese business entrepreneurs were able to purchase much land and many tin mines which eventually became "gold mines". A number of them even had joint-venture projects with the local Malay rulers in opening up new mines and in importing more Chinese immigrant labours. It is also true that most of these joint-venture activities represented efforts initiated by the Malay rulers to capitalise on this new discovery called tin. In part this was due to the fact that most Bumiputras were not interested in these new ventures that would require their moving out of village lives. On the other hand, as the Chinese invested more effort in the growing capitalist market, their economic position improved markedly. Their economic participation was not limited only to tin mining. They engaged in virtually all occupations. The Chinese economy consisted of "planters, miners, bankers, doctors, lawyers, accountants, civil servants, schoolmasters, contractors, rubber manufacturers, timber merchants, booksellers, hotel-keepers, pig-rearers, poultry-farmers, market-gardeners, carpenters and fishermen" (Winstedt, 1996, p19).

¹⁵ Some of these schools were opened by the British and some independently. The fact is that it happened under the British rule and with British approval. The British also built English missionary schools. These English schools were founded mainly for sons of prominent Bumiputras, and wealthy Chinese and Indians who could afford the fees (Amin and Cardwell, 1977, p31). Indeed, this was arguably an effort to create an educated elite class, be it Chinese, Indians or Bumiputras, loyal to and who sought guidance and direction from the British. But some argue that at least the British had left behind an educated elite group ready to assume responsibilities in both public and private sectors (Higgins, 1982, p151).

¹⁶ See Moorhead (1963, pp168-173) for an explanation on how Sir Andrew Clarke intervened in the internal affairs of the Malay states which eventuated in the Engagement of Pangkor, 1874. The Engagement of Pangkor relegated the powers of the Malay Sultans in that they must agree to accept a British resident "whose advice must be asked and acted upon in all questions other than those touching Malay custom and religion" (Moorhead, p169). For more discussions on religion, see A. Hamid Wan's 'Religion and culture of the modern Malay', in Wang (ed.) *Malaysia: A Survey* (1965, pp179-198); and Winstedt's (1947) discussion on religion pp18-44. Hence, most of the power of the royal palace and its councillors were stripped off. In order to satisfy the Chinese businessmen, the colonial government opened new towns for them and allowed more trading for the Chinese in the ports. However, for the colonialists' own security, they did not hire Malays, Chinese, or Indians as soldiers and guards. Rather, Sikhs were brought in from Punjab and they were usually paid well.

¹⁷ Some of the money gained through their business was sent back by Chinese in Malaysia to China to help the Nationalist movement. Tung Meng Hui, an association first formed in China led by Dr Sun to support the nationalist revolution, established branches in Singapore in 1906, followed with Kuala Lumpur, Penang and several other cities/towns in Malaysia. From 1900 onwards many other Chinese associations were founded in Malaysia to raise funds to fuel the Nationalist movement in China (Wan-Hashim, 1983, pp29-31). All these activities led to a nationalist-cum-clannish mindset among Chinese in Malaysia.

¹⁸ This resistance was exemplified even at the very onset in the state of Perak, when British Resident, J.W.W. Birch was killed in 1875 by a Malay patriot, who, along with other Malay leaders, were then murdered by the British troops. This led to the 1875 Perak War which saw the defeat of Bumiputra peasants (Turnbull, 1965, pp135-136). At the end of 1875, the British also put down the rebellion in the Negeri Sembilan state. During this Negeri Sembilan War, the battle of Peroi, which is the last encounter, resulted in 37 British killed and 35 Malays killed and a large number was wounded (Amin and Cardwell, 1977, pp64-65). There were several other instances of Malay protests, rebellions, and resistance. See Nonini (1992, pp62-66); Amin Caldwell (1977, pp64-71). On the ideology for the use of force, see Abraham (1997, pp26-28).

¹⁹ The Malayan Communist Party (MCP), an offshoot of the Malayan People's Anti-Japanese Army, decided to go underground to initiate a revolution against the colonial British after World War II, when the British determined to return to rule Malaya after abandoning it for so long (Young, 1980, p15). The communist movement, however, could not mobilise enough members across different ethnic groups. "An armed communist revolt, directed from Mainland China and 99% manned by Chinese, began in 1948 and soon assumed threatening positions" (Freeman, 1968, p18).

²⁰ Hussain's *History of Malaysia* (1986, pp8-21) is a good start. He dates all major developments leading to the formations of the various political parties from April 1948, the armed insurrection by communists to Malayan delegation representing the Alliance party and Malay Sultans to the British government in London, and to the eventual Malaysia's independence of August 1957. Another good description and analysis of the parties' formations can be found in Ratnam's (1965) discussion on party politics. The discussion includes analysis of various well-known and lesser known parties: The United Malays' National Organisation (UMNO), The Malayan Democratic Union (MDU), The Malay Nationalist Party (MNP), The All-Malaya Council of Joint Action (AMCJA), The Pusat Tenaga Ra'yat (Putera), The Putera-AMCJA coalition, The Malayan Chinese Association (MCA), The Malayan Indian Congress (MIC), The Independence of Malaya Party (IMP), The Alliance, The Pan-Malayan Islamic Party (PAS), and The Socialist Front (pp142-174). In *Ethnic Politics in Malaysia* (1980), Vasil provides three chapters (chaps 3, 4 and 5) on the formations and developments of several political

parties while emphasising his 'Malay political paramountcy' thesis. For a briefer account, see Faaland et. al. (1990, pp8-12).

²¹ Abraham (1997), for example, explains how the Indigenous groups were being excluded from the modern sector of the economy while the Chinese were being favoured by the Colonial powers; hence, Chinese were in a more advantageous position compared to Bumiputras (pp104-136). In *Growth and Ethnic Inequality*, Faaland et. al. (1990) examines the Bumiputra-Non-Bumiputra disparity and states that the Chinese were mostly in the high productivity modern economic sector, occupying more strategic geographical locations of the West Coast plain where the infrastructures were more developed; thus, they "formed an economic layer below the Europeans in the modern sector" and "they benefited from these developments and were in position to take over from the foreigners when they later divested themselves following Merdeka [the Malaysian independence]" (pp6-7). Puthuchery showed that while the European companies were becoming significant, the Chinese dominated the manufacturing sector in Singapore (Singapore was still a state of Malaya during the colonial rule) (Puthuchery 1960, p104 quoted in Peng, 1983, p40).

²² Although contextualised in a constitutional framework, Vasil (1980) discusses in detail, many aspects of this Bargain of 1957. He begins with the constitutional commission and the constitution of Malaya, followed with the citizenship, language, religion, and special position of Malays (pp30-58). See also Snodgrass (1980, p46).

²³ See Ratnam, (1965, pp175-200); Goh (1971, pp3-6); Vasil (1980, pp92-116); Snodgrass (1980, p21-22).

²⁴ This was a decision made in the year 1965 by an opposition Chinese party, Peoples Action Party or PAP (led by Lee Kwan Yu, a conservative British educated lawyer who then became the first Prime Minister of Singapore). The PAP had lost many seats in an earlier election but retained strong political control in Singapore. This was the point where Malaya was renamed Malaysia. This separation caused uproar of criticisms against the Chinese party in Singapore and against the then Malay Prime Minister who was said to be not strong enough to protect Malay interests. Though there was federal military force on the island of Singapore, the Malaysian government decided not to use it. The secession was seen as mutually beneficial by both the opposition and the Alliance. Also, the Chinese party (MCA) in the Alliance perceived the opposition, PAP, as being too radical and feared that the PAP would undermine their (MCA's) own Chinese support in Malaysia. As for the Malay politicians who agreed with this separation, they did not want to have the future of their political influence diffused or counterbalanced by the large number of Chinese opponents in Singapore. This politics of demographics had existed since the independence of 1957 (Young, 1980, pp18-19).

²⁵ There are quite a number of writings and related writings on Malaysia's New Economic Policy (NEP). Faaland et. al. (1990); Jomo (1990); Crouch (1994); Snodgrass (1980); Clad (1989); Gomez (1994); Gomez and Jomo (1997); Lim et. al. (1983); Toh (1982); Siwar and Hasan (1985); Mehmet, (1986). See also a section in chapter two of the present thesis under 'economic development' which provides analyses on these writings.

²⁶ EPU or Economic Planning Unit, one of the twelve members of the National Development Planning Committee, is the highest decision-making body at the official level. The other eleven members are the Implementation Co-ordination Unit (ICU), the Public Service Department (PSD), the Ministry of Primary Industries, Ministry of Trade and Industry, Ministry of Education, Federal Treasury, Science Adviser to the Prime Minister's Department, Public Works Department, National bank, and Ministry of Agriculture (Ibrahim, 1994, p284).

²⁷ Snodgrass analyses this debate at length (1980, pp9-11). Five groups which advocated the EPU approach are 1) the international banks which include the World Bank, the IMF and the Bank of England; 2) foreign advisors represented by expertise offered by international agencies and consultants; 3) foreign investors such as foreign owners of major banks, plantations, mines; 4) the non-Malay business community interests which consist of powerful chambers of commerce as well as political parties that had close links with them, (e.g., the Malaysian Chinese Association); and 5) conservative Malay elites, many of whom were aristocrats. The EPU approach maintained that the higher the increase in GNP, the higher the standard of living and the general welfare of the people. They

advanced a policy of 'turning to normalcy'. It was argued that the strategies of the '60s had brought prosperity to Malaysia. "The pro-growth, or trickle-down, school argued that it would be unfair to ascribe past problems to adherence to a strategy of rapid growth, that in fact this adherence had not been strong enough or implemented with sufficient consistency and determination" (p9). Therefore, what was needed was a more effective implementation of the previous approach. When growth is maintained over a sufficient period, the economy would eventually balance up "through price mechanism where necessary, supplemented by limited budgetary allocations for the poor, especially the Malays, can be tolerated. But the main thrust of their economic policy was to accelerate growth, and distribution would take care of itself; this was the basis of the EPU trickle-down approach.

The proponents of the DNU came from the new leadership of UMNO, led by the Prime Minister Tengku Abdul Rahman as well as many civil servants. The DNU pro-distribution approach pinpointed the unequal development of the 1960s and the colonial era as the source of problem. "The distribution, or the interventionist, school hotly disputed this kind of 'trickle-down' prescription, arguing that the time to do something about ethnic inequality had indisputably arrived and that this necessarily means a much more direct intervention in the economy, if need be, at the cost of economic growth" (Snodgrass, 1980, p10). Others have also argued that Bumiputras had not received their fair share of the economic pie; in 1970, Bumiputras with more than half of population had only 2.4% of the total corporate equity, whereas other Malaysians have 32.3% (Faaland et al, 1990, p142). This signified that there were serious problems of distribution in the system. When development occurred, Malays were ill prepared to become involved in an economy where cash and profits played a major role in production. The DNU advocates reasoned that key governmental policies and major institutional, social, cultural obstacles militated against effective Malay participation (Faaland et al., 1990, p31). Hence, the DNU stated that the economic objective of national unity should be expressed as the improvement of economic balance between the ethnic groups and reduction of ethnic-economic disparities.

²⁸ The actual policy statements that came out from the negotiations, however, seem to be very beneficial to the pro-growth group as well. The DNU highlighted three areas of disparities: income, employment, and ownership of capital and assets. Besides the issue of distribution, the DNU approach also took the stance that economic growth needed to be sustained. However, if a situation necessitated a choice between growth and distribution, ethnic-economic balance would not be sacrificed in favour of growth.

²⁹ In reducing and eliminating poverty, the NEP "aims at increasing the access of the poor to land, physical capital, training and other public amenities"; hence, increases "the quantity and the quality of the factors of production at the disposal of the poor". On the second prong, the NEP "aims at reducing the dependence of the Malays and other indigenous people on subsistence agriculture and at increasing their role in the modern rural and urban sectors of the economy" (Lim, 1983, p3).

³⁰ Among them: Federal Land Development Authority (FELDA) in charge of the land redistribution and settlement schemes, Council of Trust for the Indigenous People (MARA) with five divisions consisting of transport, commerce and industry, training, technical services, as well as credit finance, Federal Agricultural Marketing Authority (FAMA) in charge of assisting farmers to market their products without being exploited by middle-men, and Bumiputera Bank to supply necessary credit. There were other similar government agencies and bodies. Hussain (1986) stresses that rural development was an integral part of NEP agendas. Besides these four institutions, others include Malaysian Agricultural Research and Development Institute (MARDI), the National Padi and Rice Authority (LPN), the Rubber Industry Smallholders Development Authority (RISDA), the Malaysian Rubber Development Corporation (MARDEC), Food Industries of Malaysia (FIMA), the Fisheries Development Authority (MAJUikan), Bank Pertanian or Agriculture Bank, and Farmer's Organisation Authority (FOA) (pp74-75).

³¹ Jomo, 1990; Crouch, 1994; Snodgrass, 1980; Gomez, 1994; Gomez and Jomo, 1997; Toh, 1982; Siwar and Hasan, 1985; Mehmet, 1986. See also a section of Chapter Two of this thesis under 'economic development' which provides analyses on these writings. We have quoted some useful references in Chapter Three of this thesis; see the section on 'Resolution for Development: Two Opposing Rationales'. Nevertheless, several writings provide useful measurements and statistics on the NEP: Faaland et. al. (1990) is probably one the best sources of facts and statistics, especially vis-à-vis how growth and ethnic inequality have changed under the NEP; Cho (1990) compares and contrasts the

how NEP statistics such as various specific public sector expenditure of the Second, Third, Fourth and Fifth Malaysia Plans; Nash (1988) provides good analysis on economic performance of the different races in West Malaysia; Clad (1989) highlights some statistics on public listed companies criticising the second prong of the NEP restructuring agenda to achieve greater balance in ethnic-economic representation; Lim (1983) discusses the political economy of the NEP; Thillainathan (1983) offers a critique on the NEP evaluating the discriminatory allocation of public expenditure benefits for reducing inter-racial inequality in Malaysia. Other references include Jesudason (1989) Ethnicity and the Economy: The State, Chinese Business, and Multinationals in Malaysia, and Hoffman and Tan (1980) Industrial Growth, Employment, and Foreign Investment in Malaysia.

³² In evaluating the economic feasibility of NEP, Snodgrass (1980) stresses that developing a sufficient number of qualified Malay manpower which would contribute towards economic growth could be a challenge (p 280). Although enrolment for higher education amongst the Malays increased rapidly in 1970s, he asserts that increases in productivity cannot be assumed to be linked with formal education only, but also with learning on the job or other out-of-school settings. However, the time available for the latter form of training to fill the targeted higher-level positions may not be adequate.

³³ In 1990, the mean income for Bumiputra was RM928, Indians, RM1,201 and Chinese RM1,631 as indicated in the Table 4.4. Indians get 29.41% more (RM1201 divided by RM928), while Chinese get 75.75% more (RM1631 divided by RM928).

³⁴ According to Bussink, the role of the government is essentially to stimulate the private sector making it more appealing since the employment structure is mostly shaped by the private sector, except for that associated with land development. (1980, p122). Bussink reasons that an attractive private sector would lure large number of new entrants of Bumiputras into it; thus, assisting the shift from the less productive sectors and occupations to the more productive ones.

³⁵ Fong points out that it is misleading to focus on income differential by ethnicity for "the vast majority of the income differences at independence was due to the fact that over two-thirds of the Malays resided in rural areas, while the majority of the Chinese were in urban areas" (1989, p53).

³⁶ Yusuf (1994) evaluates on the progress in growth and equity during the 20-year period of NEP implementation (pp. 599-608). He notes that absolute poverty has declined from about half (49.3 per cent) in 1970 to about 17 per cent in 1987 and 15 per cent in 1990. The number of 'hard-core' poor declined from 6.9 per cent in 1985 to 4 per cent in 1990. However, by 1990, Malay poverty rate was about four times that of the Chinese and three times that of the Indians. He also explains on the narrowing of income inequality in that the households in the bottom 40 per cent of the population increased their share of total income from 11.4 per cent in 1973 to 14.5 per cent in 1990. In addition, although the overall rural-urban inequality gap narrowed, urban inequality was still higher than in the rural areas in the end of the 1980s. Inter-ethnic income inequality has also narrowed. However, by 1990 intra-ethnic income inequality was higher among the Bumiputras relative to the non-Bumiputras. On employment and ownership imbalances, the Bumiputras were still disproportionately represented in the lower unskilled categories and made marginal advancements into the professional and technical occupations.

³⁷ Dicken asserts that the states have generally adopted an increasingly liberal stance in accommodating the needs of foreign capital. However, the actual policies adopted by the states depend on their ideological mix. This ideological mix can be viewed through a matrix of ideal type standpoints with market-rational versus regulatory state on one side, and on the other side, plan-rational versus developmental state (1998, pp79-101).

³⁸ By evaluating the agricultural sector since the NEP implementation, Kassim (1987) notes that a major shift in the agricultural policy needs to be considered (pp206-237). Although the poverty reduction programmes helped to improve the poverty situation since the NEP implementation, he emphasises several factors which have led to the persistence of poverty among paddy farmers, rubber smallholders, and the hard-core poor. He discusses the seven causes of persistent poverty among paddy farmers: small farm size and tenancy, population growth, stagnant yields, labour displacement, inadequate attention to non-paddy crops and farm activities, insufficient opportunities for non-agricultural employment, and the rising costs of living and production (p216). For the rubber

smallholders, he attributes the causes of poverty to the decline of the real price of rubber, the unequal redistribution of gains in output, the small size of holdings and the large household size among the smallholders (pp222-223).

³⁹ Siwar (1994) cited Harun (1990) and Ismail (1991) who stressed that the 34.4 per cent point reduction in poverty incidence between 1973 and 1987 showed 31 per cent points of reduction were due to growth related strategies and only 3.3 per cent points were due to efforts of improving income within the target groups (p803). Siwar affirms that "the high incidence of poverty at the micro and village level suggests that the broad-based rural development approach implemented in the past may have resulted in 'pockets of areas' not benefiting from the development process and inaccessible to basic infrastructure and services (p804)."

⁴⁰ The following is a list of writings which have ethnicity as a central theme, if not, the central discussion: Ariff (1991), Chee (1977), Faaland (1990), Fisk (1982), Gomez (1994), Hashim (1983), Jesudason (1989), Kahn and Francis (1992), Jomo (1989), Nagata (1979), Silcock (1965), Snodgrass (1980), Tan (1992), Tham (1977), Toh (1982), Young (1980).

⁴¹ Gomez and Jomo (1997) point out some authoritarian features of Malaysian government such as 'diminution of powers of (nine constitutional) monarchies' and 'ownership of docile press by politicians and politically influential businessmen' which were being legitimised by the threat of ethnic conflict and the need for political sacrifices and political stability (pp1-3).

⁴² Jesudason (1989) goes to the extent of regarding ethnicity in Malaysia as "...a reality sui generis, and cannot be reduced to class" (pviii).

⁴³ See Comber's (1983) chapter on the prelude to the May 13th 1969 riot in which he discusses the uneven economic balance linking the class and the race issues, which among others led to the May 13th 1969 riot, hence, leaving a permanent mark on the political-economic history of Malaysia (pp.52-62).

⁴⁴ See Abdullah (1992), Othman (1993), Dahlan (1991), and Abdul Aziz (1991).

⁴⁵ In an anthology edited by Abdullah (1992) on Understanding the Malaysian Workforce, one of the cultural values mentioned frequently is preserving face - not embarrassing others. Mansor writes on the importance of preserving face when reprimanding; Alfa cautions against being too frank by immediately rejecting a candidate in recruitment processes since this causes the candidate to lose face (p73); Abdullah discusses a section on the concept of face and explains preserving face in both Malay and Chinese cultures ('jaga maruah' in Malay and 'len mentzu' in Chinese) is important for they serve as the overriding value for maintaining social harmony (pp13-4); in decision making, Shephard argues that the reason of being general or vague about making commitment is to be sensitive and to avoid the loss of face by saying no outright (p63).

⁴⁶ Abdul-Rahman (1993) talks about 'budi' (basically means kindness/indebtedness) as a value threading through matters such as wealth, co-operative efforts, and mannerisms (p112-113); Othman (1993) argues that 'budi' must be seen in relation to other psychological, social-psychological and sociological concepts such as learning, awareness, reinforcement, perception and in the larger context of political and socio-economic development (pp198-240).

⁴⁷ Abraham (1997) states that, "That European capital and the colonial government were capable of acting jointly against Chinese interests was a new development and, indeed, a conscious realisation to the Chinese that, in the ultimate analysis, they had to consolidate their own resources and stand together in order to survive" (p141).

⁴⁸ Abraham (1997) argues that, "[c]oming as they did under the 'sponsored' immigration programme of the British government in India as well as in the FMS (Federated Malay States), they were the most subject to inward and outward migrations associated with the economic climate in the country. This raised the point among the Malays as to their apparent lack of attachment to Malaysia, and their general failure to establish themselves as a vital and continuing element in the socio-economic structure negated any serious consideration being given to them economically or politically by the colonial government. It is within this context that the role of trade unions among the Indian labour force takes

on a new dimension. It was the means through which Indian labour attempted to articulate their economic grievances" (p178).

⁴⁹ See Tan (1992, Chap 8), Kahn (1992).

⁵⁰ In addition to these three aspects, Jesudason (1989) discusses leaders' goals, bureaucratic behaviour, state enterprises, economic outcomes, political outcomes, and the various Chinese business responses to state politics, including compliance and non-compliance individual and group behaviours, since they are 'the advanced group' to whom he refers as being constrained by the state (pp 17-18).

⁵¹ See Jesudason's 'Chinese business and ethnic equilibrium in Malaysia' (1997) where among other things, he discusses the 'tolerable equilibrium' in which he incorporates Chinese transnational (guanxi) networks, Chinese local business interests, orang koporat (Malay corporate men) and Malaysia's political economy into a historical-structural analysis.

⁵² The date was not stated.

⁵³ In addition to the study on "Inter-Ethnic Business Joint-Ventureship" carried-out in 1997, Mansor did four other studies which are mainly based on surveys: (1) "The Determinants of Malays Ethnic Alignment (1992), (2) The Study of National Unity in the Context of Manpower Utilization in Labour Market (1996), (3) Towards Racial Harmony The Development of Universalistic Norms and its Impacts on Ethnic Relations Between Malay and Chinese Students in the University of Science Malaysia (1997b), and (4) Ethnic Trends Among Malay and Chinese Students in the University of Science Malaysia.

⁵⁴ This is due to the fact that "Malaysian's high rate of economic growth which has enabled the Malaysian-Malays to catch up with the Malaysian-Chinese without the latter suffering any decline in their economic circumstances" (Mansor, 1999, p78).

⁵⁵ Harold Brookfield's (ed.) anthology, Transformation with Industrialization in Peninsular Malaysia (1995), provides one of the most comprehensive accounts of industrialisation in Malaysia. It discusses issues such as industrialisation and political change, the connection between agriculture and industry, land use, regional dimension of industrialisation, sectoral dimensions, characteristic of work in manufacturing sector, squatters, stress as well as environment. Another collection of writings which offers in-depth analyses on industrialisation, albeit written more from economist's standpoints, is Jomo's (ed.) Industrialising Malaysia: Policy, Performance, Prospects (1993).

⁵⁶ Low (1992) argues that each of these external influences creates possible problems for the manufacturing sector in Malaysia. For instance, rapid innovation in technology can challenge Malaysian industries' capabilities to manage shorter product life cycle; trading blocs such as NAFTA may lead to impositions of greater degree of trade barriers and globalisation of business, which means manufacturers can relocate their plants anywhere as well as form strategic alliances which can create greater competition for or against Malaysia's manufacturing sector, and scarcity of credit, since the demand from other countries for capital will strain the availability of credit for Malaysia.

⁵⁷ RM stands for Malaysian Ringgit (formerly known as M\$ or Malaysian dollars)

⁵⁸ In developing export markets, Low's three prescriptions are (1) to accelerate intra-ASEAN trade through growth triangles and AFTA (ASEAN Free Trade Area); (2) to encourage exports to East Asian NICs; (3) to promote "more efficient counter-trade, bilateral payment arrangement and improvement of shipping and transportation with less developed and Third World nations (p210).

⁵⁹ Strengthening the domestic electronics and related firms entails providing assistance in the form of financial, technical and marketing where necessary and strengthening the local supplier network to forge backward linkages from export-oriented foreign investors to local suppliers of materials, parts and components. The need to develop human resources comes into more focus since the sector has shifted from being labour-intensive to more capital-intensive and requires more skilled engineers and technician labour. O'Connor (1993) points to the importance of government-sponsored R&D institutions to promote research and development and effective R&D incentives, and the movement

towards software-oriented emphasis within the electronics industry to stimulate local supplier capabilities in information technology.

⁶⁰ The electronics industry was part of the export-oriented industrialisation which began in the early 1970s and it dominated the growth within the industrial sector (O'Connor, 1993, pp210-222). However, within the industry, the Malaysian economy became specialised in assembly and testing of semiconductor devices only. The Industrial Master Plan (IMP) which was formulated by 1985, emphasised the need for the semiconductor industry to move towards broad-based industrialisation and recommended that the electronics industry diversify into the consumer electronics sector. More recent developments within the electronics industry is seen in the semiconductor assembly business which included a few investments in the development of wafer fab locally; this can amount to significant local value added in the future. Within the component sector, there have been a large number of assembly investments by wholly foreign-owned companies. However, this has benefited most of the foreign-owned equipment suppliers and much less the smaller Malaysian-owned equipment suppliers, which had difficulty raising capital to supply the large volumes, demanded by the export-oriented foreign firms.

⁶¹ Warr (1987) concludes that the net benefits include employment, existence of utilisation of domestic raw material and capital equipment, purchase of electricity, and payment of taxes. The net costs are costs incurred in establishing, maintaining and administering the zones. Similar results where the benefits outweighed the costs were obtained for the study on the Licensed Manufacturing Warehouses (LMW) (p52). The study reveals these problems: raising higher tax revenues can cause (1) an exodus of firms, (2) the uncoordinated administration of the FTZ and LMW programme, (3) the subsidised rate of land provision to new FTZ firms, (4) problems with customs clearance and (4) the low linkage between the FTZ firms and the domestic economy (pp52-54). Warr also notes that by 1978, the backward linkage of FTZ firms to other FTZ firms had become more important than their backward linkage to the rest of the Malaysian economy.

⁶² Such critical views of Malaysian industrialisation are reflected by the case of Pasir Gudang industrial area in the Johore port neighbouring Singapore. The Pasir Gudang manufacturing industries have brought about large-scale migration from the rural areas, and hence migration-related problems including shortage of housing and lower reproduction of work force since the village communities have been affected, whereas wage levels have remained low for most of the workers (Guinness, 1994, p209). At the level of factory floor, they are worrying elements as well. Resistance against strict factory work, as discovered by Ong (1987) in her studies of women workers in electronic factories, has taken the form of destruction of microchips, supposed spirit possession, and slow-downs in work performance (p221). As a whole, the nature of Malaysian industrialisation has been associated with some imbalances comprising "the distributional implications of foreign dominance, control of technology, industrial relations, wage policy and spatial dispersal, which has been marginalised as a matter of policy concern since the mid-1980s" (Jomo (1993, p3); Others who discuss similar problems are Ali (1993, 195-201); and Jesudason (1989, p173-189).

⁶³ ASEAN, or Association of South East Asian Nations, consists of all countries in Southeast Asia except for Cambodia.

⁶⁴ Heng (1992) reported that the biggest portion of such co-operative efforts are in Singapore, but there are other strong links in other Southeast Asian countries which include Thailand's Shangri-la Hotel, Indonesia's Lion Group's steel companies, and Hong Kong's Dao Heng Bank (p131).

⁶⁵ With regards to the concept of production chain, Dicken emphasises that "the key point is that many production chains are increasingly global in their geographical extent." (Dicken, p7). He discusses this production concept against the background that the nation-state as the unit of analysis which conventional studies tend to follow, is becoming less and less useful due to the fact that the organization of economic activities is no longer contained within national boundaries. Therefore, he submits that the TNCs are increasingly playing a central role in co-ordinating production chains as well as in moulding the new geo-economy, although the state is actively involved in regulating the production chain at the national level within some kind of political structure (pp6-10). Under the theoretical framework of global commodity chains, Gereffi identifies two types of governance structures which characterise industrial networks, producer-driven and buyer-driven chains (Gereffi,

1994). Basically, in producer-driven chains, the TNCs which manufacture goods, control the production and supply chain by integrating and directing backward and forward linkages and through setting the industry's standards and requirements. In the buyer-driven chains, the loci of control is with the distribution and marketing end of the industrial chains.

⁶⁶ It is also argued that multinational corporation, the vehicle being sought by developing countries to achieve industrialisation is now effectively stateless and increasingly difficult to control (Taylor & Ward, 1994, p111). Therefore, whether these MNCs / TNCs will benefit local non-competitive industries is uncertain.

⁶⁷ Ariff (1991) emphasises that an increase of regional economic interdependence would lead to an increase in conflicts and friction; hence, a regional-level, not merely bilateral-level, platform is needed to manage such matters. He submits an idea of regional development which he termed 'open regionalism' which is a "loosely structured regional arrangement that provides a platforms for consultations, co-operative efforts, and dispute settlements" (1991, p184).

⁶⁸ The Fifth ASEAN Summit held at Bangkok decided to increase regional competitiveness; ASEAN will focus on achieving greater liberalisation and co-operation in the areas of trading, services, intellectual properties, industrial co-operation and investment. Physical and social infrastructure to ensure long term regional growth is to be established by the increase in co-operative efforts in transportation and communication, energy, agriculture and forestry, tourism as well as small and medium size industries. Transparency, technical supports to co-ordinate production standards and tariffs supervision, managing customs procedures are all considered necessary to facilitate intra-regional liberalisation (Chee, 1997, pp142-143).

⁶⁹ Sopiee (1997) summarises the Vision 2020 of ASEAN into twelve key paragraphs and in the very first paragraph, the need to include considerations external to ASEAN, including Asia, Asia Pacific and the rest of the world, is emphasised.

⁷⁰ Ariff, (1991); Jesudason (1989); Nagata (1979); Hashim (1983); Snodgrass (1980); Faaland et.al. (1990); Oo (1991).

⁷¹ The discourse of ethnic economy can be traced back to the works of Weber, Marx and Sombart, all of whom consider that modern capitalism rises from an economy that is ethnically based (Light et. al., 1994, p647).

⁷² According to Wallerstein, universalism can be seen as "the culmination of an older intellectual tradition" or "an ideology particularly appropriate to a capitalist world-economy" (p30), whereas racism "operationally has taken the form of what might be called the 'ethnicization' of the work force...at all times there has existed an occupational-reward hierarchy that has tended to be correlated with some so-called social criteria" (p33)

⁷³ Heng Pek Koon (1992) discusses the individual Malaysian Chinese elites who own businesses and prospered from political connections (pp127-144). Although the theme of discussion relates to centers of power being dominated by the state, and how the Malay aristocrats, bureaucrats, and politicians play an influential role, the Chinese elites do play an influential role in decisions on company practices. This is clear from the fact that the Chinese elites allowed influential Malay partners as company directors and shareholders but control the business through ownership of large blocks of shares in order to dominate company policy and most decision making (pp128, 132). Therefore the power to direct the company resources lies within the Chinese owners. This is another piece of evidence of the other centres of power being the business owners themselves.

⁷⁴ Another source of evidence is pointed to the bargaining power wielded by the Japanese companies in the formation of the joint venture company, PROTON, between HICOM and Mitsubishi Motor Corporation (MMC) to build the national car (Machado, 1990, pp504-531). MMC was allowed to assume important management positions within PROTON when the latter experienced management crisis in the midst of recession and steep yen appreciation and needed MMC's assistance in facilitating improvement to PROTON's economic performance. MMC was also keen to be in charge in order to

realise its main objective of achieving regional complementation rather than exporting the national car as desired by the government (pp521-522).

⁷⁵ In terms of evaluating other emerging centres of power, it is obvious that Sieh Lee Mei Ling (1992) evaluated the business transformation from the point of view of power of the state to influence equity ownership and management positions within the corporations (pp103-126). However, the power of the corporations and the influences of the company practices can be implied from the article. Either intentionally or not, the author implicitly state the influences that corporations can wield: that FTZ companies taking advantage of industrialisation policies, that the joint venture companies for the Proton and steel project reflect control exertion, and that although foreign companies passed the equity-control to Malaysians, the management was built upon foundations and tradition which corporations already possessed.

⁷⁶ The exceptions can be found in Gomez and Jomo's (1997) analysis on the new rich (pp117-165) and Cheng's (1983) article on Malaysian Sogohs.

⁷⁷ Mills (1956) describes the power elites as consisting of political bosses, corporate chieftains and military warlords. One of his main theses in his seminal book, *Power Elite*, is that there is an increasing concentration of power in the U.S. with these three interrelated groups of powers holders.

⁷⁸ See Zukin and DiMaggio (1990) who emphasise that economy is the result of social action. They dispute the idea of merely using economic models to explain socio-economic reality and state that economic sociology accepts "the fallibility and flexibility of human action; to view social causation as contingent, path-dependent, and except at microscopic levels, irreducible to simple models of high generality; and to value carefully designed empirical research over ingenious mathematical models based on untested assumptions" (p2). See also Granovetter's (1985) thesis on embeddedness.

⁷⁹ As Rex argues, "For, whereas the actor's use of meanings is open-ended, situation-bound and often inconsistent, the sociologist who uses these meanings in order to provide definitions and rules of transformation in his ideal typical theory when he uses it for explanatory purposes can, if he wishes, always subject the interpretation and meanings which he takes over from the actor to some kind of test, and he is likely to do so when he finds himself in dispute with his fellow sociologists" (Rex, 1974, p47; quoted from Blaikie, 1993, p186).

3

CHAPTER THREE:

RESEARCH METHODOLOGY

Introduction

We begin with an overview of the chapter. In presenting the methodology of this research, we will examine several issues. This chapter covers the review of relevant methodology literature and presents the research methods, the *modus operandi* and the researcher's experience. Among the topics examined are the issues behind the combination of research methods, the survey questionnaire, the pilot study, the unstructured interviews, and the document analysis.

As discussed in chapter one, the research focuses on two main variables, globalisation and ethnic integration, which make up the conceptual framework. The essence of the conceptual framework rests on (1) the connection between globalisation and ethnic integration, (2) how the four types of relationships are embedded in the companies, and finally (3) how they influence the connection between globalisation and ethnic integration. These relationships as mentioned in Chapter One are company-government relationship, company-market relationship, company-company relationship and company-internal community relationship. The aim of the methodology is to capture the empirical data and to construct an understanding of the social reality using the conceptual framework formulated earlier, thus answering the research questions.

3.1. Outlining the Research Methodology

Several research methods have been employed in carrying out the study. These research methods combine both quantitative and qualitative research.¹ Survey questionnaire and unstructured interviews were chosen as the two principal research methods, while document analysis was identified as a complementary or secondary instrument.

As the research involves two main methods above, these three stages were identified as part of the design: (1)conducting pilot study for the survey questionnaire, (2)conducting the survey questionnaire, (3)conducting unstructured interviews and document analysis available from the companies. Thus, a two-phase design approach was is chosen: the quantitative aspect of the research (survey questionnaire) was conducted first and was then followed by the qualitative aspect of the research (unstructured interviews).² The data gathering itself took almost a year to complete, from early August 1996 to early June 1997.

The literature supports the use of surveys, interviews and document analysis since they fit the exploratory and explanatory aims of this research: to conduct an assessment of the general state of globalisation and ethnic integration in a wide range of companies in Malaysia and to elicit qualitative information on the dynamics of companies' outlooks and aspirations as well as experiences and inner operations.³ The first aspect of the research data gathering involves exploring the "what" questions and measuring the presence of globalising tendencies and ethnic integration in companies. This is very much a quantitative exercise.

The second aspect of the data gathering is more qualitative in nature. Unstructured interviews are being used to probe into the different aspects of the companies' operations and experiences. This aspect of the data gathering will meet the

explanatory aims by focusing on the “how” and “why” questions. The document analysis is used to support the qualitative query.

This combination of data collection strategies is beneficial for two reasons. First, it relates to the concept of triangulation.⁴ The survey questionnaire, in-depth interviews and document analysis allow the researcher to search for consistency of findings on the connection between the established research variables above before making concrete conclusions. Second, combining multiple research methods allows for complementary benefits since each research methodology has its own inherent strengths and weaknesses. For instance, on the one hand, questionnaire surveys generally enable one to obtain a wider coverage of quantitative data at a higher speed than interviews or case studies; it highlight issues that can be probed further by other research methods. In-depth interviews, on the other hand, allow one to obtain deeper insights into the research topic than most questionnaires permit. Marshall and Rossman (1989) point out that when interviews are used alone, distortions in data are more likely as interviewers may interject personal biases. However, combined with observation of the subject under study, interviews allow the researcher to check the information given to them against the facts such as the subjects' actual patterns of practices.

In so far as the strengths and weaknesses of the survey method is concerned, various authors have made comparisons between the advantages and disadvantages of mail questionnaire vis-à-vis personal interviews (Moser and Kalton (1971, pp257-62), Babbie (1989, pp254-55), Sarantakos (1993, pp158-59), Dillman (in Rossi, et.al., 1983, pp368-70), Emory and Cooper (1991, p333), and Hall and Hall (1996, pp99-100)). Since my interest is to combine both qualitative and quantitative research, I decided to conduct a mail/self-administered questionnaire survey rather than personal

interviews survey. The qualitative unstructured interviews will complement the limitations of the mail questionnaire, especially on the opportunity to further clarify the answers to the mail questionnaire, to ask complex questions and to observe the responses of individuals to the questions posed. Furthermore, document analysis will help to corroborate the findings from the unstructured interviews. Table 3.1, 3.2 and 3.3 provides a summary of the overall strengths and limitations of the chosen research methods.

Table 3.1
Mail Questionnaire Survey Method: Strengths and Limitations

Strengths	<ul style="list-style-type: none"> - save on traveling time and cost - convenient method for respondent - eliminate bias/errors (due to the presence/attitudes of interviewer) - standardized questions provides uniform measurement without variation - avoid problems of non-contacts - anonymity allows exploration into sensitive issues - replicability
Limitations	<ul style="list-style-type: none"> - longer time must be allocated for late returns - no response or low response - answers have to be accepted as final - not appropriate for complex questions - not appropriate when spontaneous answers are required - can't be sure the right person completed the questionnaire - no opportunity to supplement respondents' answers by observational data - incomplete questions by respondents - no opportunity to motivate respondents to participate - respondents need to have literacy skills - difficulty of adequately handling certain questions like open-ended questions, screening questions, questions which must be asked in particular sequence.

-Adapted from Moser and Kalton (1971, pp257-62), Babbie (1989, pp254-55), Sarantakos (1993, pp158-59), Dillman (in Rossi, et.al., 1983, pp368-70), Emory and Cooper (1991, p333), and Hall and Hall (1996, pp99-100).

Table 3.2.
Interviews: Strengths and Limitations

Strengths	<ul style="list-style-type: none"> - useful way to get large amount of data quickly when more than one person is used as an informant - allows for immediate follow-up to get further clarification - possibility of recording spontaneous answers - identity of respondent is known - possibility of asking complex questions - possibility of observing non-verbal behaviour - greater length of time can be allocated due to interviewer's presence
Limitations	<ul style="list-style-type: none"> - cannot assume data reflects 'real world' - rely on people's account of their actions as representing something beyond the interview situations - requires subjects' co-operation - requires skills at asking the questions and analysing answers - requires listening skills - requires skills in personal interaction - difficult to manipulate volumes of questions

- Adapted from May (1993), Marshall and Rossman (1991), Sarantakos (1993, p198-199).

Table 3.3.
Document Analysis: Strengths and Limitations

Strengths	<ul style="list-style-type: none"> - greater speed and lower cost of retrieval - retrospectivity - high quality of information - non-reactivity
Limitations	<ul style="list-style-type: none"> - material recorded by other people for other purposes may not be entirely suitable for current needs - any inherent bias in the material might threaten its validity - not necessarily representative - not easily accessible - not complete - methodological problems such as coding problems - might be in poor state of presentation

- Adapted from Hall and Hall (1996, p212), and Sarantakos (1995, p 208))

3.2 The Mail Survey and Sampling Frame

In implementing the research through mail questionnaire, various issues were considered: the population and sampling frame, formulation of the questions, the pilot study and the management of the survey.

In order to identify the population, to which the study will be generalised, I identified the unit of analysis and the boundaries of the units (Czaja 1996, p113). The unit of analysis is individual companies; each company forms a unit or a social environment which normally carries its own set of interests, structures and practices.

The defining boundaries of the companies are based on two criteria. These criteria are significant and relevant for the present research on globalization and ethnic integration. The first criterion is companies which portray characteristics of an evolved and open environment. In other words, they need to have a certain level of transparency and a certain level of economic standing/stability, be exposed to global and economic forces, and open to potential foreign ownership.

Another selection criterion is the size of the company. Only business establishments with a minimum of one hundred employees were studied. This ensures that the companies chosen reach a certain level or a critical mass of available resources. This threshold of resource would theoretically enable the companies to 'go global' if they chose to.

In addition, for the local companies, having this criterion makes it a fairer comparison with the TNCs. There are TNCs with small numbers of staff, including some of the IT-based companies or consulting firms. However, most of the TNCs are large companies; thus, choosing companies with 100 employees or more ensures that the local companies selected were also comparable to their TNC counterparts. The

unit of analysis and boundaries led me to select public-listed companies in Kuala Lumpur Stock Exchange (KLSE).

I further narrowed the population from which the sampling frame is drawn⁵ to public-listed companies located in Kuala Lumpur and Penang. From this sampling frame, a hundred and fifty companies (see Appendix), which are based in Klang Valley and Penang, were randomly chosen for the research. However, the actual number of questionnaires that were sent was a hundred and forty-nine⁶.

It is important to emphasise that there is no sampling error in this study since all the companies are members of public-listed companies which are registered in the listing of Kuala Lumpur Stock Exchange. In other words, the representativeness of the sampling frame is not in question because the research draws from the list of public-listed companies that are both precise and comprehensive. Indeed, there is no need to make estimates for the proportion of population which are public-listed companies, nor for the degree of confidence.

As far as the sampling ratio is concerned, this research is guided by the method set by the rule of thumb⁷. Based on this rule of thumb, Neuman recommends that for a population about 1000, the sampling ratio be about 30% (p222). These figures include samples with sampling errors. For this research, there were 578 public-listed companies (the population) when the survey was carried-out; and the sample size was 149; therefore, the sampling ratio is 25.77%. Given that there is no sampling error and that the size of the population (578 companies) is much less than 1000, the sampling ratio of 25.77%, which is not too far from 30%, should be acceptable.

The decision to focus only on both locations (Klang Valley and Penang) is due to two reasons. First, both Klang Valley and Penang represent the locations in Malaysia where rapid economic development can be found; hence, these companies are

most exposed to foreign economic forces. The Klang Valley stretches from Kuala Lumpur (the capital of Malaysia) to Petaling Jaya, Subang Jaya, Shah Alam (the capital of the state of Selangor) up to Port Klang. In other words, it covers Kuala Lumpur and its satellite cities as well as the busiest port in Malaysia. It provides a location for a complete supply chain for both TNCs and non-TNCs. It is also the commercial as well as the administrative centre of Malaysia (at least while the research was being carried-out). Government ministries and most transnational companies in Malaysia are located there. It is both cosmopolitan and metropolitan; thus, it is an appropriate setting in which to study the research variables on globalisation and ethnic integration.

Penang is situated in the northern part of Malaysia and is a trading port. Penang Island too has satellites such as Kulim High-tech Park, Sungai Petani, Butterworth, and Perai industrial zones. The state is known as the centre for electronics and electrical industries in Malaysia which has created spin-offs of other types of industries and attracted MNCs⁸ to set up their manufacturing operations in the Free Trade Zone areas and Industrial Parks set up by Penang Development Corporation (PDC). Penang government has a vision of creating Integrated Manufacturing Centres (IMCs) by the 21st Century.⁹

Second, both locations represent the future of what other less developed cities will look like based on the fact that the external social environment of the companies may well affect the companies. The fast economic growth in Malaysia is increasingly urbanizing the rural areas. This phenomenon of urbanization is seen in many states in Malaysia, especially with the development of Free-Trade Zones and industrial parks, which often convert the rural into the urban. This process of economic development is occurring rapidly around cities and states such as Perak, Johor Baru (the city neighboring Singapore), which witness their surrounding rural areas, towns and

villages being enveloped as part of these economic centers or being transformed into instant satellites cities.

Malaysia's economic development strategies incorporate plans for urbanization which are based on three orders of growth centre covering existing cities, middle-size towns as well as smaller towns¹⁰. Therefore, what is happening in the companies of Klang Valley and Penang becomes more relevant and vital to study because many of the development trends in Malaysia are possibly moving towards the Klang Valley and Penang mould. Studying the corporate world of the Klang Valley and Penang companies is in a way also studying the future of many other companies in the rest of Malaysia. Therefore, although the findings should not be generalized to public listed companies in the whole of Malaysia, they are useful indicators for the basis of charting out the future of corporate Malaysia. Indeed, the industrial activities of many urban centres such as Kuala Lumpur and Penang have created spill-over effects to the surrounding areas and towns and this industrial development is rapidly spreading elsewhere as well (Taylor and Ward, 1994, p148). Nevertheless, the population to which the findings will strictly be generalized is the public-listed companies in the Klang Valley and Penang. Their implications beyond this population could be theoretically extrapolated; but should be further verified through empirical research.

The survey intended to make comparisons between the different dimensions of globalisation variable with the different dimensions of ethnic integration variable. In addition, since the sample size is quite large, the survey makes use of standardised questions in order to avoid variations in responses (Sheatsley, in Rossi et.al., 1983, p197). Furthermore, appropriate definitions of certain concepts were provided to control response effects. These standardised questions are closed questions since the information required from the survey questionnaire is not complex but straight-

forward. Although the disadvantage in relation to the use of closed questions includes the fact that respondents would not be able to qualify their answers, this issue is handled in the open-ended questions in the unstructured interviews.

Of particular importance, when deciding on the content of the survey is to consider the ability of targeted respondents in providing accurate answers and their willingness of providing the answers (Moser and Kalton, 1971, p311). With this in mind, most of the questions asked were factual questions rather than attitude-based questions as the latter type of questions are wrought with more complications¹¹.

Request for co-operation with the research was addressed straight to the managing director, CEO, executive chairman, or general manager of the companies. The targeted survey respondents are the management staff. The present research defines management staff to include: managers, senior managers up to general manager, president, CEO and managing director (and at times executive chairman). The top figures, i.e. the managing directors, the CEOs, the presidents, or the general managers were the first targets; however, if they were not available, the cover letter of the survey requested that the questionnaire be directed to senior managers or other managers. As stated before, one of the main objectives of this research is to study the decision-makers.

The reason staff beneath these levels were left out, including ordinary executives, is that efforts were concentrated on those more involved in decision-making than operations. Although some executives participate in decision-making, many, if not most of them, are also occupied with the operations. Yet, managerial staff and above tend to be less engrossed in the actual companies' operations and more associated with planning, controlling and managing the general direction of the companies, especially in large organizations; therefore, making them more appropriate

respondents for the research. In order to double check the position of the respondents, two of the questions were asked, first: "At your branch, please state the number of positions between you and the head of your branch, inclusive of your level". To further clarify this issue, an example of an organizational structure was given together with a sample answer for that question. The second question is: "how many staff are under your supervision?" The answers given to these questions would give indications as to the level of responsibilities.

In working with this sampling frame, I received co-operation from the Strategic Planning Department of Kuala Lumpur Stock Exchange. Since the Department showed interest in the findings of this research, especially as far as the nature of globalisation is concerned, it was willing to extend some support and assistance. I did not face any of the four common errors with regard to the sampling frame since the list came from an authorised source.¹² Two types of public listed companies were defined: 1) an individual public-listed company and 2) a public-listed holding company which owns subsidiaries. Thus, the research studied both types of companies. On the second type of public-listed company, I requested that the top management of the holding company select just one main subsidiary to respond to questions pertaining to the operations of a company.

3.3. The Pilot Study and Improving the Response

The pilot study is one of the important steps that need to be taken when preparing to conduct a survey. Several authors have stressed on the importance of

conducting pilot study prior to sending out the survey questions.¹³ The present research was conducted across many different corporations and individuals of different ethnic cultures; hence, it is in effect a cross-cultural study, albeit within Malaysia itself. Among other things, the pilot study aimed at minimizing any theoretical and practical difficulties of cross-cultural research. I also intended to use the pilot study to provide me with more clarifications on the ways to approach the survey and unstructured interviews. With this in mind, the objectives of the pilot study were to: (1) clarify the research issues; (2) investigate the needs of the mail-administered survey by testing the survey questions; (3) investigate the needs of the unstructured interviews by meeting with the management staff who responded to the pilot study. Thus, the pilot study involves two stages: (i) sending the mail questionnaire, (ii) discussing with the respondents/management staff who responded to the mail questionnaire.

Before conducting the pilot test, I pre-tested the survey questions with a mixed group of eight executives and managers. The pre-test was done during a training session conducted by the consulting firm to which I was attached. Indeed, the feedback from the pre-test raised the issue of sensitivity with regards to questions related to ethnicity such as ethnic quotas and employee ethnic composition. However, most of them were of the opinion that these questions are worth asking and many executives and managers would be more than willing to express their thoughts and feelings about race and ethnicity as long as the researchers look open and 'professional' enough to discuss such matters. In fact, the executives and managers said that the issues of ethnicity are discussed openly at the top- and middle-level management especially when these issues are crucial to companies' image and strategies.

The pilot test was carried out by sending 35 mail questionnaires to randomly selected companies based in Klang Valley, from the chosen sample frame. 12 responses

were received. I encountered various practical problems common to the survey research method. There were numerous delayed responses, despite consistent follow-up efforts being made. Once the responses were obtained, I contacted the 12 companies which replied to the pilot study and asked to meet the respondent/management staff. The initial contacts presented me with useful information. The intellectual quest to discover what the present situation is like and why things are the way they are did not seem to have immediate appeal to business people who were contacted. Many executives were cautious and sometimes appeared suspicious about what was being investigated and why they were being surveyed, even though the questionnaire clearly stated the purpose of the research.

One reason they were hesitant to co-operate was due to their tight schedule. To be fair, this is not entirely an unreasonable excuse. Since many of these companies are fast growing companies operating in competitive markets, academic research often does not coincide with their interests and priorities.

However, I had found a greater willingness by the management staff to meet me. I learned that a good strategy to apply when conducting a survey is to contact the management staff and obtain their consent for the research. Once I managed to get hold of these top people, the uphill battle against suspicion was generally 'won'¹⁴. This change of approach perhaps was a factor in increasing the rate of response in the actual survey research to 53.02% (an increase of 18.74%)¹⁵. It is relevant here to quote Gummesson (1991). The author believes that:

“access develops by leaps as a function of the degree of sophistication of the methods of research and the amount of time involved.”

(Gummesson, 1991, p26)

He categorises several potential roles which researchers can employ when considering access. They are: analyst, project participant, catalyst, OD¹⁶ Consultant, Interventionist, Change agent, Board Director, Management-for-hire.

Initially, in order to cover as many details as possible, I prepared over 60 questions, some having sub-questions in them. This is because the research was geared more towards quantitative analysis and the survey questionnaire was meant to be the main research instrument, while the interviews were intended to be a check on the survey data. After the pre-test, these questions were further edited to create a more simplified version. However, based on the feedback from the pilot study, the questionnaire was still considered lengthy and management staff simply disliked answering long surveys. Long surveys were said to be boring, unappealing or burdensome. Some felt that they were filling forms. It was only after the pilot test that the survey was revamped to the simplified form possible.

The fact that the survey had questions concerning ethnic integration appeared to contribute to defensive and delayed responses. Many of the companies' official 'gatekeepers', such as secretaries, clerks and even executive assistants, seemed to be reluctant to pass on the questionnaires to their bosses. This is understandably so, as they are responsible for filtering and handling the unnecessary and the mundane, instead of passing on every task to their superiors. In the communication I had with them, some asserted that they were expected to manage whatever they can manage at their level so that they lessen the burden of their superiors. This is, of course, the normal expectation within a company.

The pilot study helped me overcome some methodological limitations. Initially, the research was meant to be mainly quantitative. However, after having conducted several discussions with the members of these companies' management team, I found

that the qualitative approach with open-ended interviews would give the research a better balance and more encompassing insights.¹⁷ In addition, the subjects wanted rapport to be built first since the questions asked involved queries about their company's plans and practices, as well as their attitudes towards such issues as ethnic quotas. Unlike interviews, a survey was seen as impersonal and hence lacked the element of trust. Conducting the discussion in a more informal environment with a more qualitative approach appeared to allow the subjects to open up more. They portrayed more eagerness to speak their minds and to reveal more of the companies' thinking and practices. The questionnaire, thus, became a 'Trojan horse' or a vehicle to enter the organisation. Instead of being made as the main research method, the survey questionnaire would be used as a probe to get access to the management staff. In the actual survey, it was then made known to the respondents that the survey questionnaire would take only about five minutes to answer. Subsequently, the interviews (together with the document analysis) that came after the survey, was the core process which actually investigated the research variables more thoroughly.

Another problem, especially with a research having ethnicity variables, is the social response bias. Studies involving racial attitudes where the outcome appears to be affected by racial characteristics of respondents are more prone to this social bias problem (Czaja and Blair, 1996, p153). Campbell (1981) and Hatchett and Schuman (1975-1976) reported that the patterns of responses were dependent upon the ethnic background of the interviewers in such situations. Respondents may give socially desirable responses instead of their 'true' answers. This distortion of truth can affect the validity of the research. Given that my own ethnic background is Bumiputra, in the pilot study, I encountered a few instances with Chinese respondents where I sensed that genuine answers were not forthcoming. In a few cases, they admitted that they

were somewhat reluctant to comment on matters regarding ethnic quotas or ethnic equality, stating that race is a sensitive issue. In order to overcome this, Czaja and Blair (1996) recommend that researchers avoid language that tends to bring about strong feelings and lessen the use of transitions and background information (such as 'the following are questions concerning racial attitudes').

However, I found an advantage in mitigating this social bias effect and in drawing out more forthright responses; and that is my ability to converse in the Chinese language. My background of being educated in Chinese school, both primary and secondary, helped build rapport with the Chinese subjects. When this fact was made known, most Chinese respondents almost always shifted the way they communicated with me towards more warmth and frankness.¹⁸ Some may have felt that they were communicating with a researcher who understood more of the Chinese plight compared to one without Chinese school education. Phrases such as, "We are both from Chinese school, that is how we work" and "Coming from Chinese school, you know we feel that way" were commonplace. There were numerous other indications where I was included in the 'we' or 'us' pronouns. So, in the actual interviews, I never failed to mention to the Chinese respondents about my Chinese educational background.

The pilot study also prodded me to be seriously concerned that in the actual survey, many if not most of the questionnaires would be delayed or ignored. Therefore, several things were included with the actual survey questionnaire: a cover letter, a standardized introduction to the survey which comprise the survey's general purpose and content, and an envelope with return postage and my address written on it.¹⁹ There was also a great amount of follow-up effort and reminders made to their secretaries, their executive assistants, and in a few cases, through a third party

connection (other staff of the companies or relatives of respondents known to the researcher) in order to ensure as many responses as possible were received.²⁰

With regard to the technicalities, especially on the wording of the questions, the pilot study allowed me to make adjustments especially to questions which were not sufficiently specific, ambiguous questions, and questions which did not use simple language.

Another technical aspect which was clarified was the layout of the questionnaire. The feedback received allowed me to justify that the layout was satisfactory since the respondents were able to find their way through the questions with ease.²¹ In addition, by analysing the answers given by the respondents, I was able to evaluate that the layout did assist in ensuring that the respondents accurately record their answers.

As a result of all making all these minor and major improvements, the research has eventually managed to obtain seventy-nine responses, out of the one hundred and forty-nine surveys sent out, a response rate of 53%.

From a more theoretical standpoint, it is enlightening to find out how different ethnic groups in companies' management conceptualise the present global players, the global market, the global game which has economic, political and cultural aspects to them, as well as the global changes that are taking place. The pilot test confirmed that globalisation is an issue with which managers are comfortable. They have indeed invested some thinking on the matter and developed different perspectives of it; hence making globalisation a worthwhile area for research. With regards to ethnic integration, the pilot test revealed that the way the management views the past, the present and the future underscores the prevailing role of ethnicity among companies in Malaysian.

3.4 The Unstructured Interviews

As mentioned earlier, the unstructured interviews followed from the mail survey. While the purpose of the survey tended towards describing the extent of globalisation tendencies and ethnic integration, the purpose of the unstructured interviews was more towards identifying the reasons for the existence of the phenomena.

The subjects for the interviews were the management staff from the companies which responded to the mail survey. The management staff was chosen since they are in the best position to answer the interview questions. They represent the highest level of authority within the organisation and would be least likely to present problems of involuntary error due to lack of information. Chadwick et. al. (1984, pp105-115) draws attention to the problems of involuntary error as one of the many issues in designing an interview study.

To understand more about how the management staff relate to concepts and issues of interests to the research, an appropriate starting point was their own perception and definition of the concepts. Here we revert back to the literature to quote an insight which I found most relevant to the interview experience. In Mixing Methods: Qualitative and Quantitative Research, Brannen points out several differences between quantitative and qualitative approaches. He states that:

“In theory, if not in practice, the quantitative researcher isolates and defines variables and variable categories. These variables are linked together to frame hypotheses often before the data are collected, and are then tested upon the data. In contrast, the qualitative researcher begins with defining very general concepts which, as the research progresses, change their definition.”

(Brannen, 1992, p4)

Indeed, it was through the interview that the researcher was directly exposed to the subjects' own understanding and definitions of globalisation and ethnic-integration as well as other equally significant development-related concepts, such as, 'ethnic-equality', 'needs', 'wants', 'customers', 'market economy', and even the subjects' perceived meanings of 'development', 'Chinese', and 'Bumiputras'. Thus, the interviews broadened the scope of the research by connecting the concepts of globalisation and ethnic integration with other concepts that were not defined in the initial research inquiry, yet proved very relevant and revealing. These findings will be discussed in the following chapters.

The unstructured interview was designed along the conceptual framework developed for the survey questions. But, the interview questions were meant to be sufficiently open to enable the subjects' own interpretation and conceptualisations of the core constructs of globalisation and ethnic integration and not be limited by the research analytical frameworks. The questions were asked openly and directly to the top management.²² This open-ended approach made use of the active interviewing concept. The attitudes, feelings and viewpoints of the management staff was discovered through actively encouraging the respondents to speak openly as much as the person wishes to. Holstein, J. and J.F. Gubrium explained active interviewing as:

“attending more to the ways in which knowledge is assembled than is usually the case in traditional approaches” (like survey interviews or creative interviews). “In other words, understanding how the meaning-making process unfolds in the interview is as critical as apprehending what is substantively asked and conveyed.”

(Holstein, J. and J.F. Gubrium, in Silverman, D., 1997, p114).

I adopted the sequential interviewing technique in order to maximise number of responses on the reasons behind the company practices from these top managers. May (1993, p99) asserts that sequential interviewing helps to build rapport.²³ Sequential interview:

“permits a greater flexibility for the person to answer in his or her own terms and involves interviewing people about events in the way they unfolded...its flexibility allows people to return to a point previously made and elaborate upon it. Further, as the account of the event unfolds, it also enables the interviewer to ask about a previously stated belief in terms of the new information gained”.

(May, 1993, p100)

Most of the interviews were conducted outside of the office. As stated earlier, the subjects were given a choice of preferred venue. The informal settings, such as coffee house, recreational clubs and restaurants (two of them even invited me to their house), provided a psychological space that aided the flow of the interviews. Conversely, for the interviews conducted in the subjects' own offices, a number of them were at times interrupted by urgent phone calls and visitors, even though the researcher had scheduled appointments ahead of time. Gorden lists competing demands for time as the first inhibitor to interviews among the eight²⁴ he has identified (1980, pp91-92). Indeed, he states that the respondent may not necessarily place a negative value on the interview itself, but must evaluate "the amount of time he is asked to devote to the interview against other activities competing for this segment of time" (p91).

The interviews began with small talk, customary in the Malaysian context. It is normally considered impolite to straight away jump into the subject matter without the usual small talk. Without the small talk, this straight-forwardness somehow conveys

that the person is being unfriendly and cold. But more importantly, the small talk often created some level of comfort, rapport and compatibility between the respondents and researcher; hence, the subjects were made to feel that they were in fact 'equal' and at ease with the researcher. Here again, we refer to the suggestion made by Whyte (1960),

"The first concern of the interview is to build rapport, to establish a relationship in which people will feel comfortable and confident in talking with him. The interviewer deliberately keeps the conversation away from evaluative topics and tries to get the informant to talk most about descriptive matters"

(Whyte 1960, p113)

Another interesting concept on rapport building is explained by May (1993, p99) where the author reviewed Spradley (1979) on the four-stage process of rapport building: the first stage involves descriptive/structural questions, the second stage is the exploration stage; the third stage brings up a co-operative interviewee; the final stage shows an interviewee who is fully participating.

Once the conversation moved beyond five to ten minutes, the communication became easy. The subjects were asked about their background since this seemed to be less threatening and a good first stage to directly engage the subjects themselves. In fact, getting the subjects to talk about themselves was one of the easiest things to do in the course of the research.

However, I was also concerned that this flexibility might be a drawback where the conversation might flounder. In order to keep the interview focused on the central issues, after a period of small talk, I reintroduced the research to the subjects.²⁵ The subjects were reminded about the aims of the research. They were assured complete anonymity and that in the final write-up none of their comments and responses would

be associated with their names or their companies. I also spent some time reintroducing myself as a consultant who is writing a book and presented my educational background.²⁶

I found the interviews a rich source of information. As the interviewees discussed their companies, they brought the research into their own world, with their own successes, histories, challenges, culture and vision. Using probes, I was able to illicit as much information as possible.²⁷ They offered to tell more than what I expected.

Yet, despite what was perceived by the interviewees as their own unique perspectives and experiences, their responses were actually quite similar to those of other companies. The subjects portrayed a high degree of confidence and belief in their companies, a characteristic that seemed to permeate through all the interviews (as the findings discussed in the following chapters demonstrate). The emotional telegraphing of respondents' confidence and faith was apparent in the face-to-face interviews.

This is the beauty and advantage of the open-ended unstructured interviews, which clearly supersedes the survey questionnaires or even a structured interview.²⁸ Unstructured interviews gave the opportunity to more truly understand the interviewees without using preestablished questions with a limited set of response categories. Fontana and Frey (in Denzin and Lincoln, 1994) sum up the need to treat the interviewees as human beings in order to achieve the desired outcome:

“As long as many researchers continue to treat respondents as unimportant, faceless individuals whose only contribution is to fill one more boxed response, the answers we , as researchers, will get will be commensurable with the questions we ask and with the way we ask them”

Fontana and Frey (in Denzin and Lincoln, 1994, pp374)

3.5. Document Analysis

The main aims of the analysis were to assess the globalising tendencies of the companies as well as the degree of ethnic integration within the companies. In consequence, this part of the research fieldwork, involves the analyses of three types of documents: public documents, administrative documents, and formal studies and reports.²⁹

The objectives of document analysis were:

- 1) to analyse company's mission/vision statements to verify the globalising tendencies
- 2) to analyse company's plans/strategies
- 3) to analyse company's public documents like annual reports, in-house newsletter, company profile/prospectus to corroborate information on the mission/vision statements and plans/strategies;
- 4) to analyse the company's human resource reports on promotions of personnel within the last three years in order to verify the patterns of promotion with regards to the different ethnic groups;
- 5) to analyse the human resource reports on ethnic composition of the employees within the last one year to verify the degree of ethnic diversity.

For document analyses purposes, it is important that I was successful in obtaining access to most of the companies records most of the time. Hall and Hall (1996, p215) discussed the possibility of renegotiating for access to records and be

sensitive to the concerns of managers within the organization. Access was gained during a later stage of the research through the subjects who had undergone the interview sessions.

These interviewees became the contact points of entry into the companies. Although not all attempts of access were successful, most of the companies co-operated in giving most of the information needed. It must be emphasised again that without the interviewees' assistance, it would have been very difficult. I emphasised that the information was vital for me to understand the type of staff the companies employed and that the types of education, training and work experiences they provided were also relevant to the interests of the research. I made clear that the research had no intention to disclose confidential information such as the salary scheme and the like.

A significant contributing factor, which enabled entry into these companies, was that a significant number of the managers interviewed were actually in charge of the human resources department; hence, the approval of access to their departmental records was under their direct authority. Indeed, their human resource records on the employees' education, training, positions, and work history were sufficient to evaluate the companies' ethnic composition and patterns of promotion.

For obvious reasons, the hardest information to acquire was the companies' plans/strategies; the information was often seen as highly confidential. Fortunately, most managers were very helpful throughout the research fieldwork. For those companies which declined to reveal their documentations, I was still able to evaluate the nature of these companies' plans/strategies since many pertinent aspects of the companies' plans were already discussed and revealed during the interview sessions, at least, in general but very informative ways.

In terms of evaluating the information, two issues of concern were identified: how well the information fit the research needs, and the accuracy and legitimacy of the information (Emory and Cooper, 1991, p312). I had to be more critical with the human resources reports on ethnic composition and promotion. Since the reports cover sensitive issues, the tendency to fabricate information may exist.

3.6. Conclusion

As if assessing a target from many different angles and having different weapons to hit it, the combined methods of survey questionnaires, interviews and document analysis provided a balanced approach to collect the necessary data. They not only presented me with multiple opportunities for accessing the data, but also multiple perspectives to analyse the variables. In addition, the pilot study broadened the research further and indeed raised further questions about the initial analytical frameworks. Still, since the present research is exploratory in nature; the methodology as it had evolved had served the objectives of the research.

¹ Various authors have described qualitative and quantitative research as distinct from one to another. Creswell (1994, p177-78) explains both type of research as coming from two separate paradigms with different ontological, epistemological, axiological, rhetorical and methodological assumptions. Kirk and Miller (1985) define qualitative research as identifying the presence or absence of something in contrast to quantitative observation which involves measuring the degree to which some particular feature is present.

Some authors go to the extent of pitting qualitative against quantitative research. Chadwick et.al. (1984) points out that qualitative research strategies like field research, participant observation, in-depth interviews, ethnomethodology, and ethnographic research emphasise on "getting close to the data and are based on the concept that experience is the best way to understand social behaviour" (p206). Understanding social behaviour is argued to be inhibited in research strategy which relates to the development and testing of abstract theories using quantitative models.

Chadwick et.al. (p207) cited Filstead (1970, pvii) who is against quantitative method of research as it is based on quantification and measurement which distorts social reality. Quantitative research is also known as a positivist inquiry while qualitative research is known as a postpositivist enquiry. Denzin and Lincoln (1994) describes the essence of qualitative research as "a commitment to some version of the naturalistic, interpretive approach to its subject matter, and an ongoing critique of the politics and methods of positivism." (p. 4)

² Creswell (1994) described three research design models which will allow the most efficient use of both the qualitative and the quantitative paradigms. The first model is the two-phase design approach where a researcher conducts a study using both paradigms separately. The second model is the the dominant-less dominant design approach where one dominant paradigm exists with a small component of the overall study drawn from an alternative paradigm. The third model is the mixed-methodology design approach where the researcher mixes both paradigms in all or many

methodological steps in the design.

³ Yin (1994) argues that we should consider two issues when deciding on the appropriate research methods: strategies and purposes. According to him, research strategies like experiment, survey, interviews, archival analysis, history and case study, can be used for all three research purposes: exploratory, descriptive or explanatory.

He puts forward three conditions before deciding which strategy to employ: (1) the type of research question posed, (2) the extent of control an investigation has over actual behavioural events (3) the degree of focus on contemporary as opposed to historical events (pp3-9). He summarises the condition for differentiating among the various research strategies:

"In general, "what" questions may either be exploratory (in which case any of the strategies could be used) or about prevalence (in which surveys or the analysis of archival records would be favoured). "How" and "why" questions are likely to favour the use of case studies, experiments, or histories" (Yin, 1994, p7).

⁴ Denzin (1970) discusses four types of triangulation: data, investigator, theory and methodological triangulation. Of relevance here is the methodological triangulation which I applied in the research and it relates to measures of a single characteristic or relationship obtained in two or more different modes of data collection (pp310-311).

⁵ May (1993) discusses the importance of sampling in questionnaire design. He cites Sprent (1988, p188) as follows:

"Sampling provides a mechanism whereby we can make an estimate of a population characteristic and get, based on probability theory, a numerical measure of how good that estimate is".

⁶ A point to note here is that the survey had a list of 150 companies. But in the course of mailing the questionnaires, one was unintentionally missed out and the researcher only realised this quite late. Therefore, in effect, the research mailed the questionnaires to 149 companies, instead of 150 as planned.

⁷ The rule of thumb is essentially a "conventional or commonly accepted amount" (Neuman, p222). Rules of thumb are based on previous "experiences with samples that have met the requirements of the statistical method." (p222).

⁸ MNCs with manufacturing operations such as Intel, Bosch, NGK, Sony and Seagate are located in Penang.

⁹ The establishment of IMCs is planned to place Penang as the world-class centre for manufacturing and marketing of selected high-end electronic products, computers and communication equipment by the 21st Century. The strategy is to convince MNCs to bring their entire chain of operations for a particular product line to Penang. (See Koh, Tsu Koon, in Penang Into The 21st Century (1995) pp11-15)

¹⁰ The planning for urbanisation is to counterbalance Kuala Lumpur. The three first-order growth centres are Penang, Johore Bahru and Ipoh (these are relatively middle-sized cities); the second-order centres are Alor Star, Taiping, Klang, Shah Alam, Seremban, Malacca, Muar, Batu Pahat, Kluang, Kuantan, Kuala Trengganu and Kota Bharu (these are mainly capital cities of the various states in Malaysia and relatively smaller compared to the first-order urban centres); and finally there are also a number of third order centres, among them: Sungai Petani, Kulim, Kuala Pilah, Segamat, Temerloh and many more (these are the smallest among all but are located near first or second order growth centres) (Taylor and Ward, 1994, pp123-125).

In addition, there is also the 'corridor' concept with two corridors being identified: the western and eastern corridors. Its goal is to spread industrial activity throughout Malaysia connecting different cities and towns with the existing physical infrastructures, specifically highways and rail system (Taylor and Ward, 1994, pp129-130).

¹¹ Hoinville et.al. (1978, pp29-40) discusses on the issues related to quantifying attitudes and behaviour. Of particular relevance here is the discussion on the need to conduct indirect questioning with regards to attitude-based questions.

This involves taking respondents through a series of questions relating to the issue before asking them about the issue itself. This is to avoid 'creating' attitudes -- "putting ideas into respondents' minds or words into their mouths" (p32).

¹² Czaja and Blair, (1996, pp121-125) discussed four common errors that may arise when the sample frame comes from a list: (1)ineligibles: list includes units which are not members of the defined population, (2)inaccuracies: inaccurate information about the units on the list, (3)missing information: information about the units is missing, and (4)multiple listings: some units are listed more than once.

¹³ Kidder (1981, p162) states that with piloting, researchers will be able to evaluate (1)how a particular survey works, (2) what changes need to be made before the commencement of the actual survey, (3) 'unforeseen problems in the administration of the questionnaire' which the pre-test will detect, for instance, 'phrasing and sequencing of questions or its length; and finally, (4) the adequacy and parsimony of the questions, i.e. whether more questions are needed to obtain a more complete picture or whether some questions ought to be removed.

Fowler (1995) emphasises that the success of a survey design depends on question evaluation which involves meeting process standards and assessing the design for valid measurements. In order to meet process standards, he advocates focus group discussions, cognitive interviews in which peoples' comprehension of questions and how they go about answering questions are probed and evaluated, or field pre-tests under realistic conditions.

Focus group discussion as question evaluation activity should contribute to examining the assumptions about the reality about which people will be asked, evaluating assumptions about vocabulary, the way people understand terms or concepts that will be used in survey instruments.

¹⁴ There is another aspect to the approach I have taken which has facilitated my access to these companies. Although publishing a book is not an immediate goal, I hope to publish the work in the near future. Since I was attached with a local consulting firm on a project-to-project basis, I introduced myself as a management research consultant who also intended to publish a book on public listed companies in Malaysia, and that the research was part of the effort to assess the thinking and the practices of today's Malaysian corporations and the management behind these companies.

¹⁵ It should be noted that the experience working in and with a few consulting firms previously has placed me in a better position to relate and communicate with the subjects.

¹⁶ OD stands for organisational development. Hence, an OD consultant generally diagnoses the companies' state of affairs and helps companies to formulate and/or implement strategies to further develop the organisation in order to meet its goals.

¹⁷ I offered an option to discuss with the management staff in less formal settings, like hotel coffee shops, restaurants, clubs (for instance golf or recreational clubs), over breakfast, lunch or tea. Quite frequently, the subjects themselves invited me to these venues. Therefore, when arranging for the unstructured interviews, a choice was given as to respondents' preferred venue.

The subjects appeared to be more at ease outside their office compared to those I met in their offices. They also tend to spend more time then they would have in the office (at least 40 minutes more); and a few even admitted this fact themselves.

¹⁸ Fielding (In Gilbert, 1993, pp144-45) discusses the interviewer effects and raised the issue of matching the demographic characteristics of the interviewer and respondent. Interviewer effects is also known as reactivity where the researcher has an effect on the respondent.

For reactivity, one must understand how one is influencing what the interviewee says and how this affects the validity of the inferences drawn from the interview (Maxwell, in Bickman and Rog., 1998, p92).

¹⁹ According to Sheatsley (in Rossi, et.al., 1983), the introduction is crucial: "If the introduction prepared by the researcher leads 30 or 40% of the respondents to refuse, is is a bad survey, no matter how well designed the questionnaire is" (p219).

²⁰ The single biggest concern with mail surveys is non-response error. Potential source of non-response errors include refusals, non-contacts, movers and uninterviewable. Maximising the response rate is crucial in this instance. Follow-ups, reminders, incentives, and the length of questionnaire play a role in this case. (Mangione, in Bickman and Rog., 1998, p404-09).

²¹ The layout made use of good spacing and consistency of formatting (eg. lettering, underlining). This practice is in line with two key aims of a good layout: facilitating fluent questioning and facilitating accurate recording (Hoinville et.al, 1978, pp45-50)

²² Moskos differentiates upward interviewing from downward interviewing :

"A study dealing with leaders, elite, and influentials involves "upward interviewing" from the viewpoint of the researcher's status. Yet, most methodological maxims seem to be premised on "downward interviewing"...Attitudes of individuals are gauged by circuitous and veiled questionnaire items. My West Indian experience, however, indicated that the best questions were the most direct."
(Moskos, C.C. Jr., in Golden, 1976, p133)

²³ A good account on the use the use of sequential interviewing when conducting interviews with leaders was conducted by Moskos, C.C. Jr. (in Golden, 1976, p132). Moskos discussed the intricacies involved in interviewing West Indian leaders. He approached the interviews using sequential interviewing: moderately high-anxiety questions were asked in the beginning to build rapport with the leaders. Highest-anxiety-producing questions were asked only when the respondents are involved and committed to the interview situation. Very low-anxiety potential questions are asked at the close of the interview.

²⁴ Gorden (1980) has identified eight inhibitors to interview: (1)competing demands for time, (2)ego threat, (3)etiquette, (4)trauma, (5)forgetting, (6)chronological confusion, (7)inferential confusion, and (8)unconscious behaviour (pp90-104). He argues that the first four tend to make the respondents become unwilling to give interviews, while the last four lead them to become unable to give the necessary information (p91).

²⁵ Since the interviews conducted were unstructured, the researcher had prepared an interviewing scheme to ensure that the conversations did not get off track too far, too often, although this was admittedly a challenging task.

²⁶ In the Unstructured interviews, Fontana and Frey discussed that one of the key issues which determines the success or failure of the unstructured interviews is the decision on how the researcher presents himself. (in Denzin and Lincoln, 1994, pp366-67)

²⁷ According to May (1993), probes can be used in many ways "to not only provoke further thought on the subject, but also perhaps offer a catalyst enabling the interviewee to make links to other answers they have given." (p98)

²⁸ By including open-ended unstructured interviews, the research can capitalise on the qualitative aspect of the subject matter: to describe social realities from the perspective of the subjects. Fowler (1995) emphasises the strengths of open-ended questions, namely that: (1) the range of possible answers greatly exceed what reasonably could be provided by specific questions, (2) some questions need to be answered in a narrative form because useful answers are virtually impossible to reduce to a few words, (3) they are among the best ways to measure knowledge and data, (4) when the reasoning

behind a conclusion, behaviour, or preference is of interest, the best way to learn about it is to hear the respondent's own words, (5) they can be the simplest way to gather systematic information about a potentially complicated situation (pp177-79).

²⁹ Sarantakos (1995, p206) discusses five types of documents commonly used for secondary analysis: public documents, archival records, personal documents, administrative documents, and formal studies and reports.

4

CHAPTER FOUR:

COMPANY GLOBALISING TENDENCIES AND THEIR CONNECTION WITH ETHNICITY

Introduction

One of the main aims of this research is to further the understanding of the state of globalisation and ethnic integration in corporate Malaysia. Equally important is to examine whether there is a connection between these two phenomena, and if there were to be a connection, how they connect to one another in the context of the Malaysian corporate world. This chapter explores the possible connection between these two sets of variables. Specifically, in examining *company practices*, it addresses the following sets of questions: (1) what is the state of globalisation, (2) what is the state of ethnic integration? (3) is there a connection between the state of globalisation and the state of ethnic integration? (4) what is the nature of the connection between these two sets of variables? (5) what are the possible explanations underlying the connection and what is the role played by the four sets of embedded relationships? Focusing on company practices, this chapter presents both the quantitative and the qualitative findings of the research in relation to company practices, while managers' perceptions and views are discussed in Chapter Seven. Nevertheless, it should be noted that the analysis of company practices in this chapter is drawn from quantitative data from survey, company records as well as documents. The analysis is further substantiated by qualitative data from managers' comments and explanations about the 'whys' and 'hows' underlying the various company practices.

Another vital point is that this thesis does not employ sophisticated statistical computations in analysing the research data. This is due to the fact that the five questions stated above can be answered satisfactorily using comparisons of percentages between various variables, in addition to the qualitative and thematic analyses, as we will see in this chapter.

The chapter begins with the general findings of both sets of globalisation and ethnic integration variables by comparing the scores of globalisation as well as the scores of ethnic integration of the various types of companies (FTNCs, MTNCs and LCs). This first section provides a bird's eye view of the state of globalisation and ethnic integration of companies.

What follows is a section on specific descriptions and discussions. This section covers both quantitative as well as qualitative findings. For the quantitative findings, each globalization variable will be tabulated in relation to the company ethnic integration variables; hence, providing not only close examination of each variable but also analysis by analysis of how each variable may or may not connect with ethnic integration or ethnic elements. For the qualitative findings, the variables will be presented in groups of three or four. They are grouped together because they are often connected to one another and indeed the managers comments reflect this connectedness as well; hence, the coherence in the analysis can be maintained and shown more effectively when the variables are bundled together. This is a particularly important section of the chapter since the four embedded relationships will also be incorporated in the analysis of each of these variables. In addition, the significance of ethnicity will also be examined.

The third section concludes the chapter by bringing back and integrating the overall scores of the globalization and ethnic integration variables in order to furnish

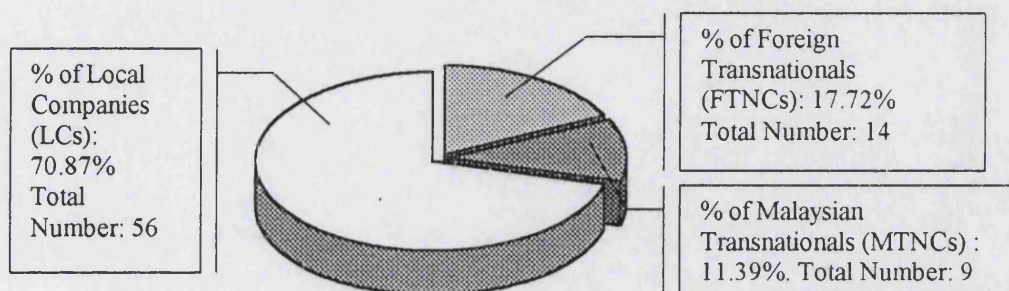
the chapter with a comparative examination of the various data. This final section summarises the data and highlights certain vital findings. It also offers four concluding imperatives as an additional analytical discussion of these findings in order to tie the company practices with the four embedded relationships. It places emphasis on examining the interconnectedness and the embeddedness of companies variables with the web of the four relationships. At a deeper level, in disentangling this web of relationships, the chapter expects to unveil not just the presence of these embedded relationships, but also the ways in which they condition the different dimensions of the companies' variables.

4.1. THE OVERVIEW

4.1.1. FTNCs, MTNCs and LCs

One of the ways we classify the companies is based on their TNC status. As shown in Figure 4.1., out of the seventy-nine companies interviewed, fourteen are foreign TNCs (FTNCs), nine are Malaysian TNCs (MTNCs) and fifty-six are local companies (LCs). Therefore, majority of the companies surveyed is local companies without the TNC status. Indeed, as we analyse the findings further, it becomes apparent that the TNC status of companies partly shapes the findings, with respect to the degree of globalisation.

Figure 4.1
Overall Percentages of FTNCs, MTNCs and LCs



Next, Table 4.1. shows the percentages of company with high scores on globalisation variables based on TNC Status. It unveils a general pattern that both FTNCs and MTNCs are more likely to be companies with globalising tendencies than LCs for most of the variables. The comparison between TNCs and non-TNCs reveals that FTNCs and MTNCs show higher scores on globalisation variables than LCs, except for international certification and benchmarking.

Table 4.1.
Percentages of Company with *High Scores*
on Globalisation Variables based on TNC Status

	FTNC (%)	MTNC (%)	LC (%)
Foreign Equity	100	22.22	28.57
Forward Linkages	71.43	77.78	23.21
Mission/Vision	78.57	88.89	28.57
Plan/ Strategies	100	100	42.86
International Certification	35.97	77.78	66.07
International Benchmarking	28.57	22.22	25.00

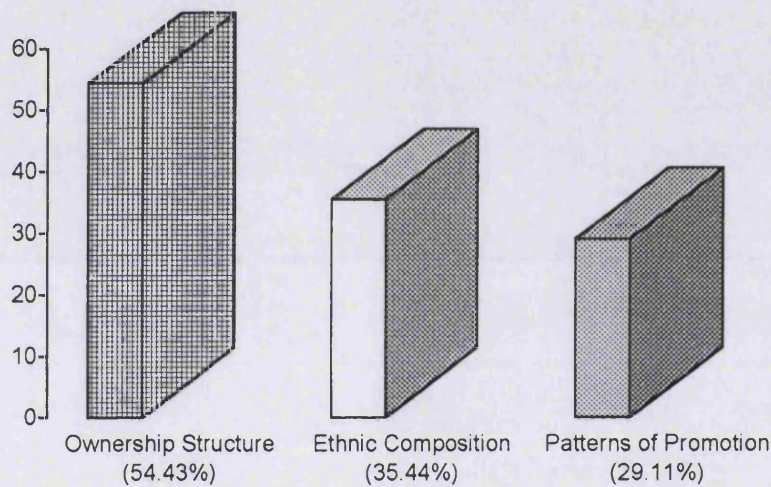
Comparing FTNCs and MTNCs, in general, the statistics show that the percentage of MTNCs with globalising tendencies comes close to that of FTNCs'. MTNCs have one score that equals the FTNCs'; in corporate planning, 100% of both MTNCs and FTNCs are 'global' planners. Nevertheless, there are differences between MTNCs and FTNCs. Between the two types of companies, more MTNCs portray a high level of globalisation for forward linkages (77.78%), mission/vision (88.89%), and international certification (77.78%). This underscores the eagerness of MTNCs to accentuate the drive for expansion and globalisation; thus, in this respect they appear to be no less avid to globalise than are the FTNCs. The findings on LCs verify that a significant proportion of the local companies is gearing up for globalisation, if not

already practising and embracing some aspects of it. Two snapshots of the quantitative data substantiate this inclination. At least one quarter or more of the LCs consistently portray globalising tendencies, with only one exception, forward linkages with 23.21%. This 25% (or more) base should not be underestimated. Under the conditions of rapid capitalist growth and economic pressures, combined with the FTNCs and the MTNCs, collectively they are in position to influence other companies to follow the globalisation bandwagon and shape the domestic political economic forces. Additionally, another indication of LCs' globalising tendencies can be seen with a closer look at a number of variables. For the variables of corporate planning (42.86%) and international certification (66.07%), there are indeed sizeable percentages of LCs with globalising tendencies. These findings concretely demonstrate that a notable percentage of the LCs are developing plans to globalise (corporate planning) and getting the necessary qualifications or recognition (international certification); hence, getting into a preparatory state to further participate in the global game. Another aspect worth noting is the fact that the LCs statistic on international certification (66.07%) far exceeds that of FTNCs' (35.97%). Nevertheless, the industrial sector may account for this difference. Industries in the manufacturing sectors such as electronic components, precision plastics, quality metal stamping, integrated circuits and computer chips normally require certifications such as ISO 9000 series and the like, while the demand for such certifications is not that high in the service sectors. Since there is a higher percentage of LCs in manufacturing (73.21%) compared to FTNCs (35.71%), it is quite possible that this sectoral difference leads to the percentage difference in international certification between them.

4.1.2. Ethnic Integration

In Figure 4.2, we display the overall percentages of companies scoring high on the three ethnic integration variables.

Figure 4.2.
Overall Percentages of Companies
Scoring High on Ethnic Integration Variables



As a whole, Figure 4.2 depicts a situation where companies score low in ethnic integration. Among the three variables of ethnic integration, ownership structure has the highest figure. Yet, there are only 54.43% of companies displaying ethnically integrated ownership structures. In addition, 35.44% of the companies reflect ethnically integrated composition of employees; and only 29.11% of the companies show ethnically integrated patterns of promotion. These findings reflect that, for the most part, ethnic integration is not yet a reality in the companies interviewed; this is at least true at both structural and operational levels. This represents the gist of the degree of company ethnic integration.

However when we factor companies' globalising tendencies into the picture, companies' ethnic integration becomes more prominent. As we will see in the

following findings, where there is evidence of globalising tendencies, there tends to be a larger percentage of companies with ethnic integration as opposed to those without. This holds true for most of the globalisation variables and for both structural and operational dimensions of ethnic integration. When we separate out the companies with a higher degree of globalisation from those with a lower degree, the results yield a stark contrast in the degrees of ethnic integration between these two groups. Five globalisation variables reinforce this connection: TNC status, foreign equity, forward linkages, mission and vision, and plans and strategies. Companies scoring high on these five variables also tend to score higher on ethnic integration.

4.1.3. Ethnic Integration and TNC status

When companies are classified into FTNCs, MTNCs and LCs, the tendency to have high scores for ethnic integration variables of ownership structure and patterns of promotion is highest for FTNCs, while MTNCs show the highest tendency towards ethnic composition. This finding is indicated in Table 4.2.

Table 4.2.
Percentages of Company with *High Scores*
on each Ethnic Integration Variable based on TNC Status

	FTNC	MTNC	LC
Ownership Structure	92.86	66.67	42.86
Ethnic Composition	57.14	77.78	23.21
Patterns of Promotion	71.3	44.4	16.07

This link with ethnic integration is true for TNC status as a whole. Table 4.2 shows that FTNCs and MTNCs portray consistently higher scores on ethnic integration compared to LCs. For ownership structure respectively, FTNCs and MTNCs score 92.86% and 66.67%, whereas only 42.86% of LCs show high scores on this ethnic integration variable. Again, 57.14% of FTNCs and 77.78% of MTNCs

score high on ethnic composition as opposed to 23.21% of LCs. Finally, for patterns of promotion, FTNCs score 71.30%, MTNCs score 44.40%, yet LCs score 16.07%.

Before proceeding to the next section, the important highlights of the overall picture are: (1) the evidence shows that, overall, companies have low scores on ethnic integration; (2) companies with TNC status are more likely to have high scores on ethnic integration relative those without. In the next section, we will find that there is abundant qualitative evidence showing that globalisation as a management paradigm is commonplace with FTNCs and MTNCs, as well as LCs. We will also see that the differences among the companies may be a reflection of the varying stages and approaches of adoption of the globalisation paradigm and practices. They may also be interactive outcomes with other social forces connecting with the globalising tendencies in the Malaysian corporate sphere.

4.2. Detailed Analysis of the Quantitative Findings:

The Connection between Ethnic Integration and Globalization variables of Foreign Equity, TNC status and Forward Linkages

By introducing the qualitative evidence, this section analyses the globalisation variables in detail and puts in perspective the quantitative findings above. It must be noted that while we will present the quantitative data variable by variable, we will discuss the qualitative findings by combining groups of variables; in part, this is because the data from the open-ended interviews tend to have references to more than one globalisation variable at a time. Extracting and compartmentalising the data into specific individual variables may distort its contextual meanings. The analysis of the quantitative data will show the 'what', i.e. what the nature of connection between

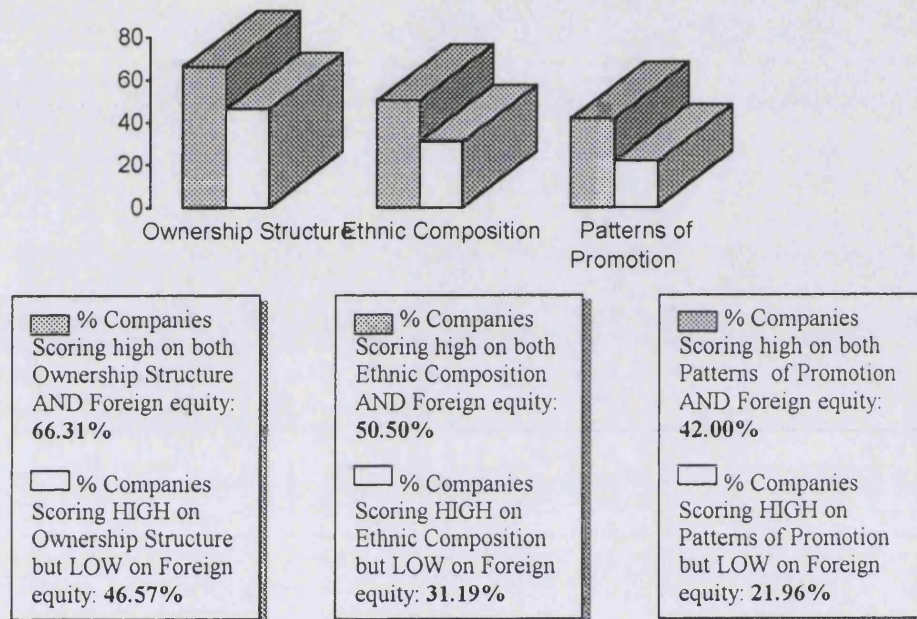
globalisation and ethnic integration variables is like, while the analysis of the qualitative data will reveal the 'why' underneath this connection. Therefore, examining the qualitative data in the actual contexts is important because many of the direct and indirect explanations to the connection between globalization and ethnic integration can be found in the analysis of the qualitative data in which the variables are often bundled together in the comments. Therefore, this section will: 1) discuss the quantitative evidence which links the globalisation variables with ethnic integration variables; 2) analyse the qualitative evidence by examining several globalisation variables together and identifying the specific embedded relationships related to the findings; 3) expound the connection between globalisation and ethnic integration with references to the theoretical thrusts of the research. We will begin with the following variables: foreign equity, TNC status, and forward linkages.

4.2.1 Foreign Equity

As Figure 4.3 shows, among the companies with significant foreign equity, 66.31% have ethnically integrated ownership structure, while among those with a lower level of foreign equity, 46.57% have ethnically integrated ownership structure. A similar pattern occurs for employees' ethnic composition; 50.50% of the companies scoring high in foreign equity have ethnically integrated employee composition versus 31.19% of companies scoring low in foreign equity. Finally, 42.00% of those scoring high on foreign equity have ethnically integrated patterns of promotion versus 21.96% which do not. Based on these quantitative findings, what these three sets of scores show is that companies which score high on ethnic integration are more likely to be companies with high scores on globalization than those with low scores; hence,

suggesting a connection between the globalisation variable - foreign equity - and all three variables of ethnic integration.

Figure 4.3
Percentages of Companies Scores on FOREIGN EQUITY and
the Three Variables of ETHNIC INTEGRATION



4.2.2 TNC Status

Since we have discussed the findings and elaborated on TNC status in the previous section, suffice it is to state that both FTNCs and MTNCs have higher percentages of companies with ethnic integration in all three variables compared to LCs. This is clearly indicated in Figures 4.4, 4.5 and 4.6.

Nevertheless, the connection between the findings of companies' TNC status and ethnic integration deserves more attention. Here lies a set of findings that strongly endorses a link between globalisation and ethnic integration, at least with respect to this specific measure of globalisation. To illustrate, the 92.86% of FTNCs having ethnically integrated ownership structures represent the highest percentage on this table. Two thirds of MTNCs also have such ownership structure, yet only

42.86% of LCs have ethnically integrated ownership structure. What this means is that virtually all FTNCs and most MTNCs are owned by an ethnically balanced group; yet most non-TNCs are not. Given the fact that TNCs have operations in several countries, one of the tenets that distinguishes TNCs from non-TNCs is the adoption of globalisation paradigms, as de facto components in the companies' core strategies. Although the non-TNCs might well be interacting with TNCs or participating in global economic activities, globalisation may not be on their main agenda by default of their internal organisational structure. The point emphasised here is that, TNC status definitely qualifies as a measure of globalisation, and in this case, the findings clearly indicate a connection between TNC status and degree of companies' ethnic integration.

Figure 4.4.
Percentage of Various TYPES of Companies (FTNC, MTNC & LC)
with HIGH Scores on OWNERSHIP STRUCTURE

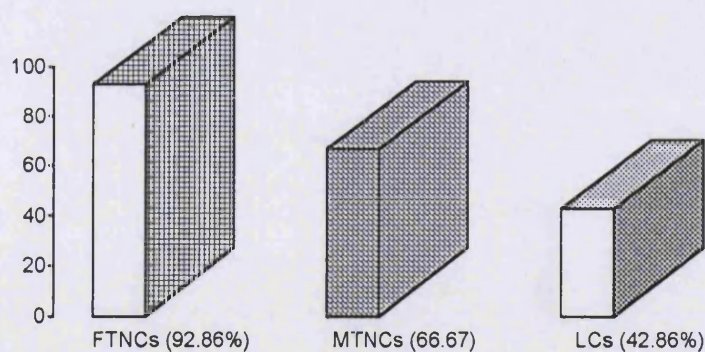


Figure 4.5.
Percentage of Various TYPES of companies (FTNC, MTNC & LC)
which score HIGH on ETHNIC COMPOSITION

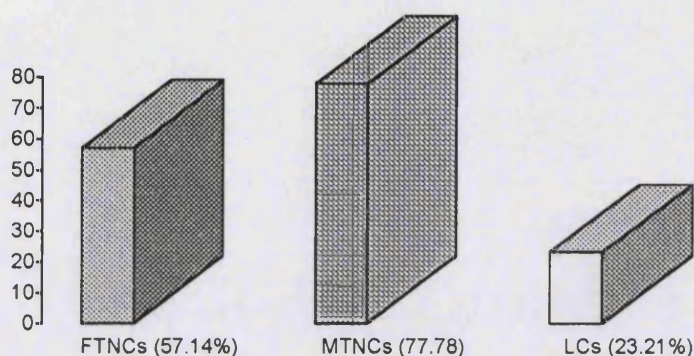
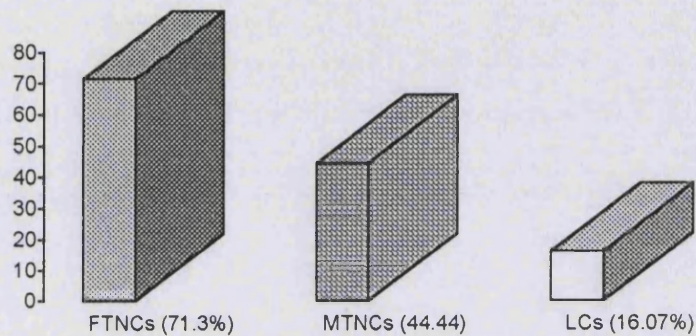
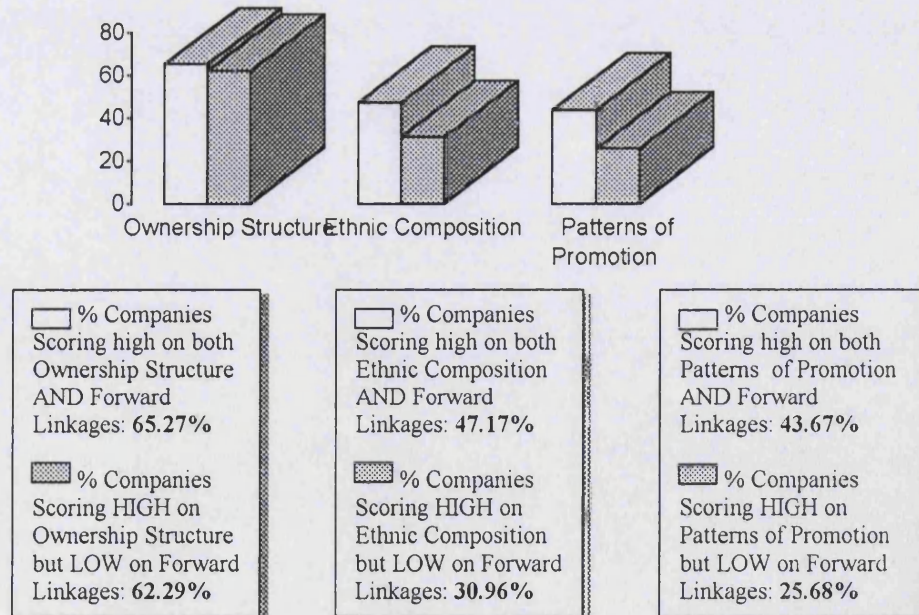


Figure 4.6.
Percentage of Various TYPES of companies (FTNC, MTNC & LC)
which score HIGH on PATTERNS of PROMOTION



4.2.3. Forward Linkages

Figure 4.7.
Comparison between Percentages of Companies Scores on
FORWARD LINKAGES and the Three Variables of ETHNIC INTEGRATION



Moving on to the next globalisation variable, forward linkages, once again, the findings of the research support a connection between companies' globalising tendencies and the degree of their ethnic integration. In Figure 4.7, 65.27% of the

companies score high on ownership structure and forward linkages, and 62.29% of the companies score high on ownership structure but low on forward linkages. There is not much percentage gap in this variable; but in the remaining two, the globalising variables yield observable differences. With respect to ethnic composition, 47.17% of the companies with significant forward linkages have high ethnic integration scores; versus, 30.96% of companies without substantial foreign exports but have ethnically integrated ethnic composition. Finally for patterns of promotion, there are 43.67% of the companies scoring high on patterns of promotion as well as on forward linkages; as opposed to 25.68% scoring high on patterns of promotion but low on forward linkages. These findings imply that there is an actual link between the levels of forward linkages and the companies' ethnic integration, at least in relation to ethnic composition and patterns of promotion.

In order to investigate the potential explanations for this connection, we turn our attention to qualitative data. Based on the comments received from the managers, the four embedded relationships reveal important insights to the inner workings of the companies with regards to their globalising tendencies and their connection with ethnic integration.

4.3. Qualitative Findings on Foreign Equity, TNC status and Forward Linkages

Before we proceed further with the analysis, it is useful to reintroduce the four embedded relationships and discuss the issues relating to the nature of the qualitative data.

Reintroducing the Four Embedded Relationships

Reflecting upon the previous findings, the quantitative empirical data indicate the existence of a connection between company globalising tendencies with variables of ethnic integration. However, these companies' tendencies and their connection do not exist in a vacuum. They exist in multiple social contexts of relationships. We have identified four relationships (we first discussed them in Chapter One) which contextualise the companies' globalising tendencies and ethnic integration variables. To reiterate, they are (1) *company-government relationship*, (2) *company-company relationship*, (3) *company-internal community relationship*, and (4) *company-market relationship*.

Company-government relationship includes company's relationships with local and federal governments, political groups and parties, institutional regulatory agencies as well as political leaders and personalities as pointed out in Chapter One. Although company-company relationship is somewhat self-explanatory, it is structurally complex. It may include a set of relationships, collaboration or a network between a particular company and one or more suppliers, buyers, financiers, financial institutions, potential competitors, or even benefactor companies.

The third set of relationship, company-internal-community relationship, involves company's relationships with members and elements of its own community. The relationships are with people within or attached to the company (such as shareholders, managers, and employees) as well as with non-human resources, (such as technological, financial, material and land resources).

Finally, company-market relationship involves the company's relationships with the customers, clientele and the market segment to which customers and potential customers belong. Customers, in this context, may be end-users

(consumers) or other companies or government departments and agencies, and to a certain extent the community, to which a particular company supplies its products and/or services.

As we have pointed out in Chapter One, the agents and actors of these relationships influence one another; and at another level, the relationships shape and intertwine with one another. Nonetheless, the object of this chapter is to explain, by disentangling the qualitative data, the ways in which each of these relationships affects the companies globalising tendencies and ethnic integration. Therefore, examining the qualitative data from the perspective of individual relationships or a combination of relationships as they appear in and emerge from the managers' comments themselves will help maintain the contextual coherence of the findings, while avoiding distortion in interpreting the data. Ultimately, this chapter attempts to reconstruct a bigger picture of globalisation and ethnic integration in corporate Malaysia by re-assembling the findings using this four-relationship framework.

Issues Pertaining to the Nature of Qualitative Findings

Several issues should be explained prior to the actual discussions on the managers' comments.

Although English is the language of commerce in Malaysia, English is often the second or third language for the managers. Therefore, some of the managers' comments may be grammatically problematical. In cases where local words were being used, the English translation is given in square brackets. There are instances in which the English phrases being used were heavily mixed with local phrases and expressions; hence, I have taken the liberty to paraphrase some of these comments in order to make them more comprehensible to the readers. However, there are cases

where the syntax or semantics were not easily translated and paraphrasing them still would not convey the actual meaning; thus, there are comments given after these comments in square brackets to clarify them.

Another point to note, especially vis-à-vis the sections on ownership, these comments sprang from the managers, rather than from the owners or the directors themselves. Although the managers may share similar ideas with the owners and the directors, it is the latter groups who have the final authority on ownership decisions. Nevertheless, to a certain degree, the managers' views may mirror those of their bosses. This leads to the next issue.

The managers' comments may be influenced by two underlying perspectives, that of their company's (i.e. the owners') as well as that of their own managerial standpoint, despite the fact that they are members of the companies' top management. Sometimes, these perspectives may not always be congruent. The interests of the managers may not coincide with the interests of company; thus, managers may or may not express their company's 'official position'. As we will see, there is evidence for both cases. In fact, some managers will qualify their comments as coming from their own personal views. In addition, pertinent to this issue is the fact that most of the respondents were top managers like vice-presidents or heads of divisions or departments, so some do have stock options in the company, as they admitted themselves. Hence, these stock-owning managers have more reasons to bear the company's interests in mind, in their thinking and practices. Furthermore, one can also argue that even without ownership in companies' shares, these managers are ultimately answerable to the owners of the company.

Now that the four sets of embedded relationships are reintroduced, the discussions which follow will analyse the qualitative data and locate some possible explanations (either implicit or explicit) of how the globalisation variables, foreign equity, TNC status, and forward linkages are connected to ethnicity.

We will begin with a selection of comments given by the managers, followed by a discussion on these comments. At the end, a table of summary will provide a general overview of the qualitative findings.

Based on managers' comments on foreign equity, TNC status and forward linkages, three pivotal social dynamics stand out: (1) the interaction between company-government relationship and company-company relationship, (2) the interaction between company-company relationship and company-market relationship, and (3) the dynamics of company-internal-community relationship.

In presenting the managers' comments, we will follow these three classifications.

4.3.1. Interaction between Company-Government Relationships and Company-Company Relationships

The following is a set managers' comments relating to company-government relationship and company-company relationship:

"[Our company] has a superb partnership with Malaysian investors and Malaysian government. Our company is often invited to be part of the trade delegation of the Prime Minister. You know Dr Mahathir, he is an outstanding diplomat to get deals through in third world countries... The crucial point is by having joint-ventures with the Malaysians, we gain, you gain, and the third countries gain." (f-12)¹

"Dr Mahathir makes sure that Malaysian MNCs are co-operative not exploitative like many other MNCs. We look for local partners in the industry..." (m-02)

"As long as ...Malaysian companies in foreign soils do not exploit their domestic economy, it's okay. When we sign MOUs, we must honour them. Mahathir checks on us and makes sure that we stick to our commitments. If you want to be part of the Malaysian team, you don't jeopardise the team." (m-05)

"Government has a strong say in our organisation. We are in good hands. We can negotiate better when the Malaysian government is present. This is the power of teamwork. We concentrate our energies and produce outstanding results." (m-03)

"When the government is behind us, it gives confidence to us and to them [foreigners]. We also need the government's watchful eyes to make sure that we are not being pushed around." (m-03)

"Not that we don't like foreign investment or government, only thing [is that] our government usually helps Bumiputra companies more [than non-Bumiputra companies] in linking up with foreign investors. Sometimes some of us think that's unfair. We also need government's support." (l-39)

"If you really look at who's benefiting from this foreign investment, it's really the Chinese... the Taiwanese, Singaporeans, the Honkies, they all are joining the Chinese companies, making these companies even stronger." (l-46)

"To become a global player, we should have them on our side. However, we should remember that these are the people who colonised us before. We should be wise enough to have economic co-operation not economic colonisation." (m-03)

"When the government opened up our economy, these giant firms came in and killed many small firms. Small Malaysian firms can not compete with them. They crushed our good companies. Join them or die. It is like blackmailing. We don't like this kind of people to own our company... So now there is no more real Malaysian firms. They [the foreigners] have investments all over the place. We don't have place to move any more. So may be in a couple years' time, [our company] has to join them too." (l-14)

"These foreign firms come in and become friends of the government, then naturally we become the enemies. We have to fight these monsters. That's why this globalisation is actually colonisation part 2" (l-09)

Reflecting upon the managers' comments, the discussions which follow attempt to uncover the contexts which drove the companies to choose to (or not to) go

global and the ways in which the four sets of relationships are embedded in these companies' globalising tendencies. Indeed, the importance of the connection between these two sets of relationships, company-government relationships and company-company relationships, is heightened in several scenarios, both overseas and local. In this interaction of relationships, three main themes or types of explanations emerge from the managers' comments: (1) government's support and oversight, (2) the perception that only selected ethnic groups are benefiting from government's efforts, (3) fear of economic dominance, if government opens up economy.

As the managers themselves stress, the support and the overseeing from the government seem integral to the interaction between the companies and government. The role of Malaysian government is repeatedly emphasised when MTNC managers talk about entering new deals with foreign partners in new markets. The findings revealed a number of strong statements made by the MTNC managers on how this company-government relationship and company-company relationship connection work. On the one hand, since many of the MTNCs are themselves in the nascent stage relative to their foreign and western counterparts, the government is seen by many MTNCs as a dependable party especially when these MTNCs venture into new markets. On the other hand, according to the varied comments, government's influence has also been credited by the proponents of foreign capital and FTNCs. FTNCs managers claim that their interests "must take into consideration the country's interests", and "that this is the Asian way". There are also comments such as "a superb partnership with Malaysian investors and Malaysian government" and "foreign investment benefits the country and the country benefits us too." These comments partly indicate that in their quest to establish network power with local companies,

some FTNCs are willing to adapt their actions to a certain degree to the existing local political-economic interests.

The main thing that is worth highlighting is the fact that the companies' embedded relationship with the government appears to be threading through the companies' globalisation variables of foreign equity, TNC status and forward linkages. More importantly, underlying most of this theme of government's oversight and support is that company-government relationships is seen as crucial vis-à-vis the companies' relationships with other companies. Many managers assert that the government's watchful eyes and hands-on approach are not only necessary but also desirable. For many of the MTNCs and LCs, the relationship with the government means that their interests are better protected against bigger companies, that their ability to negotiate with other companies is strengthened, and that their reputation as a group can be safeguarded and enhanced since the government shows concern in Malaysian companies' external dealings and overseas commitments with other companies. Furthermore, among the MTNCs and LCs, a sense of 'team-ness' or 'we-ness' between the government and the companies is often projected when their relationship with the government is raised. As for the FTNCs, to a certain degree, the government's presence is also perceived as being supportive and as part of an important partnership.

Nevertheless, there is a group of managers who expressed their dissatisfaction with the government's efforts in relation to foreign investment. There is a perception that foreign investment and foreign joint-ventureships only serve the interests of a particular ethnic group. Interestingly, these managers not only view this problem from an ethnic standpoint, but also make opposite claims as to whose interests the foreign joint-ventures serve. Among this small group of managers, those from

bumiputra-owned companies perceive that the Chinese are gaining from the foreign investment, and vice-versa for those managers from Chinese-owned companies. However, their 'solutions' are not that the government should disengage itself from the economy, but that the government is not doing enough for them. In other words, there is an expressed desire among the companies' management to further strengthen their company-government relationship.

Nevertheless, with regards to company-company relationship, there is a group of managers who expressed strong reservations about these foreign firms and investors as government opens up the economy. This is partly due to the colonial experience in which the foreigners, particularly the West has come in to exploit and dominate the economy; but current experiences contribute to this resentment as well. For instance, there are those against such foreign "dominance" who point to the cases in which small Malaysian firms are being "killed" by large foreign companies. These managers seem to share a common apprehension of being assimilated, or worse still, eliminated.

4.3.2. Interaction between Company-Company Relationship and Company-Market Relationships

The following is a set of comments given by FTNCs, MTNCs and LCs managers. As we will see, the managers' comments on foreign equity, TNC status and forward linkages reflect the interaction between company-company relationship and company-market relationship as yet another vital social dynamic.

"[the company] is here to grow together with Malaysia's booming economy. In a global market, the company must ensure our stability by involving the locals. The pie is big enough for everyone." (f-04)

"The government here is very business-friendly - [with] financial support, ready-made infrastructure projects... It is either you guys or the Singaporeans. We find you guys to have more creative potentials and commitment, the markets here are bigger; besides, you guys are more fun." (f-10)

"With NEP (New Economic Policy), we might have grown strong here [in Malaysia]; but you should know, we need strategic alliances [with the foreigners] overseas to secure our place outside. And the real test of our economic resilience is whether we can perform in foreign lands. Once we become arrogant and stop expanding, others who have stronger markets can easily smash us because they have economic superiority over us and we can not sustain their attacks and what will happen to us?" (l-08)

"The MNCs are willing to co-operate with us. Look, we are a small fish relative to them. Either we swim with them or be devoured. That's win-lose. But with the government's help, we can co-operate with them in a fair manner, then we have a win-win relationship." (l-02)

"Admit it, we are not at par with the Chinese. But with the strategic alliance with the foreign companies, at least we have a chance." (l-25)

"The foreign equity makes us stronger, financially or organisation wise. We think we are now in equal position with many of our Chinese counterparts." (l-31)

"It makes sense. When you are operating in someone's place, you must benefit the people there. Like what Dr Mahathir described as 'smart partnerships'. Otherwise [without the partnership], that's why so many people resent foreign companies." (f-07)

The crucial point is by having joint-ventures with the Malaysians, we gain, you gain, and the third countries gain." (f-12)

"Trade blocks are all over the place. The only profitable way to gain access into these markets is to establish alliances with the companies there. This means we have got to be a transnational corporation." (m-08)

"It is a new kind of Islamic renaissance. We are having economic co-operation and economic growth through MNCs. Other Muslim countries are looking at the Malaysian model of development. The Arab countries are in a mess. Pakistan too. Iran has been hit by US and still trying to stand up. Indonesia is behind us economically. I think they regard us as a world leader for Muslims. You might not believe this [being true] ten,

fifteen years ago. They [now] think we are some kind of Japanese-style Muslim country."
(m-01)

"Our companies must globalise. Others [other muslims] are looking up to us as a model Muslim country. The Muslim markets are huge. Think about it, Mindanao (a southern state of the Philippines), China's western provinces like XinJiang, South Africa, Bosnia-Herzegovina, Central Asia, and Middle-east and Pakistan. Our company has partners in South Africa. Do you know that Malays are a big minority in South Africa." (m-05)

"In central Asia, there is fierce competition in the oil business and its vendors. Malaysia is a player there. In fact we are the only Muslim country with the corporate might to match the Westerners. Our country offered them a complete range of co-operation, technical, financial, industrial, management, and also government-to-government assistance. This is true Islamic leadership. If we don't become MNCs, who else? We help build mosques and open up modern Muslim centres there. When Mahathir visits he would pray at the local mosques." (m-08)

"Islamic organisations and donations alone are not enough. The Ummah [The Muslim people or nation] needs Muslim companies, especially MNCs, to build their economy. Leadership of rhetoric can't feed us. The Ummah needs economic leadership." (m-07)

"Only if we are an MNC can we branch out into other economies. We are very pleased that the government opened up its trade with China, it is so easy for us Chinese to re-establish our trading ties with Chinese in China. But, you see we are still loyal to Malaysia. This is our country. Our families, our friends, our base are here. We can profit from the market there and bring home the money. This is good for Malaysia." (m-09)

"Culturally Malaysian companies are very poised to expand outward. With China, 1.2 billion people, we have the Chinese, with India, 800 million, we have the Indians, not to mention South Asia, with Indonesia 200 million, we have the Malays, the rest of Southeast Asia, we have ASEAN. Our only competition is from Singapore." (f-07)

"Any one who knows about Asian business knows about the Chinese bamboo connection in East Asia. Taiwan, China, Hong Kong, Singapore, we can network with them easily. These markets are open for us. We understand each other better. We trust each other more. This is the advantage Malaysians have over the Japanese and Americans." (m-04).

"We cannot trust the Westerners. They came to colonise us last time and we let them [colonise us] ... I don't think we mind sharing more with other Malaysians. But with these 'orang putih' [white people], they always want you to 'sembah' [kowitz or

worship] them. They are here for only that one reason - to 'jajah' [colonise/rule] Tanah Melayu [the Malay land]. It is the same with all of them, the British, the Dutch, they all came and colonised us. Believe me the Americans are also like that [like the British and Dutch colonialists]. Last time they used politics and now they want to do it with economics." (I-34)

"They come in to exploit us and take away our country's wealth. They did this before, they are doing it again. The money is not coming back to our country." (I-12)

"Why should we allow them come and steal our customers away? They have enough already overseas. Now we [have] got to fight them like 'mad dogs'." (I-26)

Based on the sample of comments shown above, there are five major types of explanations which delineate the interaction between these two sets of embedded relationships: (1) building alliances, (2) outward market expansion, (3) inward market expansion, (4) ethnic and religious links, and (5) reduction of domestic market share. The interaction between company-company relationship and company-market relationship, therefore, manifests itself in these five different explanations.

On building alliances between two or more companies, we witness here the interplay between network power and market power. In cases where companies, be they MTNCs and FTNCs, expand into new markets forming strong company-company relationship appears to be their governing strategy to mould their relationship with the market. Simply put, managers find that building a stable inter-company network strengthens the company's position within the market.

Indeed, the globalisation variables of foreign equity, TNC status and forward linkages can be better understood through the connection between company-company relationships and company-market relationships. While the FTNC managers emphasise the significance of involving the locals in the Malaysian market, many managers from Malaysian companies interviewed find that it is necessary to join force

with foreign capital or to be part of their extended network; hence, we find comments such as “who do we ally with to go global?” and “we are a small fish compared to them. Either we swim with them or be devoured.” Many also view that having a local partner(s) would expedite and smoothen their integration into the local market because the local partner has better understanding of the local business environment; hence, the significance of company-company relationship vis-à-vis company-market relationship. Woven into this social dynamic is the repositioning of Bumiputras' status in the market. Some managers from Bumiputra firms affirm that the strategic alliances with foreign entities are particularly vital in order to place the Bumiputra firms into better positions in the industry to which they belong. Having foreign equity and participation in their businesses would mean increased network power relative to the non-Bumiputra firms.

The next two types of explanations given by the managers, outward and inward market expansion, reveal their organizational goals in even more explicit terms. A number of MTNC managers maintain that their companies go global for economic survival and economic expansion. This drive to gain and to protect market share is integral in all three globalization variables of foreign equity, TNC status and forward linkages. This seems to be one of the common threads underlying their globalising tendencies. Many managers expressed the views in no ambiguous manner that the reason their companies needed to become a TNC, or to increase foreign equity, or to establish more extensive forward linkages is to either safeguard their existing markets or to capture new markets. This is especially true for MTNCs and LCs who desire to expand beyond local markets, whereas for FTNCs, although many find the local markets are lucrative, they tend to emphasise the idea of collaboration with the local firms.

The next set of managers' views on TNC and forward linkages reveal that the corporate *modus operandi* to establish a strong network via company-company relationships is intertwined with ethnic, cultural or religious elements. Indeed as evident in the interviews, managers quote an array of possible ethnic, religious and even historical-political links with whom they can network, including the 'Muslim connection' in various Muslim-populated countries, the powerful 'Chinese bamboo network' which stretches across from the Far Eastern economies to NICs such as Hong Kong and Singapore, the ethnic Malay groups in Southeast Asia (and South Africa), the ethnic Indians in India, the Commonwealth, the ASEAN countries as well as with other developing countries through the South-South co-operation. They also portray an eclectic approach in justifying the choices for partnership. Western TNCs can be seen as 'foes' in these markets that MTNCs are entering. When MTNCs have operations in foreign markets in a third world, Muslim, or an Asian country, it is likely that the West is seen to be there to 'monopolise' and 'exploit'. This perception may also be due to MTNCs' goal of forming alliances with local capital and the Western TNCs are their competitors, based on their colonial experiences. The managers implicitly admit both reasons.

What is apparent in their comments is that as these companies enter into new environments where they come face to face with new market constraints and new economic realities, the relationship with the local or transnational corporate network existing within the host country becomes crucial.

In spite of this perceived need to forge a relationship with foreign capital, some Malaysian managers are wary of the presence of foreign investments and TNCs in their home markets. There is a prevalent perception among some managers that the foreign presence needs to be checked in order to guard against what may have been

seen as unfair dealings or even foreign exploitation of the locals. Indeed, many Malaysian managers are yet to be convinced of the virtues of foreign ownership and FTNCs as we have seen in the findings, and there have been numerous other comments consisting of concerns on economic colonisation, interference with their sense of ethnicity, distrust, and exploitation. In addition, the findings show that those who do not oppose the idea of foreign investment and FTNCs, still voice worries regarding their company's future survival and declining market share because of the impact of globalisation and foreign capital.

4.3.3. Dynamics of company-internal-community relationship

At the centre of the discussions on the globalisation variables foreign ownership, TNC status and forward linkages is the company, specifically the ways in which it satisfies the needs of its own internal relationships. These are several views expressed by the managers which portray the dynamics of company-internal community relationship:

"We decided to globalise because our prime directive from the board of directors is to ensure continuity of cash flow. We are the management; our neck is on the line. We are answerable to them. We can't stay still while other companies are spawning loads of profits. We always have to calculate our company's ROI (return on investment). Sometimes, we are fighting against time to protect the stockholders' shares shrinking against inflation." (m-06)

"There is no point staying inside our cocoon forever. Even though you are big here, pretty soon there will be more formidable competitors in the neighbourhood. The world is a small place now. You see, we can not sustain our current level of profitability even in our own country without going global. Exports will boost our growth; but freight, tariffs, storage and insurance costs will be incurred ... and sometimes countries want the production or part of the production to be done in their own place. These things are taken into account and if we don't become a TNC or MNC, we'll be at the disadvantage. We need to be in several strategic locations to become globally competitive." (f-01)

"In a global era, being a local company is ridiculous. Fine if you are a 'kedai runcit' [corner groceries store]. But if you are in manufacturing like us, that [being a local company] will kill you. A local company has to fight with other local companies and with foreign companies operating locally and foreign companies, who are exporting their products to Malaysia, how can you fight? There is no fight." (l-09)

"Even though the Ringgit is quite stable, there is still currency fluctuation outside. By placing our plants in several places, we can also manoeuvre ourselves around the problem." (f-08)

"Economic recession and economic growth is occurring concurrently now. It is just matter of time that Malaysia will experience another recession. It is not necessary an evil thing. It releases the excess steam and cools down the overheated economy. The question is how a company like ours still thrives during these periods. The answer is simple don't place all your eggs in one basket." (f-13)

"It is difficult to make decision when there are too many people inside the company, too many mouths, too many [much] politicking... Once this happens, you become out of control. You must control your own company. Whatever outside share should be kept to the minimum." (l-10)

"Foreign ownership is good to have because you will have more capital. But too much of it will undermine your own say. This is the balance you must think about. I am for limiting foreign ownership; but I don't know about others." (l-06)

"The family has had this business even before the 'Merdeka' [Malaysia's independence which was in 1957]; ... you can't expect them to give away their inheritance to the others. This business holds their family together." (l-11)

"I think we want to keep this business within our family. It was passed down to us from our uncle. We feel obliged to keep it in the family. For us Chinese, it is a family duty. It is passed down from one generation to one [another] generation. The business is not just for making money for us. It is to make sure that there is security for our children too." (l-23)

"The Chinese and the Indians have been with us for so long, we know how to work together. The foreigners don't understand our culture. They don't hormat [respect] our ways, especially the Japanese. I have dealt with them. They are worse then 'orang putih' [the white people]; they want women, they want this, they want that, some even want

men; they want sick, crazy things. They want to be entertained until early morning. Malaysians, if they do it, most are not this crazy. If we want more investment (to our company), we can always get it from ourselves (Malaysians)." (1-13)

"When we negotiate with them (the foreigners), we are expected to entertain the way they want to be entertained. Ours is a family business, sooner or later our families will find out. It is embarrassing to our family members. They (the foreigners) are not even subtle about it. This is not our culture." (1-17)

As reflected by the comments stated above, among the various explanations on the needs of the company-internal-community which managers have cited are: (1) the need for additional funds, (2) continuity of cash flow or profit, (3) technological and technical support, (4) the problems of organisational control and family business, and (5) cultural and ethical practices.

On the need for additional funds and continuity of cash flow, the managers pointed out that there are external forces with which the companies must flow or fight in order to stay afloat. Many companies seek to capitalise on these forces by constructing beneficial relationships with them. Managers openly affirm that when their companies link up with foreign markets or join-venture with other companies overseas, they do so in order to sustain or to increase their 'profitability'. Indeed, lack of financial power disrupts company's relations with its internal community since limited capital may mean less return on investment for shareholders and less compensation for employees. Therefore, the companies globalising tendencies as shown in their foreign equity, TNC status and forward linkages can be viewed in this context. Foreign capital also represents an alternative, if not a "better" pool of funds to that of local sources as some managers have claimed. Bank loans can also "increase liabilities". The market power attained through company-market relationship and network power gained from company-company relationships are, in a

way, means to lead to higher financial power for the individual company. The costs of transaction, transportation and tariffs also tilt the balance for the companies to decide to 'go global'. Essentially, the qualitative data repeatedly show that the concern for continued profitability or the fear of shrinking cash flow drives many of the firms to increase foreign equity, become TNC, and establish forward linkages overseas. Another aspect that has an implication on companies profits levels is the currency fluctuations and business cycles. Drawing from company-market relationship with foreign markets, companies are able to offset a series of serious financial and business problems. From the interviews, we find companies using foreign markets to minimise the impact of currency fluctuations on their revenues, and also employing their foreign networks to counter the effect of business cycles, such as minor downturns and recessions within particular industries or geographical regions.

Financial capital is not the only resource that leads to the increase of foreign equity among Malaysian companies. A number of managers reveal that in order to obtain technological and technical support from foreign entities, they have to open up their company to foreign ownership. It is claimed that without "a stake in the company", the technological transfer is almost impossible. This seems to be true for technical assistance as well. Therefore, if Malaysian companies were to decide to upgrade their technological capacities and technical expertise, having foreign equity and joining force with foreign entities is said to be the natural choice.

In seeking to hold on to organisational control and to maintain cultural adherence within their company's internal community, several managers disclose some telling insights to their company's resistance against foreign ownership and FTNCs. As their statements clearly clarify the position, they raise issues of inefficient

and ineffective decision making, excessive “politicking”, obligation to keep it a “family business”, and foreigners’ lacking respect for their moral culture as reasons against more foreign equity. The first side to this issue in this theme relates more to the difficulties of controlling the organisation especially if it were a family business. The presence of foreign interests in the organisation may “undermine” the say of the main owners. The second side pertains to the cultural differences between the foreigners and the locals especially with regards to morality and ethics, such as company entertainment practices that violate the moral codes of the locals.

Tables 4.3 provides summaries of salient points and excerpts based on the managers’ comments. To reiterate, these are taken from comments with regards to their company's perspectives and practices on the globalisation variables foreign equity, TNC status and forward linkages. In order to keep the summary tables brief, these salient points summarise and combine many of the qualitative comments. Many of these points are directly extracted from the comments. The summary points are placed into an analytical framework of the four embedded relationships, thus, organising the comments into specific categories.

Table 4.3
Qualitative Data on Foreign Equity, TNC status and Forward Linkages:
Summary of Excerpts for Globalizing Tendencies

Types of Explanations	Elaboration on the Types of Explanations
<p><i>Government's oversight and support</i></p> <p><i>Benefits only selected ethnic groups</i></p> <p><i>Fear of Economic Dominance</i></p>	<p>Embedded Relationship: Interaction between <i>Company-Company Relationship</i> and <i>Company-Government Relationship</i></p> <ol style="list-style-type: none"> 1. Company dealings and negotiations carry more weight with government's presence 2. Prime minister's, minister's and government hands-on approach and watchful eyes on Malaysian companies' efficiency, commitments and relations with foreign companies; [company] takes into consideration country's interests; has superb partnership with Malaysian investors and government; 1. Foreign investment benefits Chinese more (e.g. investment from Taiwan and Singapore) 2. Government helps the Bumiputra more than the non-Bumiputra to get foreign investment; foreign investors look for companies with political ties 3. Distrust against Westerners - suspicion of re-colonisation and exploitation 4. Elimination of smaller Malaysian firms by larger firms
<p><i>Building Alliances</i></p> <p><i>Outward Market Expansion</i></p> <p><i>Inward Market Expansion</i></p> <p><i>Ethnic and religious links</i></p> <p><i>Reduction of domestic market share</i></p>	<p>Embedded Relationship: Interaction between: <i>Company-Company Relationship</i> And <i>Company-Market Relationship</i></p> <ol style="list-style-type: none"> 1. a form of strategic alliance - foreign money puts the Bumiputras in better positions; 2. win-win relationship - Profit-sharing with local partners; 3. to balance up the economy for the Malays 1. test of resilience - whether companies can perform in foreign lands 2. smart partnerships - to overcome trade blocks; foreign interests assist company to go into global markets 3. all companies who want to go global must accept some degree of foreign investment in their company 1. advantageous to have serious local participation in the directorship together with our foreign partners; need local people with right knowledge and right experience; 2. size of Malaysian markets - markets here are bigger; 3. need to garner capital - to expand businesses and compete, other MNCs have big reserves and Malaysian companies must build theirs too 1. with Asians - China, India, and the rest of Southeast Asian countries 2. bamboo connection - able to network with Taiwan, China, Hong Kong and Singapore; It is so easy for Chinese companies to re-establish trading ties with Chinese in China 3. Muslim networks - the Ummah [the Muslim people] needs Muslim companies; needs economic leadership; Economic co-operation and economic growth through MNCs; consider Malaysia some kind of Japanese-style Muslim country; huge Muslim markets 1. Loss of local customer base - 'steal our customers away'; 'Like cutting a piece of your pie; ... and ship it overseas'; 'foreigners use us to exploit and eat into our market'

	Embedded Relationship: Company-Internal Community Relationship
<i>Need for the Funds</i>	<ol style="list-style-type: none"> 1. Foreign capital helps in terms of additional financing; need to strike a balance between need for control and need for funds. 2. Insufficient domestic sources of fund 3. a better source than bank loans; too many bank loans increases liabilities
<i>Continuity of cash flow/ profits</i>	<ol style="list-style-type: none"> 1. instruction from directors - globalise because prime directive from the board of directors is to ensure continuity of cash flow; fighting against time to protect stockholders' shares shrinking against inflation 2. Cost factors - inability to sustain current level of profitability without going global; costs of freight, tariffs, storage and insurance 3. Stiff competition - local company competing with other local companies, with foreign companies operating locally and with foreign exports
<i>Technological & technical issues</i>	<ol style="list-style-type: none"> 1. Unwillingness to share technology - would not share technical expertise & technology without a stake in company; 'technological transfer never happens unless they are in [the company]; it [technological transfer] is an impossibility'; limited technical support
<i>Problems of control/ Family business</i>	<ol style="list-style-type: none"> 1. Difficulty in decision-making - when there are too many people; 2. Foreign capital may undermine authority of original owners 3. Family interest - can't give away their 'inheritance to others'; 'business holds family together'
<i>Cultural and ethical clashes</i>	<ol style="list-style-type: none"> 1. Foreigners' lack of understanding or respect for local cultures 2. Different practices may lead to embarrassment to own family members

Our discussion, hitherto, of qualitative findings on three variables of globalisation - foreign equity, TNC status and forward linkages - has brought to light a combination of different types of relationships underlying the company practices. At a theoretical level, the analysis based on the social embeddedness argument (as suggested by Granovetter, 1985, 2000) and the emphasis on company practices, especially transnational practices (as advocated by Sklair, 1995, 2001), has unfolded the different social dynamics at work as well as the ways in which these social dynamics and relationships influence the globalising tendencies of the companies. The most frequently occurring type is company-company relationship. Indeed, the analysis uncovers that company-company relationship alone or in combination with other relationships, such as company-government relationship and company-market relationship, tends to sway company practices to either globalise or not globalise with respect to the three variables we have examined. It is central for the various types of

explanations given by managers such as ethnic and religious links and networks, building alliances, fear of economic dominance, outward market expansion and inward market expansion.

In addition, the findings have implications on Light and Karageorgis's ethnic economy and ethnic resource thesis as well as Mansor's thesis on the thinning of ethnic preference. Specifically, the findings on ethnic and religious links highlight the importance of resources associated with different ethnic groups. The Chinese bamboo connection, the Muslim networks, the ethnic and cultural diversity within Malaysia, and the ASEAN grouping are all part of the ethnic resource which makes linkage with selected ethnic groups relevant and significant to businesses; thus, affirming Light and Karageorgis's ethnic economy and ethnic resource thesis. Simultaneously, it calls into question Mansor's assertion about the declining or thinning of ethnic preference, especially among businesses.

Having said that, there is evidence to suggest that many decisions and considerations related to companies' globalising tendencies are not related to ethnicity or ethnic resource. In the context of company-internal community relationship, many of explanations given with regards to the variables foreign equity, TNC status and forward linkages such as the need of funds, continuity of cash flow and profits, and technological and technical issues are related to matters of organisational survival, operations and expansion. Indeed, these explanations on companies' globalising tendencies are related to class resources² and not ethnic resources. Mansor's propositions may be applicable to some of the explanations pertinent to building alliances and outward market expansion. Some companies find expanding its ownership beyond co-ethnics to include foreign equity or partners as being necessary due to the foreigners' economic superiority and the benefits it yields. In that context,

it appears that companies do not act out of ethnic preference or ethnocentrism. Indeed, this can be seen as an act against ethnic preference, except that some Bumiputra managers also maintained that these alliances with the foreigners also place Bumiputras in an equal economic position with the non-Bumiputras. In other words, these practices of forming alliances or getting in and increasing foreign equity to a certain extent are, in effect, based on ethnically driven decisions. This implies that these acts or practices do not stem from class interests alone. Companies' expanding themselves and their membership to embrace non-co-ethnics does not necessarily mean that ethnic preference is thinning. While there is evidence to show that ethnic resources are incorporated to advance class interests, likewise, the are findings which suggest that class resources are also used to preserve and promote the well being of particular ethnic groups.

What is also interesting, however, is the implications of final two types of explanations, problems of control and family business as well as cultural and ethical clashes. These explanations raise the issue of ethnic preference or group alignment versus individual or, more appropriately, organisational class interest. The comments imply that the in-group interests (in this case the family's), in the form of organisational control or protection of inheritance, take precedence over the desire for additional capital injection or organisational expansion. Or in the case of cultural and ethical clashes, these particular organisations prefer not to benefit from the class resources of the foreigners in order to uphold or respect certain values and practices of the organisations. In these cases, the findings do not support Mansor's thesis on the thinning of in-group or ethnic preference.

The next set of variables we will examine is mission and vision, plans and strategies, international benchmarking and international certification. Again, we will

lay open the various relationships embedded in these variables and examine the ways each of these relationships or a combination of relationships interacts with the company practices and globalising tendencies.

4.4. Detailed Analysis of the Quantitative Findings:

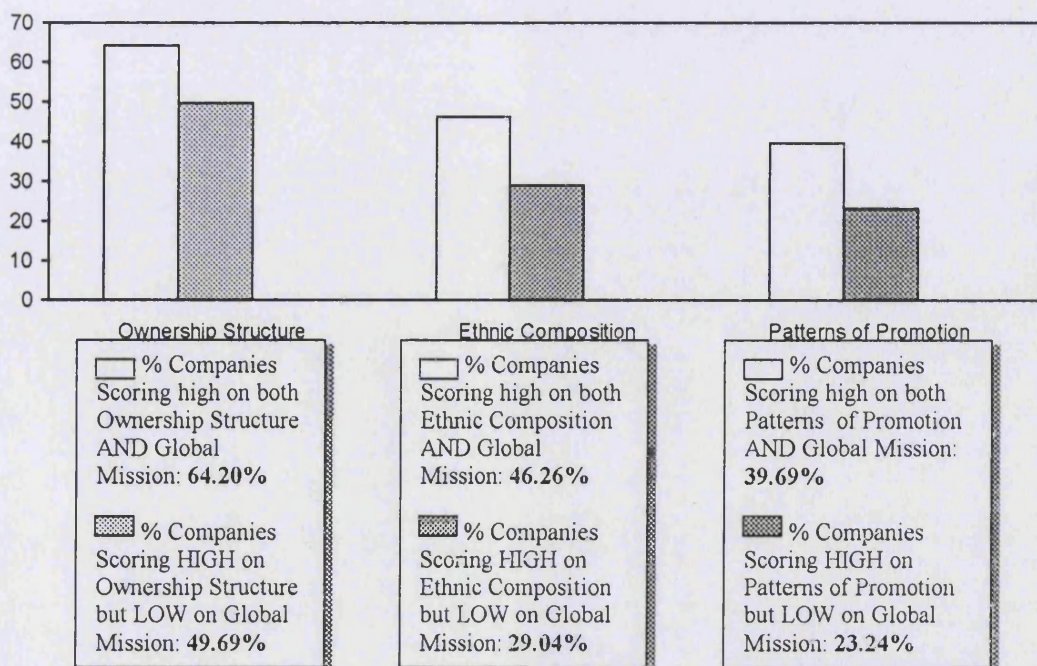
The Connection between Ethnic Integration and Globalization variables of Corporate Mission/Vision, Planning and Strategies, International Certification and Benchmarking

4.4.1 Corporate Mission/Vision

Figure 4.7 illustrates the connection between ethnic integration and corporate mission/vision. It shows quite clearly that a large percentage of companies scoring high in ethnic integration also scores high on global mission/vision.

Figure 4.7.

Comparison between Percentages of Companies' Scores on GLOBAL MISSION and the Three Variables of ETHNIC INTEGRATION

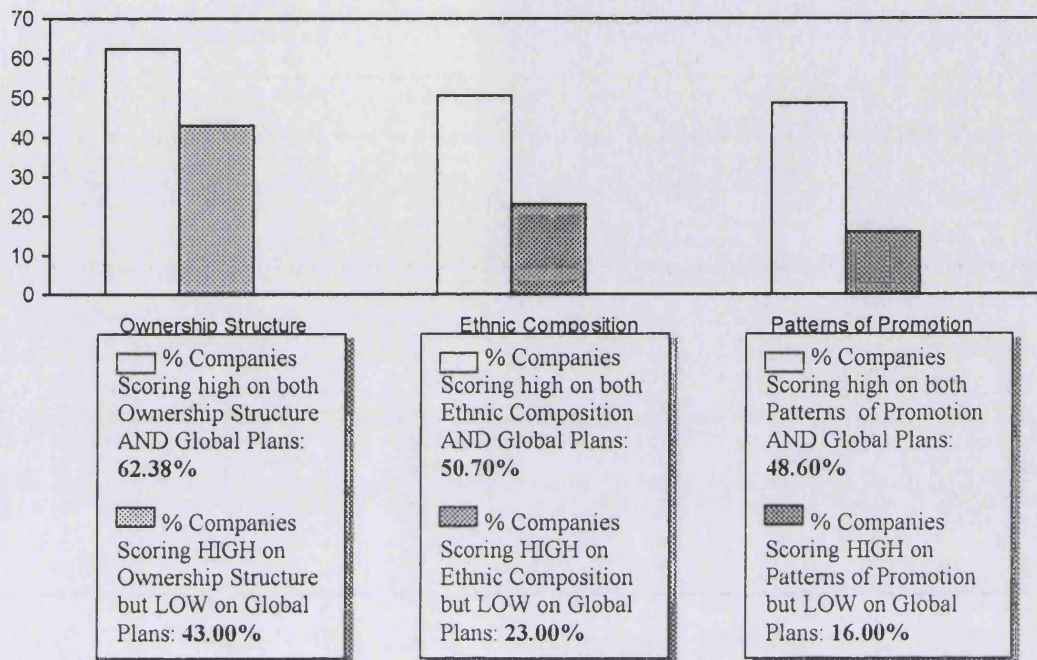


In contrast, it shows a much smaller percentage of companies which score high in ethnic integration but low in global mission/vision. This is true for all three variables: 64.20% of companies scoring high on ownership structure and global mission versus 49.69% scoring high on ownership structure but low on global mission; 46.46% of companies with high scores in both ethnic composition and global mission, compared to 29.04% with high score on ethnic composition but low on global mission; likewise, 39.69% of companies have ethnically integrated patterns of promotion and score high on global mission, while 23.42% of companies have ethnically integrated patterns of promotion but score low on global mission. The percentage gaps between the two sets of data appear significant. As simple as it may appear, even at this 'mental' or 'ideological' level where corporate missions and visions are being formulated, there is a connection between globalising tendencies and ethnic integration.

4.4.2. Planning and Strategies

There is a large percentage difference in ethnic integration between those companies with and without global expansion plans or strategies. As shown in Figure 4.8, 62.38% of companies scoring high on global plans have ethnically integrated ownership structure versus 43.00% of those scoring low on global plans and having ethnically integrated ownership structure, a percentage difference of 19.38%. There is even a greater difference for ethnic composition. There are 50.70% of companies scoring high on global plans and on ethnic composition, compared to 23.00% of companies scoring low on global plans and high on ethnic composition. The difference is 27.70%.

Figure 4.8.
Comparison of Percentage of Companies' Scores on PLANS/ STRATEGIES
and the Three Variables of ETHNIC INTEGRATION



Yet, the greatest difference is for patterns of promotion. The statistics show that, on the one hand, 48.60% of the companies score high on plans and on patterns of promotion, on the other hand, 16.00% of the companies, which score low on global plans, score high on patterns of promotion. That is a difference of 32.60%. To extrapolate, one interpretation of these findings is that as a globalisation variable, 'global plans' is a good predictor of the presence of ethnically integrated variables in companies in Malaysia. Like the previous four sets of findings, these figures establish a connection between global plans/strategies and ethnic integration.

4.4.3. International Certification

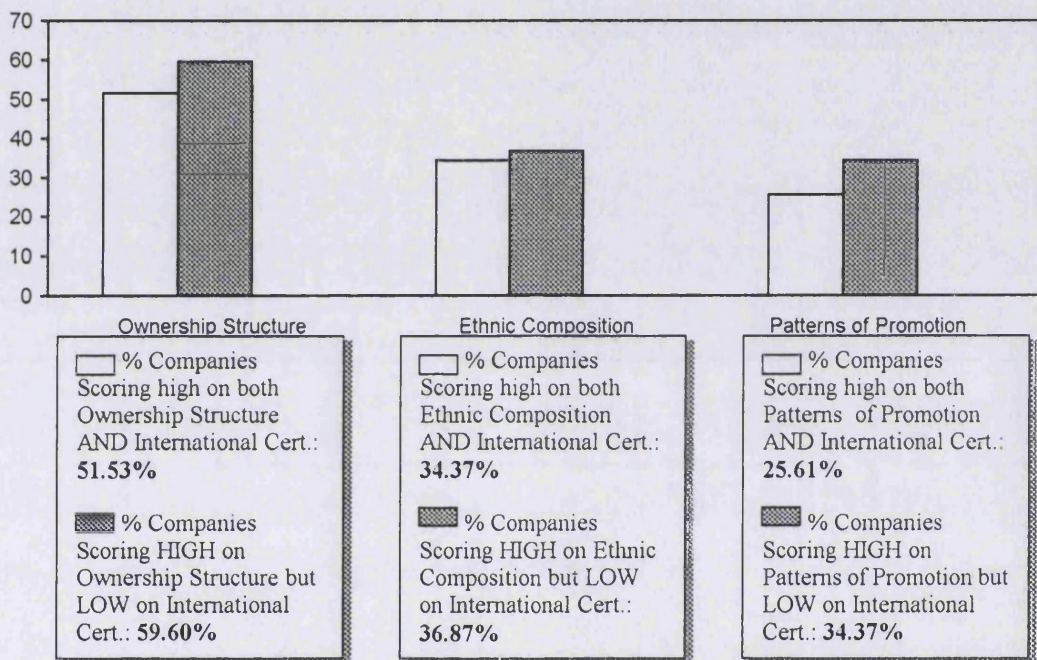
All except two of the globalisation variables display a connection with the ethnic integration variables; these two are international certification and benchmarking. As a whole, there is a higher percentage of companies scoring low on

international certification yet scoring high on ethnic integration than companies scoring high on both international certification and ethnic integration. This holds true for all the three variables of ethnic integration. This means there is a better chance to find companies scoring high on ethnic integration among those who score low on international certification than those who score high. As indicated in Figure 4.9, 51.53% of the companies which score high on international certification score high on ownership structure; whereas, 59.60% of those which score low on international certification score high on ownership structure. The pattern is the same for ethnic composition. 34.37% of companies scoring high on international certification also score high on ethnic composition; yet 36.87% of those scoring high on international certification score high on ethnic composition.

Finally, 25.61% of companies with high score on international certification score high on patterns of promotion versus 34.37% of companies with low score on international certification yet have high scores on patterns of promotion. Therefore on the whole, in the case of international certification, companies with low scores will tend to have high scores on ethnic integration. Nevertheless, international certification as a measure of globalisation can be problematical. International certification such as ISO9000 series and the like are applicable to mostly manufacturing companies. They facilitate standardisation through documentation systems in order to maintain a certain level of transparency and management of quality in production. Although certifications such as the ISO series are extending their scope to cover other aspects of business, such as environmental safety (ISO14000), their application is more common for industrial production. Many market-oriented or service-oriented companies including FTNCs and MTNCs may not need this sort of 'industrial' certification. Although the presence of international certification implies that companies are

attempting to comply with international standards, the absence of it does not necessarily mean that company practices are not of international standards or that it rejects such standards.

Figure 4.9.
Comparison between Percentage of Companies' Scores on INTERNATIONAL CERTIFICATION and the Three Variables of ETHNIC INTEGRATION

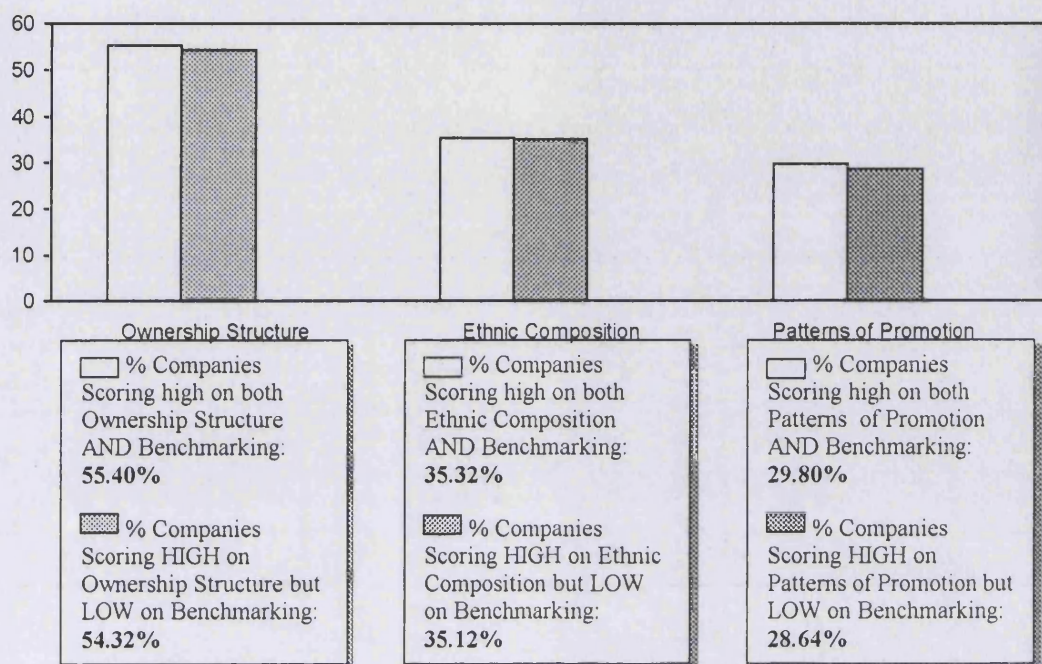


4.4.4. Benchmarking

Figure 4.10 shows that as far as the three variables of ethnic integration are concerned, there is not much difference between companies scoring high on benchmarking and those scoring low.

Figure 4.10

Comparison of Percentage of Companies' Scores on BENCHMARKING and the Three Variables of ETHNIC INTEGRATION



55.40% of companies scoring high on benchmarking also score high in ownership structure; and 54.32% of those scoring low in benchmarking score high in ownership structure. The difference between the two groups is merely 1.08%. As for the second variable, there are 35.32% of companies with high scores in both benchmarking and ethnic composition; and there are 35.12% of companies with low scores for benchmarking but with high scores for ethnic composition; thus, showing a percentage difference of 0.20% (i.e. not even 1%). Finally, 29.80% of companies score high on benchmarking as well as patterns of promotion; and 28.64% of companies score low on benchmarking but high on patterns of promotion. All these percentages indicate that the difference between companies with and without globalising tendencies is rather negligible.

The initial idea of considering benchmarking as a possible measure for the operational dimension of globalisation is based on the rationale that when firms benchmark themselves with an internationally successful company, usually an

established TNC, they will try to emulate and to model on the globalising tendencies of the exemplary TNC. However, this research found three problems compounding the efficacy of benchmarking as a globalisation variable.

First, many companies do not institute benchmarking as a proper formal undertaking. They do not formalise benchmarking, instead they practise 'informal' or even partial benchmarking. Often this entails mere discussions or brainstorming sessions on benchmarking, studying the best practices of leaders of the related industry, or duplicating certain aspects of other more successful marketing strategies or products. There is an absence of actual formal process of transferring and adopting the practices of internationally established companies into their own business environment.

Second, some companies benchmark within a limited geographical scope, and, this may not include companies outside of Malaysia. A number of companies even have internal benchmarking - benchmarking within their own organisation. Some practice local benchmarking whereby a local benchmarking partner is identified and there is an extensive exchange of information with regards to certain aspects of operations. Again, this is confined to the companies within Malaysia. However, it is a useful measure as globalising tendency if this occurs between a local company and a TNC or foreign company. If local benchmarking involves only local companies, then it may pose some problems for benchmarking as a gauge of globalising tendency.

Finally, as a strategy of organisational development, the organisational application of benchmarking is often limited to a particular division or department or even specific practices, such as telephone sales techniques or delivery systems. For instance, UPS may establish a benchmarking partnership with American Express. The former provides information on overnight delivery systems and the latter, on

telephone problem-solving techniques in customers service. So, benchmarking in this sense is restricted to particular activities and it is not generalised to the whole company. All these problems weaken benchmarking as an efficient and effective gauge of globalisation in the context of this research. Further discussions on the reasons behind benchmarking can be found in the qualitative findings.

4.4.5. Influence of Ownership Structure

Before we turn our discussion to the qualitative findings, there is an important issue that needs to be addressed with regards to the influence of ownership over the ethnic integration variables within the companies. The question that arises from this issue is whether the ethnic ownership structure plays a greater role than globalisation variables in shaping the degree of ethnic integration variables such as patterns of promotion and employees' ethnic composition. The assumption of this question is that perhaps the state of ethnic integration within companies has little to do with globalisation but more so due to the ethnic origin of the ownership directing the companies. There are two ways to approach this question.

The First Approach

The first approach begins with reclassifying into new categories of ethnic ownerships. These categories are specifically based on the particular ethnic group with the largest number of shares within individual companies. As a result, there will be Chinese companies, Bumiputra companies and so forth. With such reclassification, we are then able to compare the differences among Chinese, Bumiputra and foreign-owned companies with respect to their ethnic integration variables: 'patterns of promotion' and 'ethnic employee composition'. Shares held

by the state or state institutions as well as foreign entities are not classified under any particular ethnic categories. However, when this reclassification is done, we found that there are only six Bumiputra companies (7.59%) and fifty-one Chinese companies (64.56%) (as for the remaining, eight companies are state-owned enterprises (10.13%) and fourteen are foreign-owned (17.72%)). Based on this reclassification, the following figures 4.11 – 4.14 on patterns of promotion as well as figures 4.15 – 4.16 on employee composition are formulated.

Figure 4.11
Percentages of Chinese-owned Companies
with Ethnically Integrated Patterns of Promotion

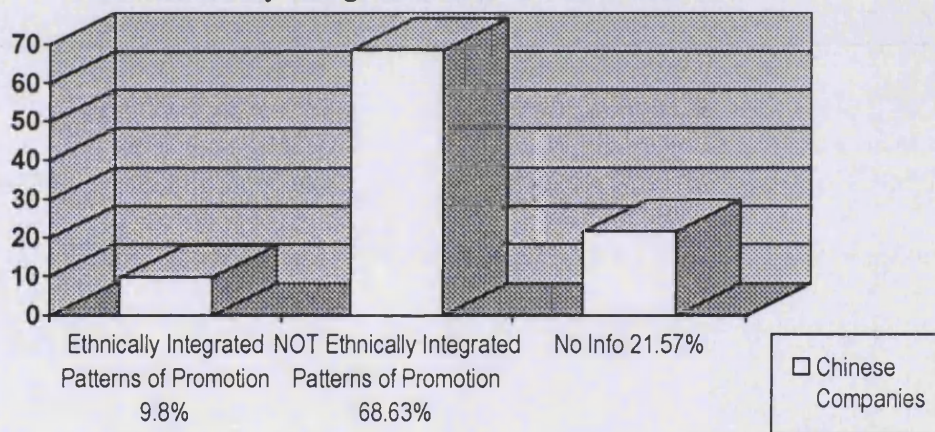


Figure 4.12
Percentages of Bumiputra-owned Companies
with Ethnically Integrated Patterns of Promotion

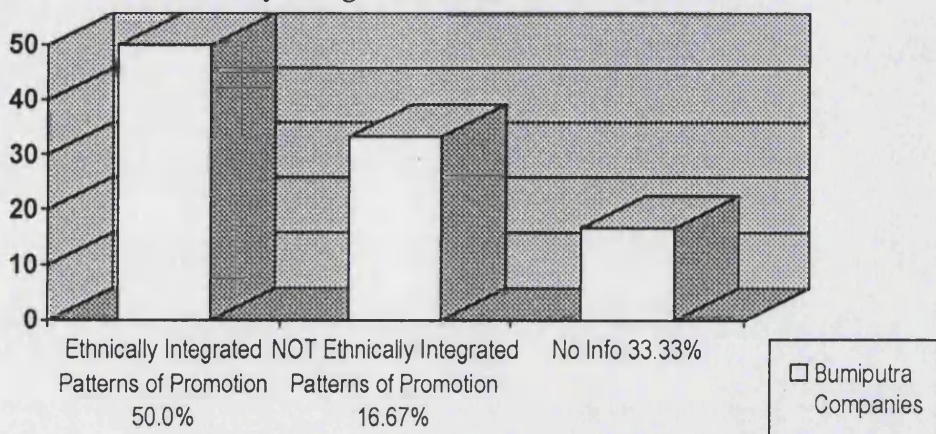


Figure 4.13
Percentages of State-owned Companies
with Ethnically Integrated Patterns of Promotion

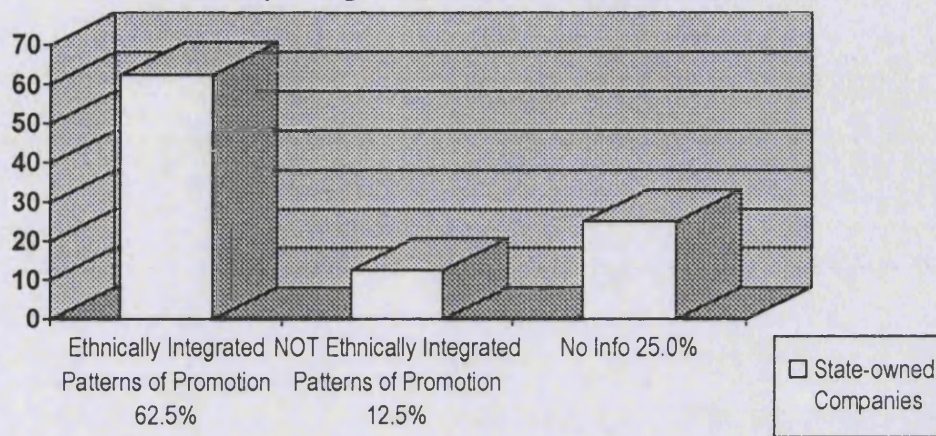
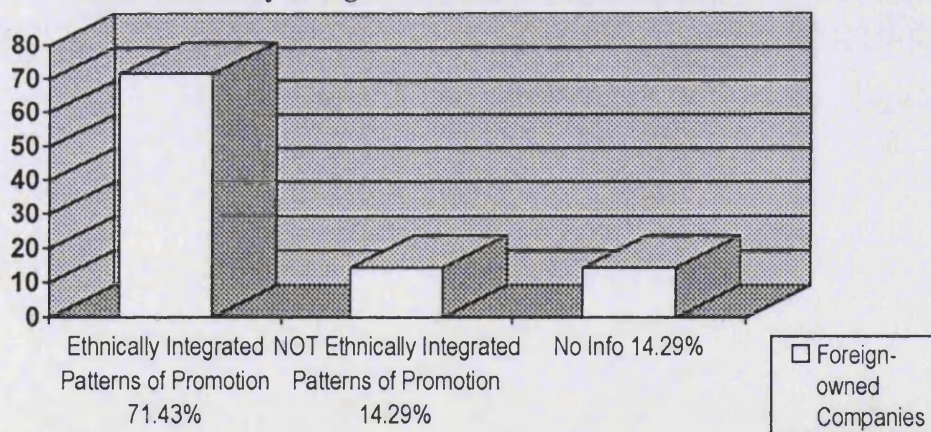


Figure 4.14
Percentages of Foreign-owned Companies
with Ethnically Integrated Patterns of Promotion



Figures 4.11 displays the percentages of Chinese-owned companies tabulated with the ethnic integration variables patterns of promotion. Among the fifty-six Chinese companies, 9.8% (5 companies) have ethnically integrated patterns of promotion, 68.63% (35) do not, and the other 21.57% (11) do not have information on patterns of promotion. In Figure 4.12, of the six companies with dominant Bumiputra shares, 50.0% (3 companies) portray ethnically integrated patterns of promotion,

16.67% (1) do not show such practices, and 33.33% (2) do not have information. As shown in Figure 4.13, 62.5% (5) of these state-owned companies score high on ethnically integrated patterns of promotion, compared to 12.5% (1) that do not (and 25% that has no information). Indeed, the category with the highest score on ethnically integrated patterns of promotion is foreign-owned companies. As indicated in Figure 4.14, 71.43% of them score high on this variable, while 14.29% do not and 14.29% do not reveal any information.

There are number of observations that can be made from the findings above. Foremost, there is a serious problem emerging from this reclassification. There is no Indian company in this sample. The number of Bumiputra-owned companies is also limited. There are six Bumiputra companies and only four of which have information on patterns of promotion which can be used as a basis for comparison with the other categories, specifically the Chinese companies. In terms of percentages, these four companies represent only 5.06% of the total number of public-listed companies compared to the fifty-one (64.56%) Chinese companies. Furthermore, the four Bumiputra companies are divided between those (three of them) having ethnically integrated patterns of promotion and those (one of them), without ethnically integrated patterns of promotion. Indeed, these figures are far too few from which to draw meaningful conclusions for any comparative analysis. Therefore, in answering the question of the influence ethnic ownership structure on other ethnic integration variables (relative to globalisation), it is pointless to pursue this approach further.

However, a number of other observations can be made from this reclassification of companies. A notable one can be deduced directly from the findings on Bumiputra companies above. The small percentage in itself is indicative of how under-represented Bumiputra companies are in the Malaysia's public-listed

companies. In addition, since there is no Indian-owned company, the finding suggests that Indians are even less representative among these listed companies compared to the other ethnic groups. Yet, from this sample, there are more state-owned companies and indeed a lot more foreign companies as opposed to Bumiputra and Indian ones. With fifty-one out of the seventy-nine companies in the sample, the number of Chinese companies is disproportionately large. Hence, at the very least, this reclassification reveals that the representation of companies belonging to various ethnic groups is lopsided.

Putting aside the Bumiputra and Indian companies, if we were to compare the three other groups of companies, Chinese-owned, state-owned and foreign-owned companies, the group with the highest score for ethnically integrated patterns of promotion is foreign-owned companies (71.43%), followed by state-owned companies (62.63%). Indeed, a good majority of companies from these two groups have ethnically integrated patterns of promotion. In addition, only small percentages of foreign companies (14.29%) and state-owned companies (12.5%) *do not* portray ethnically integrated patterns of promotion. The Chinese companies fall at the third place with a low 9.8% showing that less than one-tenth of the Chinese companies have ethnically integrated patterns of promotion. Unfortunately, no concrete comparison can be made between the Chinese and the Bumiputra companies in terms of ethnically integrated patterns of promotion, although out of the total of six Bumiputra companies, three of them or 50% have ethnically integrated patterns of promotion, while one or 16.67% do not. Therefore, we need to turn to the second approach to examine the effect of ethnic ownership structure on the ethnic integration variables. Before, moving on to the second approach, we will discuss ethnic composition of employees based on the reclassified categories.

Figure 4.15
Percentages of Chinese-owned Companies
with Ethnically Integrated Employee Composition

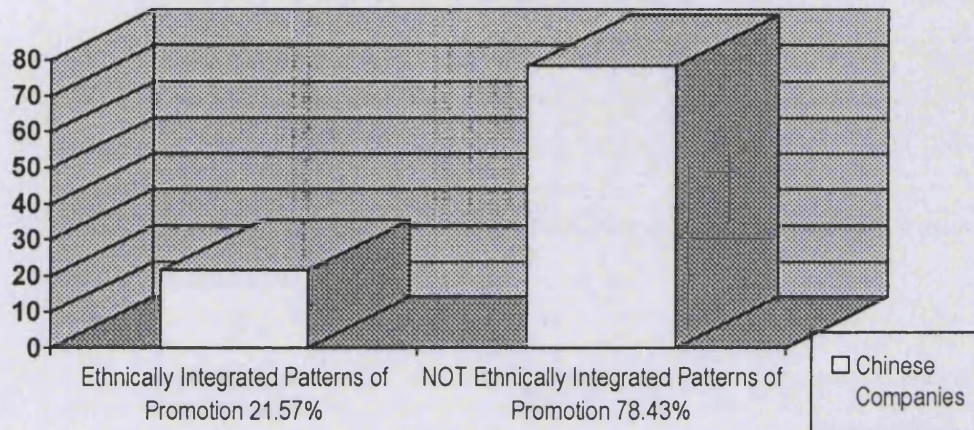


Figure 4.16
Percentages of Bumiputra-owned Companies
with Ethnically Integrated Employee Composition

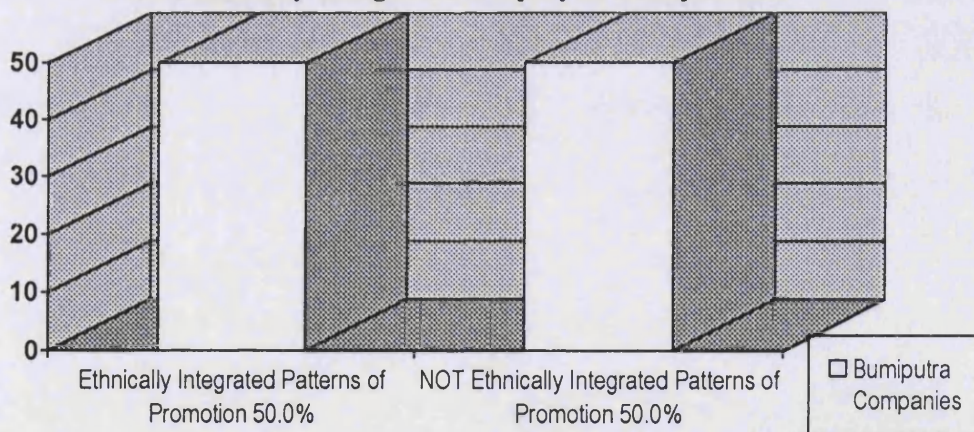


Figure 4.17
Percentages of State-owned Companies
with Ethnically Integrated Employee Composition

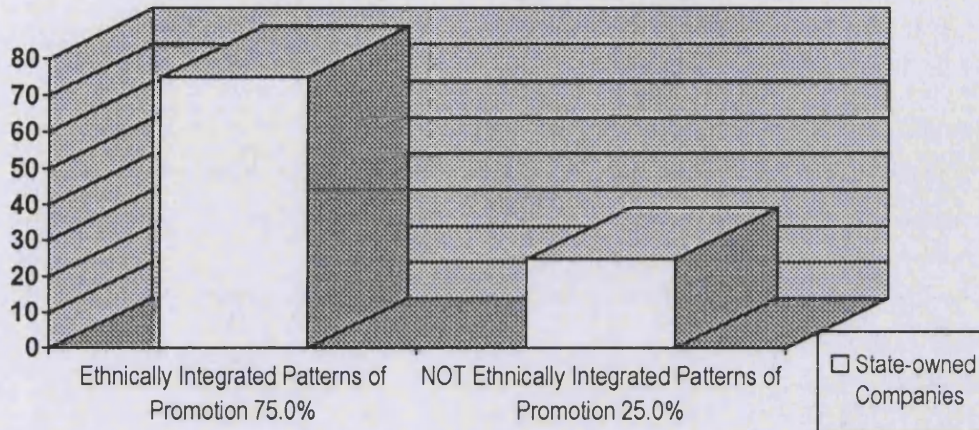
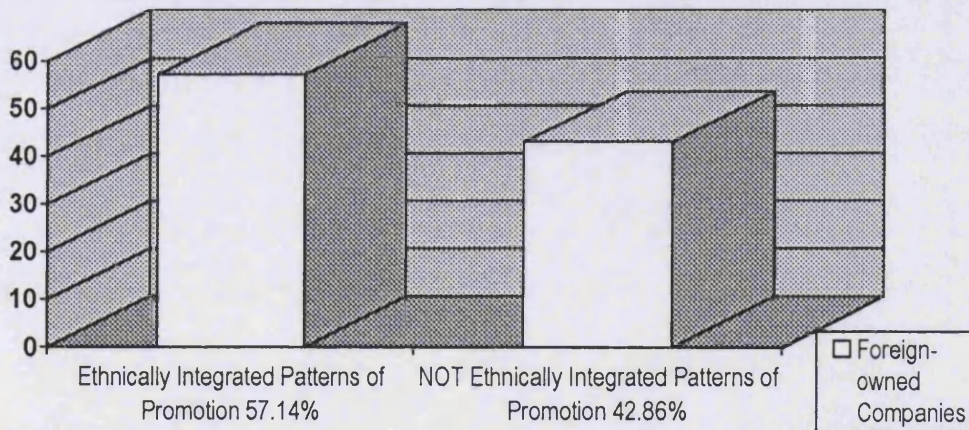


Figure 4.18
Percentages of Foreign-owned Companies
with Ethnically Integrated Employee Composition



Figures 4.15 to 4.18 depict the findings for employee composition; and in many ways, they are similar with the ones for patterns of promotion.

Figure 4.15 indicates that 21.57% of the Chinese companies score high on ethnically integrated employee composition, yet more than three-quarter or 78.43% do not. As for Bumiputra companies, shown in Figure 4.16, 50.0% of them score high on ethnically integrated employee composition and the other 50.0% do not. In Figures 4.17 and 4.18, the foreign and state-owned companies again, show high

scores (57.14% and 75.0%, respectively) for ethnically integrated employee composition.

Comparing the three groups of companies, we find the state-owned companies score the highest (75.0%) for ethnically integrated employee composition while foreign-owned companies fall into the second place (57.14%) and Chinese-owned companies, into the third place (21.57%).

As discussed earlier, there is no company with majority shares owned by Indians in the sample. In addition, there is the same limited number of six Bumiputra companies; thus, the number again, does not warrant a comparison to be made between Bumiputra and Chinese companies about employee composition. We will turn our attention now to the second approach.

The Second Approach

In the second approach, this query is also answered quantitatively. However, the issue is framed differently. Rather than asking whether Bumiputra or Chinese companies have more ethnically integrated patterns of promotion and employee composition, we compare between companies with and without ethnically integrated ownership structure. Furthermore, ownership structure is also weighed against a significant globalisation variable in terms of their effect on the other ethnic integration variables. Therefore, the following paragraphs will explore this issue by charting out the connection between ownership structure as well as a globalisation variable, with the two ethnic integration variables: 'patterns of promotion' and 'ethnic composition of the employees'. Among the many globalisation variables, we have chosen 'global plans/ strategies' since this variable has exhibited the largest impact on the ethnic

integration variables. We shall begin by examining companies' patterns of promotion.

Figure 4.19
Percentage of Ethnically Integrated Patterns of Promotion
in Companies WITH Ethnically Integrated Ownership Structure
and WITH Global Plans

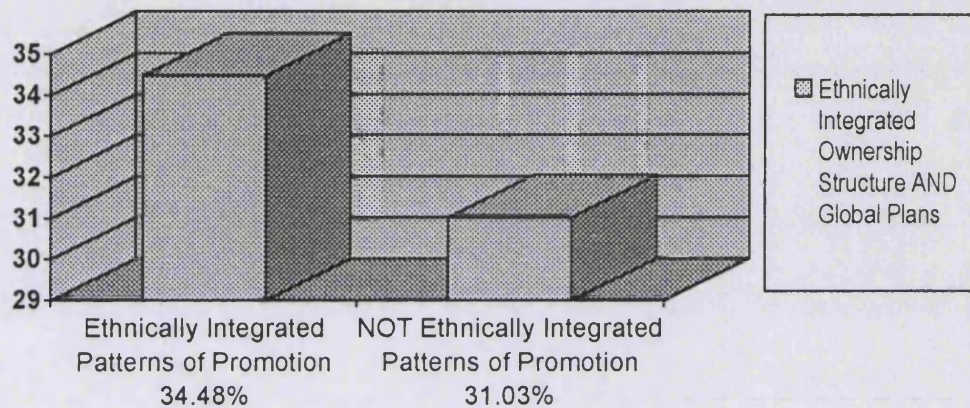


Figure 4.20
Percentage of Ethnically Integrated Patterns of Promotion
in Companies WITH Ethnically Integrated Ownership Structure
but WITHOUT Global Plan

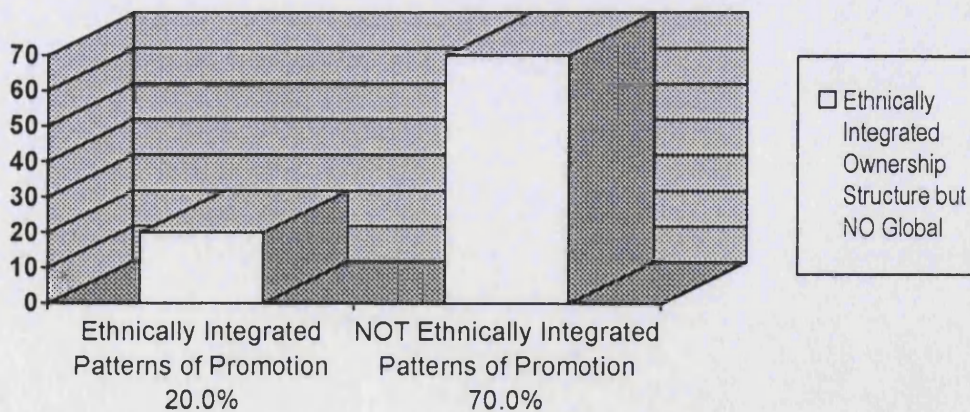


Figure 4.21
Percentage of Ethnically Integrated Patterns of Promotion
in Companies WITHOUT Ethnically Integrated Ownership Structure
but WITH Global Plan

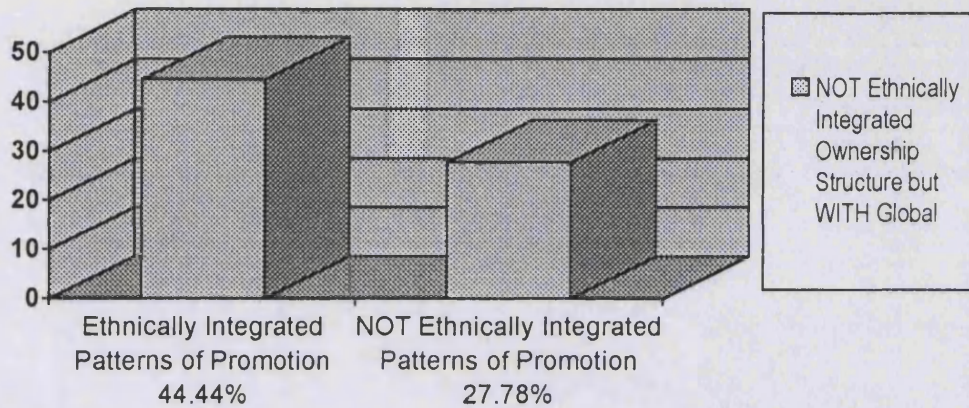
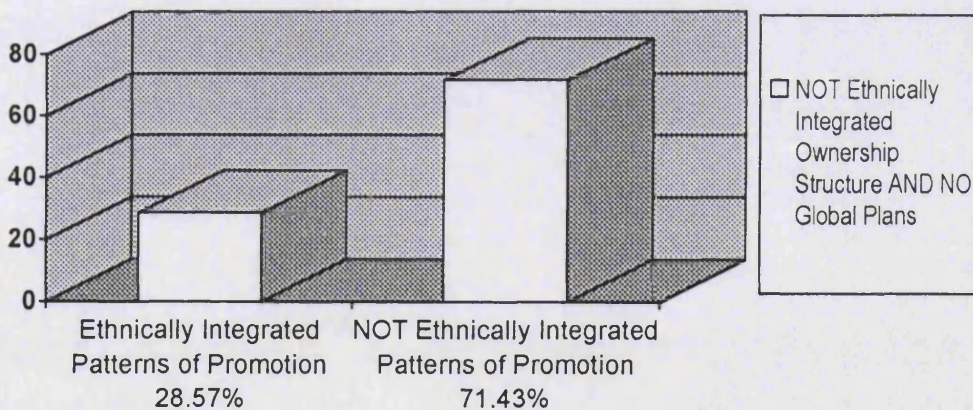


Figure 4.22
Percentage of Ethnically Integrated Patterns of Promotion
in Companies WITHOUT Ethnically Integrated Ownership Structure
and WITHOUT Global Plan



Figures 4.19 to 4.22 consist of three variables, namely ethnic ownership structure, global plans/strategies and patterns of promotion. They tabulate the influence of companies' ethnic ownership structure as well as global plans/strategies on patterns of promotion. In general, as the percentages in these tables indicate, the findings portray mixed effects on the patterns of promotion. Nevertheless, a number

of these findings yield possible explanations about the impact of ethnic ownership and global plans on patterns of promotion.

In Figure 4.19, among the companies with *both* ethnically integrated ownership and plans to go global, 34.48% have ethnically integrated patterns of promotion, compared to 31.03% of those which do not. Since, in this group of companies, the percentage difference is merely 3.45%, the variation is too negligible to signify an effect of ethnic ownership structure on patterns of promotion.

The difference is only seen among the other three groups of companies. For companies *with* ethnically integrated ownership structure but *without* global plans or strategies as shown in Figure 4.20, 20.0% of them have ethnically integrated patterns of promotion, while 70.0% do not.

In Figure 4.21, when companies with ethnically integrated ownership structure are removed from the equation, the differential impact of global plans/strategies on patterns of promotion can be clearly observed. 44.4% of companies *without* ethnically integrated ownership structure but *with* plans/strategies to globalise have ethnically integrated patterns of promotion, as opposed to 27.78% which do not.

The opposite is also true. For companies *without* ethnically integrated ownership structure and *without* global plans/strategies, 28.57% exhibit ethnically integrated patterns of promotion, while 71.43% does not, as revealed in Figure 4.22. These two sets of findings point to the considerable influence that the variable 'global plans and strategies' has on companies' patterns of promotion.

It should be noted again that data on patterns of promotion were not successfully obtained from 21.52% of the companies; thus, it is possible that the missing information from this group of companies might increase the percentages in

any of these categories. Having said that, the missing 21.52% would not affect large percentage differences. These include the ones between 70% and 20% for companies *with* ethnically integrated ownership structure but *without* global plans or strategies (as indicated in Figure 4.20) as well as between 71.43% and 28.57% for companies *without* ethnically integrated ownership structure and *without* global plans (as shown in Figure 4.22).

In bringing the analysis to a deeper level, we will now ascertain which of the two variables has a greater impact on patterns of promotion, ethnic ownership structure or global plans and strategies. Two sets of data will be put side by side.

First is to evaluate the impact of global plans/ strategies. Based on the Figure 4.19 above, among the companies with ethnically integrated ownership as well as global plans and strategies, 34.48% have ethnically integrated patterns of promotion. When the variable of global plans is removed, the difference can be clearly observed. Companies with ethnically integrated ownership but *without* plans to go global only scored 20.0% on ethnically integrated patterns of promotion as tabulated in Figure 4.20. There is a 14.48% drop in percentage of ethnically integrated patterns of promotion when the variable global plans and strategies is taken out.

Conversely, quite the opposite is seen with the influence of ethnic ownership structure. To reiterate, 34.48% of the companies with ethnically integrated ownership and global plans and strategies have ethnically integrated patterns of promotion. Removing the companies with ethnically integrated ethnic ownership increases the score for ethnically integrated patterns of promotion, instead of reducing it. As shown in the Figure 4.21, 44.44% of companies *without* ethnically integrated ownership but *with* global plans have ethnically integrated patterns of promotion. The percentage increases by 9.96%. In terms of the figures, the variable of ethnically integrated

ownership structure seems to have an inversed effect on patterns of promotion (To see a more simplified illustration, please see the endnote³).

In summary, what these two sets of comparative findings suggest is that the impact of the variable 'global plans/strategies' has not only a positive but also greater impact on companies' ethnically integrated patterns of promotion, as opposed to the variable 'ethnic ownership structure'. Stated differently, compared to ethnically integrated ownership structure, the presence of global plans/strategies is more likely to lead to companies having ethnically integrated patterns of promotion. It is the variable global plans/strategies that makes a greater difference.

Figure 4.23
Percentage of Ethnically Integrated Employee Composition
in Companies WITH Ethnically Integrated Ownership Structure
and WITH Global Plan

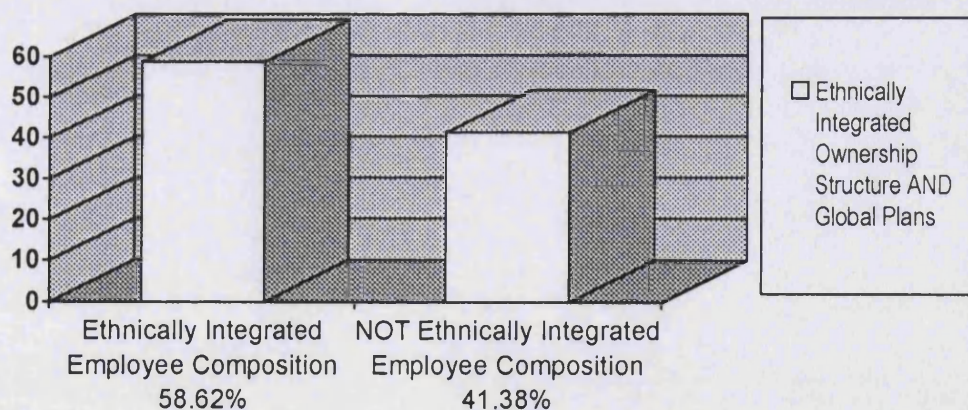


Figure 4.24
Percentage of Ethnically Integrated Employee Composition
in Companies WITH Ethnically Integrated Ownership Structure
but WITHOUT Global Plan

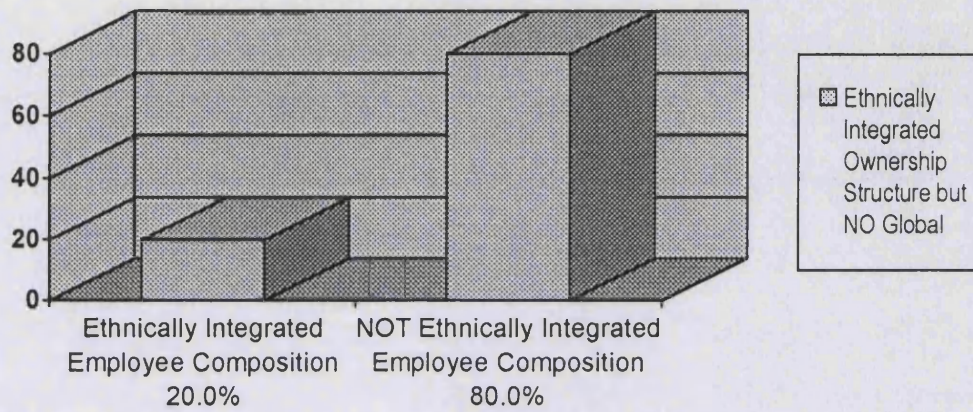


Figure 4.25
Percentage of Ethnically Integrated Employee Composition
in Companies WITHOUT Ethnically Integrated Ownership Structure
and WITH Global Plan

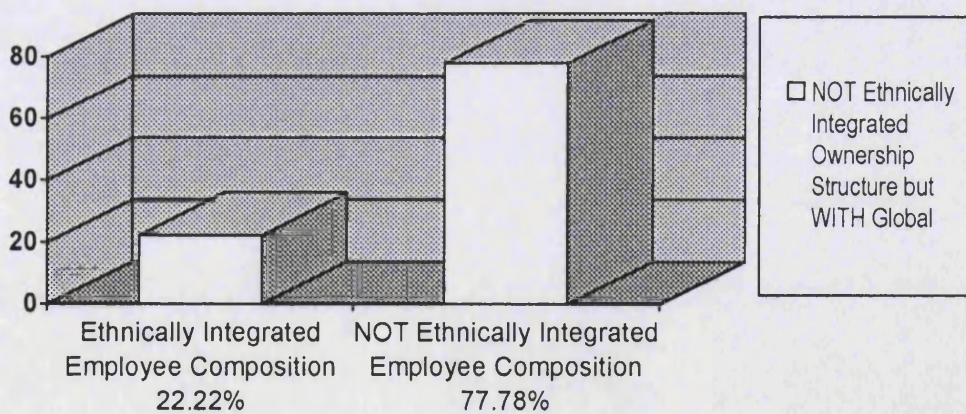
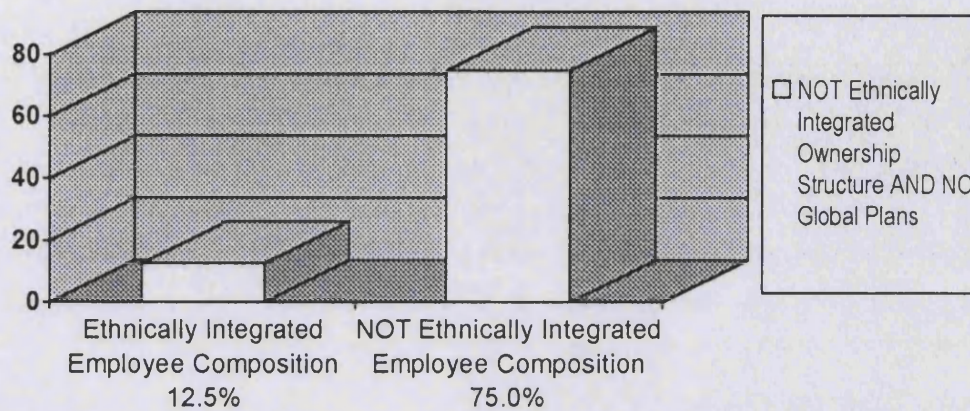


Figure 4.26
Percentage of Ethnically Integrated Employee Composition
in Companies WITHOUT Ethnically Integrated Ownership Structure
and WITHOUT Global Plan



Figures 4.23 to 4.26 show the variables ethnic ownership structure, global plans/strategies and ethnic employee composition. To begin with, unlike the figures for companies' patterns of promotion, there is no missing data on ethnic employee composition. Therefore, there is much less of a concern for the effect these missing data might have had on the conclusions drawn.

Another important difference between this set of findings from the one on patterns of promotion is that the former has more consistent outcomes compared to the mixed effects for companies' patterns of promotion. Indeed, as a whole, both the presence of ethnically integrated ownership structure and global plans/strategies clearly leads to a difference with regards to ethnic employee composition.

Among the companies having *both* ethnically integrated ownership and global plans/strategies, we found that 58.62% have ethnically integrated employee composition. As shown in Figure 4.23, this is in contrast to the 41.38% of companies that do not have such tendency. This yields a difference of 17.24%. This difference indicates that the presence of both variables ('ethnically integrated ownership' and 'global plans/strategies') in companies, results in their increased likelihood of having

ethnically integrated employee composition. More importantly, the 58.62% implies that there is predictably higher chance for companies in this category to have ethnically integrated employee composition, when they have *both* ethnically integrated ownership and global plans/strategies. This is a difference in outcome shown by the existence of both variables ('ethnically integrated ownership' and 'global plans/strategies'), an effect in which the combination of both variables do not show for patterns of promotion, due to the score below than 50% (34.48%), shown in Figure 4.19. As we will see in the rest of the findings, the exclusion of any of these two variables or both of them reduces the percentages of companies with ethnically integrated employee composition.

In Figure 4.24, 20.0% of companies with ethnically integrated ownership but *without* global plans/ strategies have ethnically integrated employee composition. There is drop of 38.62% from 58.62% when both variables are present. Yet an overwhelming 80.0% of these companies with ethnically integrated ownership but *without* global plans/ strategies have ethnically integrated employee composition.

Figure 4.25 shows that among companies *without* ethnically integrated ownership structure but *with* global plans/ strategies, 22.22% exhibit ethnically integrated employee composition, while a substantial 77.78% have employee composition that is *not* ethnically integrated. This implies the influence of ethnic ownership structure on employee composition.

Furthermore, only 12.5% of companies with *neither* ethnically integrated ownership structure *nor* global plans/strategies, have ethnically integrated employee composition, whereas an overwhelming 75.0% of these companies do not, as depicted in Figure 4.26. Again, there is a considerable difference of 62.5%, suggesting that the variable global plans/strategies is connected to the ethnic employee composition.

Now that we have established that each of these two variables ‘ethnically integrated ownership’ and ‘global plans/strategies’ brings about a positive difference on ethnic employee ownership, the following discussion explore the question of which of them has a greater relative impact. As we have done previously for patterns of promotion, we will first maintain ethnically integrated ownership structure as a constant while comparing the effect of global plans/ strategies. Following which, we will hold global plans/strategies as a constant and examine the differential effects of ethnic ownership structure on employee composition.

With ethnically integrated ownership structure as a constant, companies *with* global plans/strategies score 58.62% (Figure 4.23) for ethnically integrated employee composition compared to 20.0% (Figure 4.24) for those *without* global plans/ strategies. This shows a variation of 38.62%. Similarly, holding global plans/strategies as a constant, companies with ethnically integrated ownership structure show a score of 58.62%. Yet only 22.22% (Figure 4.25) with global plans/strategies but *without* ethnically integrated ownership structure have ethnically integrated employee composition. This yields a difference of 36.4%. Comparing the two percentages, 38.62% and 36.4%, although the former is greater than the latter, there is only a 2.22% change. Thus, there is not much that can be deduced from this somewhat small percentage change. But, if it can be a basis for any possible conjecture, then global plans/ strategies again show a greater impact over ethnic ownership structure in connection with companies’ ethnic employee composition.

To sum up, although the findings on global plans/ strategies and ethnic ownership structure are coherent in its positive impact on ethnic employee composition, the findings are not sufficiently conclusive to make a clear comparison as to which of the two variables has a greater effect on ethnic employee composition.

After presenting and examining the quantitative findings, the following discussions will focus on the qualitative data. Based on the qualitative evidence, two sets of social dynamics emerges as the common threads underlying this group of variables: (1) the interaction between company-internal-community relationship and company-government relationship as well as (2) the interaction between company-company relationship and company-market relationship yield most notable impact on the company practices.

4.5. Qualitative Findings: Mission, Planning, International Certification, and Benchmarking

4.5.1. Interaction between Company-Government Relationship and Company-Internal-Community Relationship

Keeping our focus on company globalisation variables mission/vision, plans and strategies, international certification, and benchmarking, we find intense activities within the company's internal community to manage and build better company-internal-community relationships.

These are some examples of managers' comments with regards to the variables mission and vision, plans and strategies, international certification, and benchmarking.

"Our company's planning looks at where the government is heading the next several years. We chart our course of action in concert with the country's future. The government's policies predetermine our macro economics reality." (m-02)

"It is very important to move in harmony with the government. This is being strategic. The planning is not entirely done within the company." (m-07)

"Benchmarking is quite new to us, although we have been doing it informally. Everyone does it when they compare themselves with others. But, benchmarking is good because

we can identify practices we want to improve and compare ourselves with the better ones. We just model after the better practices or the best practices" (m-06)

"Our CEO consults regularly with the government and usually comes back with news of either to maintain our strategic path or to change it. So far we have been on course, generally speaking." (l-19)

"We've got to test how good it [benchmarking] is to us first. You've got to give it some time first. I can tell you what we hope to see...we want to see that once our people become aware of their standards in comparison to the rests, it will create a kind of urgency for them to buck up." (m-09)

"Very strategic to have systematic well-organised information database. Then you know what you know. You can also know what your competitors know or do not know. That's why we are starting the benchmarking exercise, so that we know where we stand compared to others." (l-36)

"The government plays a vital role in our strategic planning. Suppose, Dr Mahathir is going to visit Argentina in six months time, if our [company's] boss tells us to get ready, we, here, are already finding contacts over there and making arrangements to scout for good Argentinean partners. We are trained to be swift and agile like Jet Li [a Chinese martial artist]." (m-08)

"Our company has just undergone BPR (business process reengineering). We have identified four core processes, the rest are supporting processes. Now, we are in the phase of streamlining [the company] according to these processes. The next phase we will be able to place ourselves as the fastest baby food manufacturer in Southeast Asia." (m-01)

"We are restructuring our organisation to focus on our distinctive competencies. The rests are fat and must be turned into muscles or trimmed away." (l-28)

"We have gone through serious soul-searching. We have come to realise that we are not good at a lot of things. We can't be best at everything. So, now [our company] has decided to just concentrate on the core-businesses, and outsource the remaining functions to others who can do it better than us, then only we can be best at our core businesses, then [this company] will be the best telecommunications company in the region." (m-09)

"We are using IT as our as main strategic tool. We are hooking up with our suppliers to our inventories so they know exactly precisely what we need without us managing the

information; this is basically how JIT (just-in-time) management works. Our performance is digitised and we measure our productivity improvement rate." (f-09)

"We have weekly discussion sessions via our intranet [local computer network] where we set quarterly, monthly and weekly targets and brainstorm on solutions. We also invite consultants like you into our discussion too... We get everyone involved from the top to the bottom, insiders and outsiders, employees, customers and managers." (l-55)

"The company is building a large database of our customers and potential customers and their families, you name it, their needs and preferences. The company is serious about the commitment with customers and their wants and don't wants." (l-20)

As shown in the managers' comments above, this interaction between company-government relationship and company-internal-community relationship is one of the main social contexts in which company globalising tendencies are located. Inside the organisation, companies are making changes to optimise efficiency and effectiveness. When asked about the kinds of plans in which the company have or put efforts, the managers give a wide range of comments and at times share written documents showing the company's systematic and well thought-out vision, plans, strategies and management. They include plans and programmes such as accelerating their "lead time" [speed of production], having a decentralised plan, "sharing of information and ideas laterally across organisation", streamlining and undergoing BPR [business process reengineering], and measuring and digitising their "productivity improvement rate".

Company efforts can be placed into three categories: streamlining the company, using information technology, and building quality culture, systems and reputation. Although many of these strategies and programs are somewhat technical, it may be useful to describe them to better understand the practices of the company vis-à-vis their globalising tendencies. Streamlining of companies is carried out

through management programs and tools such as process improvement, process integration or the more radical business process reengineering (BPR), and organisational restructuring. In the most extreme case, this category may include identifying the company's or specific department's core businesses or competencies or customers, and followed by re-organising the structures and processes to focus on these core elements. It usually also involves changing, integrating or completely abandoning the other structures and processes. In addition, this frequently entails the charting out of a new vision and mission.

Another recurring theme is information technology (IT). Companies plan to employ or are already employing IT in many aspects of their operations. Indeed, managers emphasise many benefits and useful applications of it, including linking up inventories with suppliers; thus supplies can be delivered promptly and sufficiently, building customer data base to analyse consumption trends and to service customers more effectively, measuring and monitoring production, productivity and sales targets more efficiently and effectively, creating networks to share and generate information and ideas within the workforce, and providing real-time or in-depth information about ongoing projects and routine operations. Indeed, more often than not, the information technology directly or indirectly serves the primary function of control and command, while communication, information sharing and computing become part and parcel of this function. Therefore, the internal human and non-human resources can be better managed and further maximised.

Under the theme of quality, companies invest efforts in improving quality of the product as well as quality of the production processes. Again, a multitude of management tools, techniques and programs are associated with these efforts, ranging from the simple Japanese system of 5S⁴ to keep things orderly and organised to the

more elaborate and 'holistic' total quality management (TQM). However ultimately, these efforts are to establish a quality reputation for the company. It is also towards this aim that companies pursue international certification and benchmarking. According to the managers comments, companies seeking international certification often with the intention of being formally recognised as having a certain standards or reputation; more so than the procedures and operational usefulness of the certification. In fact, some managers confess that these certification processes are cumbersome and its prescription is mostly unnecessary. As for benchmarking, those practising it find it useful because it gives a different and better perspective of doing things. Directly or indirectly, the benchmarking efforts were adopted to increase the employees' competitive spirit. Managers find benchmarking as a way to find out how their company practices fare compared to others or an instrument to improve their employees' standards by creating a sense of urgency to model after the best practices. This is due to the fact that selected practices of other companies, which have achieved certain exemplary standards, can become a model for them to follow and become better. It should be noted, however, that some managers have admitted their benchmarking project is relative new or at its early stages.

These efforts are signs that companies are proactively upgrading themselves to plan, produce, and deliver better. Yet, their actions do not relate only to the company internal relationships. The proactive plans and efforts of some companies' internal management interconnect and interplay with the larger priorities, linking the organisation with the external environment, in which the government may have a fairly strong influence.

Relationship with the government is very relevant to some of these companies' process of planning and strategizing. It even shapes the company's

internal priorities and in some cases its organisational culture. Government's inputs, direct or indirect, have been a high priority in the planning and practices of the companies.

Nevertheless, there is a varying degree of alignment with the government's inputs. Some companies evaluate government's policies and direction from afar; and thus, plan accordingly. Yet, some companies operate beyond mere assessment of government's policy and legal framework. A number of managers speak of their bosses' consulting with the government on a regular basis in order to "move in harmony with the government".

There are also companies which have conditioned their organisation to respond swiftly to government's call, for instance to consider investing in a new market. For these companies, the relationship with the government may sometimes direct the leadership of its internal community with regards to matters such as company's direction, plans, and strategies. They work so closely with, or under, the government, it is almost as if government is part of the board of directors or top management.

Indeed, this phenomenon is not limited to companies having government share; the government's influence extends to other companies as well. Having said that, we must make a cautionary note that, the relationship that is formed between companies and government is not necessarily harmonious at all times; and that companies and government are still legally two separate entities.

The essence of what is being reflected in the qualitative evidence is that company-government relationship is embedded deeply into the company-internal-relationship; and that has been the case especially when companies' efforts in the setting and resetting of their vision, plans, and strategies. The analysis given above is

also presented in Table 4.4 following the discussions on the interaction between company-company relationships and company-market relationships below.

4.5.2. Interaction between Company-Company relationships and Company-Market Relationships

Although company-government relationship and company-internal community relationship is highly relevant, with reference to companies goals, plans and practices, the most prevalent yet is the influence of company-company relationship. The following is a sampling of managers' comments that reflect such tendency.

"Good strategies must be based on long term perspective. You can't have long-term perspective if you are obsessed with short-term goals. The way to defeat the competition is through long-term relationship with the customers. But, if we are in it just for the money, just for the short term profits, sooner or later they [customers] will notice." (f-03)

"Sometimes we must compete; sometimes we must co-operate. That is why it's a free market. It's push and pull. There's no permanent friend, only permanent interests." (l-03)

"In corporate planning, if you do not understand networking, you are missing the point. Our company is very outward looking. We train our people to be outward looking. The customers, the competitors, the money [are] all out there." (l-24)

"Nowadays, either you grow, or you die; unless you have political connection, but that's another story. The enemies are not just the giants. They come in all sizes [and] from everywhere also. Your market is never safe. That assumption [that the market is secure] will kill you. You have to deal with them. So, you either collaborate, compete, buy them over, or kill them, or you yourself get killed." (m-04)

Two 'obsessions' envelop an overwhelming number of companies: market expansion and corporate integration which translate into 'market-oriented planning' and 'network-oriented planning' as indicated in the managers' comments.

In line with these orientations, the interplay between company-company relationship and company-market relationship emerges and performs the pivotal role

in steering the company's practices. Since the economy is getting more competitive, managers argue that companies must broaden their markets. This broadening of markets often entails building stronger company-company relationship. Managers speak about their company is either undergoing or planning to merge, forge alliances and build networks, link up with suppliers, embark on vertical and horizontal integration, buy up smaller companies or get into joint-ventures. Capital and resources are being pooled together rapidly in this competitive-cum-co-operative economy. Competition and co-operation, as reported by the managers are happening simultaneously. Once again we observe from the findings that the amassing of market power, the result of company-market relationships, goes hand in hand with the amassing of network power, the result of company-company relationships.

In the following Table 4.4, we have classified companies' specific market-expansion strategies into three categories. First, companies are developing 'customer-focused' plans, systems and culture in order to forge closer relationship with customers. We have seen several comments from previous discussions on this matter. In relation to the present set of variables, the qualitative data show that companies are making commitments such as incorporating 'customers' as an vital component in their mission statement and in their written plans, adopting a long-term perspective in evaluating the company's performance by placing market-share as an equally important, if not more important, priority as quarterly and annual profits. There has also been a sizeable amount of investment in training and new programs for the areas of customer-service, customer relations, customer feedback, and customer-oriented marketing strategies. Next, the market-oriented strategies are formulated upon the drive in finding niches to provide a kind of competitive edge for companies. In doing so, companies seek to develop 'new solutions' to existing problems and sell these new

solutions to increase their market share, or create new needs and wants; hence, be in the position to exploit a completely new market and possibly having a monopoly at least at the early stages. A more ambitious or aggressive stance of company's market-oriented planning is to have technology-driven strategies that wipe out all the competitors' product line or a whole segment of an industry and conquer its market, or most of it. However, the few managers who conveyed this type of response admit that this is a tall order and that their companies have not been successful in accomplishing this vision so far. Indeed, there are by far more companies that show tendencies for collaboration and portray a more non-aggressive friendly image than otherwise.

Table 4.4
Qualitative Data on Mission/Vision, Plans/Strategies, International Certification, and Benchmarking: Summary of Excerpts for Globalizing Tendencies

Types of Explanations	Elaboration on the Types of Explanations
<p><i>Increasing company efficiency and effectiveness</i></p> <p><i>Government's role in company's planning</i></p>	<p>Embedded Relationship: Interaction between <i>Company-Internal-Community Relationship</i> and <i>Company-Government Relationship</i></p> <ol style="list-style-type: none"> 1. Streamlining the company - to re-organise the processes and structures, to increase speed, to become leaner and more focused 2. Using I.T. as strategic tool - to connect suppliers and inventories, to measure targets and performance, to build customer data base, to control the entire operations 3. To identify where the company stands relative to others, to create awareness and sense of urgency to improve standards 4. Building quality culture, systems and reputation - to build product quality, to improve production quality, employing benchmarking to adopt best practices and enhance productivity and quality of service, to get certification of quality standards <ol style="list-style-type: none"> 1. Direction and policies of government as reference for company course of action 2. Regular meetings and consultations with government 3. Responsive to government's requests and encouragement

	Embedded Relationship: Interaction between: <i>Company-Company Relationship</i> And <i>Company-Market Relationship</i>
<i>Market-oriented planning / strategies</i>	<ol style="list-style-type: none"> 1. Building relationship with customers - avoid merely focusing on short-term profits 2. Finding niches - identifying undiscovered, or less exploited market 3. Creating new market - providing new alternative solutions, creating new needs, upgrade the demands and upsell to existing customers 4. Technology-driven competition- wiping-out competitors product-line or a whole segment of industry
<i>Network-oriented planning / strategies</i>	<ol style="list-style-type: none"> 1. Changing the rules of the game - identifying and exploiting weaknesses of supply-chain or industry 2. Building strength through alliances, inter-company networking, turn competitors into collaborators, competition and co-operation merely means to an end

4.6. Variables of Ethnic Integration

Respondents to the interviews raised several issues and themes with reference to ownership structure. Underlying these themes are two sets of relationships which thread through the comments and concerns of the company's management. These are company-internal community relationship and company-market relationship.

4.6.1. Company--internal-community relationship and Ethnic Integration

The first type of explanation or theme which connects to the company-internal-community relationship is the blurring of ethnic divide. The following is a sample of comments illustrating this point on weakening of ethnic divisions.

"There is a blurring of Chinese and Malay companies. We are truly moving toward becoming 'Malaysian' companies." (m-01)

"You must look at the issue objectively. Most of the established companies have different races in its [the companies'] board of directors; the owners are mixed too. It might be run by a Chinese or a Malay or an Indian, this is because someone must be in charge. No matter who's in charge, the profits or losses are still being shared [by the various owners]." (f-06)

"It is quite a common practice to have a mixed group [people of diverse ethnic backgrounds] in the board of directors. So because the top [board of directors] is a mixed group, the bottom will more or less follow." (I-01)

"In Malaysia, a company can only go so far if it's not multiracial. But, it must all start at the highest level [of the company]; once there is diversity at that level, then it will be cascaded to the rest." (I-31)

"It is not really black or white. I admit there are fully Bumiputra-owned corporations or Chinese-owned companies or whatever. But you should have the proper perspective. These companies, when they were being formed, they were probably being formed by a Chinese or Malay; but the other races are being invited in. Of course when you are being invited, you don't 'pijak kepala' [step on the other person's head]. You respect the host. But, once you are in, whether you put in your own capital or not, you will be consulted and you will be given a say." (I-02)

Based on the comments, two points are worth noting. First, a large number of managers contend that, "there is a blurring" among these companies and that they are "truly moving becoming 'Malaysian' companies". There is widespread perception that this is growing phenomenon. Second, the company-internal-community relationship is said to be causing this integration since this blurring of ethnic divide is seen as originating from the "highest level" within the company before the other parts of the companies become diverse as well. This can be traced back to the power base within the company itself. If the general make-up of board of directors within the companies' internal community itself is becoming more ethnically integrated, then this may lead to an increase of internal pressures to have more ethnically integrated employee composition as well as ethnically balanced patterns of promotion. Indeed later in our discussion, the findings will show that although there may be outside pressures (such as from the government or the market) to become more ethnically integrated, managers claim that ultimately the decision lies with the owners who control the companies.

Another aspect of company-internal-community relationship is the issue of priority, as indicated in the following managers' remarks:

"This race issue is being politicised too much... Our decisions are for our company, our company is not a political organization, it's a business." There are too many things to consider when you are running a business; ethnic balance is good, but we can't prioritise it in our decision-making" "I don't have the time to check whether we have enough Chinese, enough Malays, enough Punjabis, too many Banglas..." (1-18)

"You can't say if there are less Bumis being recruited or promoted [hence] the companies are practising unfair policies... we do what is best for the company, we recruit who can work well with us, no matter what is their race." (1-21)

"Seriously, many firms have succeeded which are not racially integrated. You are forcing an issue which many management find not quite relevant to their company's success." (1-39)

"Sometimes some of us feel that it is political issue. It becomes a business matter because it is an obligation. We talk about it. That's how many of us feel." (1-52)

"This issue will keep on becoming an issue as long as we live in a multi-racial society. But we must still survive and do business. We mustn't get stuck with it." (1-48)

In order to achieve ethnic integration, the companies' management need to allocate more time and resources. This is the point emphasised by these managers. Even if the management seek to achieve ethnic integration within the company, there are many more competing priorities which demand their attention; hence, ethnic integration becomes an issue of priority within many other organisational goals. Given the constraints within their companies, many managers have in effect placed low priority on ethnic diversity in their business decisions. Indeed, many do not necessary view ethnic integration as an important or urgent priority or as an integral to the success of their company. Some managers pointed out that many companies have

done very well without being ethnically integrated. They are managers who rather vehemently resent this line of questioning. One expressed discontent about ethnicity being overly politicised, stating that the company is “not a political organisation, it’s a business.”

Related to the company operations is the managerial difficulties in attaining and maintaining ethnic integration. This is the third type of explanation given by the respondents.

“This [ethnic composition] is a sensitive issue. It is internal politics. Sometimes, you think you hire the right person, but another person might have connection with your boss; so he pulls his cable line [pull strings]. What can you do? I would like to see more racial diversity, but I am not the owner.” (m-08)

“Our company is working on becoming more racially balanced. We need time to get the right people. The market is very competitive for professionals. It is not easy to hire good, loyal staff nowadays. They are like frogs, jumping from one place to another. Our boss really hates frogs.” (l-16)

“Frankly, it's easier to have racially balanced workforce at the lower levels than the mid to upper levels. At the lower levels, the staff's qualifications are about the same and the hiring criteria are quite basic. But for executive level and upwards, the decisions are tougher. Qualifications, experiences, personality, trustworthiness, race, sex, age and contacts all count. Sometimes, we evaluated all that and come out with a decision, our boss reverse our decision and choose someone else.” (l-38)

“[P]otential employees make assumptions that if the management is Chinese, than if he's a Malay there's going to be some kind of limitation on the career. We don't have that discriminating policy.” (l-30)

“This needs to be looked at from business management angle, certain important position, the boss wants to get people that he knows and can trust. They tend to want to choose their own people that's why they can't get different races into these positions.” (l-56)

There are a number of complications apparent in the comments given above; for example, some companies claim that they suffer from employee's habit of job-hopping; therefore, making it "less easy to hire good, loyal staff". Some attribute the problem to the "politics" within the company's internal community. The preferences of the owners or superiors as to whom should be hired and fired may enter into the equation and affect employee ethnic composition. What is clear is that the company-internal-community relationship seems to be the battlefield where issues of ethnic integration really manifest itself.

The final group of comments comes from companies that have achieved some desirable level of ethnic integration.

"Our hiring and promotion policies are fair. They are based on meritocracy. We don't promote people based on race. If the staff's a capable Malay, or Chinese or Indian or Sikh and his records show that he or she deserves a promotion, he will get it." (m-07)

"We work with professional consultants to design what is called a competency-based HR (human resource) policy. We appraise individual staff based on managerial competency, interpersonal competency, technical/professional competency, and problem-solving competency. When their competency level reaches a certain degree, they will get the promotion. The question of race does not arise here." (l-41)

"Our organization is colour-blind. It has to be, we are an international company having branches everywhere. We can't survive if we are racist." (f-14)

"You see, we make it hard to discriminate people based on their ethnicity. Our [promotion] policy is performance-based. Our staff and us discuss and decide together their desired performance targets which should be realistic but challenging enough for them. These targets are evaluated regularly, when the targets are consistently met, they will be rewarded appropriately... and the promotion is part of this performance-based reward system. "(m-09)

"We have a multi-level appraisal system. The staff are appraised by their superiors and their team mates. I know this system can be abused, but so far it has created a positive culture in the office. Of course we have trainers to train the staff to do this multilevel

appraisal to make sure it is done constructively. The feedback has been quite positive. The team leaders have become more responsive to the team and accountable to the company." (f-11)

Generally, the managers attribute their 'achievement' to the fact that the company's internal management being professional and that it has fostered a fair and formal approach towards company-internal-community relationship. Indeed, as the overall statistics on quantitative data indicates, 29.11% of companies have ethnically integrated patterns of promotion and an even bigger percentage has ethnically integrated ethnic workforce composition (35.44%). Managers from these companies give credit to their various management systems, which cultivate better human resource management in their companies. These include such systems as "competency-based HR policy", "performance-based", and "multi-level appraisal system". Nevertheless, these companies tend to be large and more established ones.

The managers' comments have demonstrated how company-internal-community relationships come into play with ethnic integration within the companies. Managers have presented a variety of views regarding ethnic integration. Even though they have different perceptions, many more managers tend to view the present state of ethnic integration as favourable. However, the ways they justify their stance provide further insights to the dynamics behind their company practices. Table 4.5. summarises the issues and viewpoints on company-internal community relationship and ethnic integration.

Table 4.5.
Qualitative Data on Ownership Structure, Employee Composition,
Patterns of Promotion: Summary of Main Themes and Excerpts

Types of Explanations	Elaboration on the Types of Explanations
<i>Blurring of ethnic divide within companies</i>	<p>Embedded Relationship: <i>Company Internal-community Relationship</i></p> <ol style="list-style-type: none"> 1. Reduction in ethnic divisions - various ethnic groups in the same board of directors, mixed ownership, Malaysians working together in same companies, profits and losses are shared 2. More join-ventures among different companies of different ethnic groups 3. Reduction in single race companies, opening-up of single race companies; "It is not really black or white. These companies, when they were being formed were probably being formed by a Chinese or Malay; but the other races are being invited in;...once you are in,... you will be consulted and you will be given a say."
<i>Issue of Priority in business decisions</i>	<ol style="list-style-type: none"> 1. Race issue being over-politicised 2. Decisions made for business, not political, reasons 3. Too many things to consider when running a business - unable to prioritise ethnic balance 4. Acceptance of the permanence of racial issue in multiracial society
Types of Explanations	Elaboration on the Types of Explanations
<i>Managerial difficulties</i>	<p>Embedded Relationship: <i>Company Internal-community Relationship</i></p> <ol style="list-style-type: none"> 1. Internal politics - candidates may use inside connection or boss may have already have someone in mind before the recruitment process 2. market is competitive for professionals - employees may job hop, increase turn-over rate 3. Negative assumptions of candidates about company's racial biases 4. Bosses choose people whom they know and trust - 'They tend to want to choose their own people that's why they can't get different races into these positions'
<i>Fair Professional Practice and increase in ethnic diversity</i>	<ol style="list-style-type: none"> 1. Promotion based on meritocracy - regardless of race; competency-based human resource policy; performance-based promotion policy; multi-level appraisal system 2. Being international company - need to be non-discriminatory or non-racist

4.6.2. Company-Government relationship and Ethnic Integration

We, now, shift our attention to the set of comments which relates to company-government relationship. The comments can be classified into three themes or types of explanation. In some ways these themes are related to each other; but each focuses on different aspects of the company-government relationship.

In discussing the issue of ethnic integration, a number of managers expressed their dissatisfactions of what is seen as government unfair treatment against non-Bumiputra companies. These are some of the managers' comments on this issue:

"Even though we are a Chinese company, we work hard to survive this far, we should not be punished because of our race." (I-18)

"Judging us based on whether we are ethnically integrated or not is not quite right. Companies are here to provide services to the people. We don't discriminate who are our customers. If we can serve them, we are more than happy to do business with them. That's our function in society. That's how we should be judged." (I-22)

"Government treatment should be fair to all companies, even if they are not ethnically integrated... as long as there is no favouritism being practised against the employees, then it should be okay." (I-44)

"Doesn't mean that if we are non-Bumi [firm], we should not receive the same treatment like the Bumi firms. If the government is doing this, the government is not fair." (I-48)

"How would you feel if the government always choose Bumiputra companies to grant big tenders? If a non-Bumiputra company gets to be picked usually they [the non-Bumiputra company] will be asked to find a Bumi partner." (I-17)

"Some Chinese feel that government is only helping the Bumiputras. Chinese companies face problems to go into businesses where Bumis dominate... These things are quite sensitive." (I-20)

"There are Chinese and Bumi companies both separate, Bumi companies are growing and Chinese companies cannot go into the areas where the Bumis dominate. Government is helping more of the Bumis and not enough for the Chinese. Not fair." (I-05)

As revealed in these comments, there is disagreement to the fact that companies should be penalised for not being ethnically integrated. It is said that lack of ethnic integration should not be the basis of evaluating companies. In addition, among these managers, there is a common perception that the government is helping the Bumiputra companies more than the non-Bumiputra companies. In fact, a couple of them state that it is difficult for non-Bumiputra companies to enter Bumiputra-dominated areas. From this perspective, the government seems to side with the Bumiputras more than with them. They see that Bumiputras' market power is

growing while nothing is done on the part of the government to help the Chinese position, unless they are Bumiputras in their company. Interestingly, however, the strikingly obvious fact about these managers is that there are all non-Bumiputras, specifically Chinese.

Yet, another issue that was raised by the some managers with regards to ethnic integration is political connection or political patronage.

"No matter who owns the companies, Chinese or Bumis, you still need political patronage, political connection to really get into the big league. It is easier if it is a Malay company or have Malay shares in the company, otherwise the government won't help [the company]." (I-52)

"If government grants contracts to companies without the right ethnic mixture, then they will be questioned. A company must be politically correct or acceptable to be favoured by the government." (I-31)

"Many people don't understand this. The government and the political masters are born out of [the] NEP. This is their ideological core. What that means is [that] the main task is to make sure that [the] NEP objective is met and that means not running away from the 30% target." (I-25)

From some of these comments, it can be inferred that ethnic diversity within a company becomes vital due to its relation to political patronage. If the company needs political connection to enter the 'big league', then having the right 'ethnic mixture' within the company is crucial because the company must be seen as ethnically integrated or as having fair amount of Bumiputra shares in order to appear 'politically correct' or 'politically acceptable' to the government.

It is also argued that the NEP objective which includes having balanced ethnic-economic representation, for instance, minimum of 30% Bumiputra share in the company corporate equity, forms the government's 'ideological core' which in turn guides the government's actions.

Nevertheless, ethnic integration is also seen as an organisational achievement which companies would want to showcase, as evident from the following comments:

"The government encourages companies to have at least 30% Bumiputra participation. We have achieved more than that and we are proud of that fact." (m-02)

"We are in Malaysia. This [the company's recruitment and promotion] too has taken account the government's objective to create racial harmony in the society. Honestly speaking, having a multiracial group is good for the company because we are dealing with customers who are multiracial too." (f-12)

"The government's policy to promote cultural or racial diversity within companies should be taken in good faith. Maybe at the beginning it is not easy [for companies] to implement it; but we soon realise that the good that it brings outweighs the costs. But we must keep on working to maintain the harmony we have with one another; so it's good that the government maintain this policy." (l-27)

"To have ethnic diversity alone is not easy. To make sure that that diversity is maintained [is] even harder. On top of that, to make it work for you and not against you is the toughest thing to do. But, I am happy to say that we have made it so far. Suppose the government didn't encourage us, I think many companies now would have given up [having and maintaining ethnic diversity], then they would lose out on the diverse strengths a diverse group of workforce would have." (l-29)

Among companies that have attained some level of ethnic integration, their managers expressed a good of deal of pride that they are aligned with the government aspiration. Furthermore, although some have suggested that the ethnic diversity policy can be difficult to attain, it is praised for the benefits it brings to the company.

Table 4.6 shows these three themes (1) dissatisfactions with government's preferential treatment, (2) political connection, and (3) acceptance of and alignment with government's policy as well as the specific issues related to them as seen by the managers. All of these comments emphasise directly or indirectly that the government is indeed integral in the state of affairs within their respective companies.

Table 4.6.
Summary of Excerpts of Ethnic Integration and its connection
with Company-Government Relationship

Types of Explanations	Elaboration on the Types of Explanations
<p><i>Dissatisfactions with government's treatment</i></p> <p><i>Political Connection</i></p> <p><i>Acceptance of and Alignment with Government's Policy</i></p>	<p>Embedded Relationship: Company-Government Relationship</p> <ol style="list-style-type: none"> 1. Disagreement of government's treatment or 'penalisation' based on company racial composition 2. Dissatisfaction of government's additional assistance of Bumiputra companies 3. Difficulty of entering Bumiputra-dominated businesses <ol style="list-style-type: none"> 1. Need political patronage or connection to get into the big or important industries. 2. Government assistance - Government is more likely to assist companies with Bumiputra shares; need the right 'ethnic mix' to get contracts, or else, 'they will be questioned' 3. The NEP (New Economic Policy) - to achieve 30% target for Bumiputra corporate equity <ol style="list-style-type: none"> 1. Proud of the fact that company's achievement of at least 30% Bumiputra participation 2. Company takes into account government's objective to create racial harmony in the society 3. Recognising ethnic diversity as beneficial for company 4. Praising government's encouragement for it, despite acknowledging the difficulty of achieving and managing ethnic diversity

In tying up the discussion on variables of ethnic integration, it is important that we re-examine a number of findings vis-à-vis their implications on the main theoretical perspectives. We have seen how the qualitative analysis based on the social embeddedness argument disentangles the social dynamics underneath the ethnic integration variables. The analysis of the findings show that company internal-community relationship and company-government relationship emerged as keys to understanding the ethnic variables of ownership structure, employee composition and patterns of promotion.

The findings also bare relevance to both the ethnic economy and ethnic resource thesis of Light and Karageorgis's and to the thinning of ethnic preference thesis of Mansor's. Again we will need to re-sample some of the explanations given by the managers. We find that many parts of the qualitative data seemingly dispute the notion that companies make decisions out of ethnic preference; therefore, substantiating Mansor's thesis.

On one end of the spectrum where managers have positive perceptions of ethnic integration, they (managers) point to the blurring of ethnic divide within companies; for instance, members of mixed ethnic groups sit in the same board of directors, mixed ownership and profit-sharing; hence, the increase of truly 'Malaysian' companies.

On the other spectrum, we have managers who argue that decisions made in the companies are business decisions; thus, whether the outcome leads to ethnic diversity or not is irrelevant. Some also argue that race only becomes a business issue because it is an obligation to the politicians and their policies, while others find it a nuisance to assess whether there is ethnic balance amidst their more important business priorities. These are further strengthened by managers' assertion that their companies' promotion policies are strictly based on merits.

All these explanations in a way lend support to Mansor's thesis on the thinning of ethnic preference in that the race issue does not matter; what matters is what is best for the company, as some managers stated. Furthermore, in maintaining and achieving ethnic integration within the organisation, companies face recruitment and retention difficulties associated to a competitive job market, job-hopping tendencies of employees, and negative perceptions of potential candidates about their company.

It should be acknowledged that the *qualitative* findings are basically based on comments from the managers. The hard evidence lies with the companies' practices as shown in the *quantitative* findings and these practices clearly show that majority of these companies are still not ethnically integrated. Yet, crucial contradictions against Mansor's thesis can even be found in the subjective reality constructed by the qualitative conceptions of ethnic integration and company's practices. Some

managers actually pointed out that issues such as internal politics, trust and interference from their superiors complicate or cause problems to the recruitment process.

Indeed, these issues are related to ethnic resources which Light and Karageorgis posited. Ethnic resources include elements such as social connections and trusts. The recruitment process is compromised because top management often ends up hiring co-ethnics; hence, the company is unable to attain ethnic balance or ethnic integration. To be fair, these can be equally important elements to the survival of the company; thus, the intervention from the superiors in selecting candidates whom they already know and who are perceived as trustworthy can be actions taken for the best interests of the company.

With reference to thinning of ethnic preference thesis, they seem to be cases where ethnicity is secondary in the decision-making process, while in some others, for instance, where ethnicity is relied on vis-à-vis trustworthiness and social ties, it is primary. Although there is evidence pointing in both directions at the surface level, when further analysis is carried-out, Mansor's thesis appears to be the weaker. The point that should also be stressed here is that companies are not necessarily sidelining their economic or capitalist interests in favour of supporting their co-ethnics. The crucial distinction lies on the ways in which these companies choose to protect or advance their economic or capitalist interests. Some may find solutions which, directly or indirectly, lead to an ethnically balanced company and workforce, while others retain their existing practices or shift to other practices which reduce their chances of becoming ethnically integrated. Indeed, in cases whereby top managers recruit co-ethnics because they perceived or found their fellow co-ethnics to be trustworthier, or that the information sources through the co-ethnic networks have

supplied them with high-quality co-ethnic candidates with the suitable socio-cultural values, these managers are actually acting out of the business interests based on rational thinking. Yet, the processes and the vehicles of selection are embedded in ethnicity, ethnic cultural values and ethnic networks. In other words for these cases, who is perceived to be more suitable or trustworthy is also influenced by ethnic factors. Therefore, Mansor's proposition that the importance of ethnicity and ethnic consciousness is declining is less applicable in these contexts.

4.7. Conclusion: Summing up the Findings of Companies' Practices and the Four Imperatives

This chapter sets out to answer four general questions with respect to *companies' practices*. To reiterate, these questions are 1) what is the state of globalisation; 2) what is the state of ethnic integration; 3) is there a connection between ethnic integration and globalisation; and 4) what are the possible explanations underlying the presence or absence of this connection?

On the state of globalisation, we have discovered that there is clear presence of globalising tendencies among all three groups of companies, FTNCs, MTNCs, and LCs. The globalising tendencies are dominant among a high percentage of FTNCs and MTNCs. Indeed, at the operational level, FTNCs and MTNCs are by definition globalised since these companies have organisational set-ups in several countries. Although majority of LCs does not portray these tendencies, there is at least a solid 25% base group scoring high on all the globalising variables. These variables include mission and vision, plans and strategies, forward linkages, foreign equity, international certification, and international benchmarking. We have also argued that

together with the FTNCs and MTNCs, this 25% of LCs represents a formidable force for globalisation.

On the state of ethnic integration, the findings portray that most companies generally do not score high on ethnic integration. To summarise the statistics, 35.44% of the companies have ethnically integrated employee composition; 29.11% of companies have ethnically integrated patterns of promotion, and 59.43% of the companies, the highest score yet, display ethnically integrated ownership structures. Therefore, the findings clearly suggest that most companies interviewed have not yet achieved ethnic integration, at least at the structural and operational levels.

Nevertheless, as far as the connection between ethnic integration and globalisation is concerned, the comparative empirical data draw out the fact that it is the companies with low scores for globalising variables which account for most of the poor ethnic integration 'scorecards'. Majority of companies with high scores for globalising tendencies, however, scores high on ethnic integration.

As a rule, companies with higher scores on globalising tendencies are more likely to score higher on ethnic integration than companies with low scores on globalising tendencies. This connection between companies' globalising tendencies and their degree of ethnic integration appears in five globalising variables and across all three ethnic integration variables. In short, these findings show the connection between the presence of globalising tendencies and the presence of ethnically integrated variables and vice versa. This answers the primary inquiry of the research, about the possibility, and to a certain extent the nature, of the connection between globalisation and ethnic integration among companies in Malaysia.

While the quantitative findings suggest an observable presence of globalising tendencies within companies in Malaysia and that these globalising tendencies are

connected with the degree of ethnic integration, it is not yet obvious, how and why this connection exists. This is the fourth question of the chapter.

The qualitative data reveal the dynamics underneath this connection in order to address this question. The '*why*' will probably become less obscure when we comprehend the '*how*'. Specifically, the qualitative findings excavated the underlying *social embeddedness* influencing *how* the companies' decisions and activities surface and manifest themselves. Substantiated with the qualitative findings, this chapter argues that the embeddedness of economic decisions and practices in various relationships form the stage upon which the companies perform and direct their game plan. Therefore, these relationships are crucial to the understanding of the connection between globalisation and ethnic integration.

At this juncture, we will submit four concluding imperatives to make sense of the connection between companies' global tendencies and ethnic integration vis-à-vis the four embedded relationships.

The First imperative - Company variables are embedded in a web of four relationships that in turn contextualise and shape the form and nature of companies variables. The companies' interests, which themselves are embedded elements of the relationships, are to be met within the confine of these relationships. Therefore, the ways in which the companies structure their organisational configuration, formulate their missions and strategies, operate their organisations involve a dialectical process with these relationships. Companies achieve their goals and implement their strategies through these relationships; hence, the elements within these relationships are vital in understanding why companies behave in certain ways and not otherwise. Put differently, the company structures and shapes the relationships and the relationships in turn structure and shape the company's practices and directions.

The second imperative - Following from the first imperative, when management decides to expand the company's operations, the company inevitably interacts with and through these four sets of relationships. The greater the expansion (for instance, due to pressures from their globalising tendencies), the more involved are the companies in the relationships. In addition, the more embedded they are in the relationships, the more they must harmonise themselves with the elements within these relationships to avoid unnecessary conflicts, and simultaneously, they may shape the nature of the relationships in accordance to their goals and tendencies. The globalising tendencies of companies can be seen in this light. As the quantitative findings show, the companies scoring high on globalising tendencies tend to also score high on ethnic integration. Indeed, the FTNCs and MTNCs also portray a more complex, ethnically integrated ownership structure and employee composition; hence, at least at these specific structural levels, are more embedded than LCs.

The third imperative - The probable explanation for the connection between globalisation and ethnic integration can be deduced from the second imperative. Given that companies must expand their relationships in order to expand their operations, so companies who portray globalising tendencies will have more expanded involvement in the relationships. Since, ethnicity in Malaysia represents a prominent force in these relationships, consequently the success and the presence of globalising tendencies in companies operating in Malaysia entails successful adaptation to these ethnic elements.

The successful adaptation and management of the ethnic elements often (but not always) translates into ethnic integration, hence, the connection between globalisation and ethnic integration. This process of adaptation may be conscious or

unconscious, but the evidence indicates these two sets of variables can co-exist and they are frequently seen as mutually reinforcing.

The fourth imperative - There is no indication that this adaptation is permanent. It must be stressed that the research does not advance a thesis that globalising tendencies have to accommodate ethnic pressures all the time. What is clear here is the fact that ethnic factors and considerations have become part of the companies' general make-up, more so with the presence of globalising variables. The fourth imperative argues that ethnic relations in corporate Malaysia have also been shaped by company globalising tendencies.

Based on the interviews, the findings show that the dynamics of companies' management is such that it alters the manner in which they deal with ethnicity, both internally and externally, especially among those who intend to further their globalisation agendas, be they FTNCs, MTNCs and LCs.

In Chapter Five, our discussion will shift from companies' practices to managers' views and opinions. Specifically, we will examine managers' attitudes and views on globalisation and ethnic integration. We will also be comparing and contrasting managers' comments from the various types of companies: FTNCs, MTNCs and LCs; thus, we can then relate managers' attitudinal comments with the findings of this chapter.

¹ In explaining the coding of interviews, I have used the letter 'f' to indicate FTNC, 'm' for MTNC and 'l' for LC. In addition, the numbering that comes afterwards indicates the sequence of companies.

² We have discussed class resource in chapter two, under 2.3.1. Ethnic Issue. Briefly, class resource includes capital, means of production and distribution.

³ The following illustration shows the comparative effect of the variable 'global plan/strategies' (GP) versus the variable 'ethnic ownership structure' (OS) on companies' patterns of promotion (PP). What

is critical is to ascertain which of these two variables, GP or OS, leads to ethnically integrated (EI) patterns of promotion (PP).

First, a brief explanation of the symbols is needed. 'GP' denotes companies with global plans/strategies, while 'No GP' symbolizes companies *without* global plans/strategies. 'EI OS' indicates ethnically integrated ownership structure and 'Not EI OS' implies not ethnically integrated ownership structure. 'EI PP' signifies ethnically integrated patterns of promotion, the crucial effect we are to evaluate.

What is important in this illustration is the effect on EI PP. We want to evaluate which has a greater impact on EI PP, the variable GP or the variable EI OS. In the first set of comparison, we assess the difference on EI PP when adding and removing the variable GP, while maintaining the variable EI OS. In the second set of statements, we reverse the process. The impact on EI PP is observed, when we incorporate and exclude the variable EI OS, as we retain the variable GP.

The first set of comparison:

$$\text{EI OS} + \text{GP} - \text{EI OS} + \text{No GP} = 34.48 - 20.0 = 14.48$$

There is a drop of 14.48% when GP is removed, signifying an impact of GP on EI PP.

The second set of comparison:

$$\text{GP} + \text{EI OS} - \text{GP} + \text{Not EI OS} = 34.48 - 44.44 = -9.96$$

There is an increase of 9.96% when EI OS is removed, suggesting that EI OS has an inversed effect of EI PP, since, instead of decreasing in percentage of EI PP when EI OS is removed, the percentage actually rises from 34.48% to 44.44%. (The negative sign in -9.96 indicates this rise in percentage)

These two sets of comparative statements suggest that the variable 'global plans/ strategies' (GP) has a much positive and greater impact on percentages of companies' ethnically integrated patterns of promotion (EI OS) compared to the variable ethnic ownership structure (OS).

⁴ 5S system is an abbreviation from the Japanese words Seiri, Seiton, Seison, Seiketsu, and Shitsuke. They represent systematic methods to organise the workplace. In English, the 5S mean: housekeeping, workplace organisation, cleanup, keep/ maintain cleanliness, and maintain discipline.

5

CHAPTER FIVE:

MANAGERS' VIEWS ON GLOBALIZATION AND ETHNIC INTEGRATION

Introduction

One of the main research objectives of this thesis is to explore managers' views and perceptions of globalization and ethnic integration. In meeting this objective, this chapter will analyze the managers' views by examining both quantitative and qualitative findings. The quantitative analyses will be based on these three questions posed to the managers: (1) Should the government promote a more globalized Malaysian economy? (2) Should companies globalize in order to succeed? (3) Should there be ethnic quotas within companies? The quantitative analyses of the managers' views will be descriptive, moving from the overview towards a connection between globalisation and ethnic integration. The qualitative analyses are based on two general questions: (1) What does globalization mean to you? / What are your views about globalization? (2) What does ethnic integration mean to you? The explanation of the qualitative analyses will categorize managers' views into paradigms and themes. This section will also present examples of views and interpretations for each paradigm and theme. In further analyzing the findings, the embedded relationships will again be utilized; hence providing a perspective of the ways in which the four relationships: company-company, company-market, company-internal community and company-government relationships are incorporated into the

managers' interpretations of globalization and ethnic integration. The conclusion will then raise several issues about the overall quantitative and qualitative findings.

5.1. Descriptive statistics of managers' views

The overall view

On the issue of globalization, the overall view shows that the majority of the managers interviewed support it on two accounts. Figure 5.1 reveals that the overall percentage of managers who support government's promoting a more globalized Malaysian economy (60.76%) outweighs those who oppose it (39.24%).

Likewise, the findings for managers who agree that companies need to globalize in order to succeed demonstrate that those who share (73.42%) this pro-globalization view outnumber those who do not (26.58%). The greater contrast (a difference of 46.84%) between the two groups is apparent in Figure 5.2.

As for ethnic quotas, Figure 5.3 indicates that 60.76% of the managers agree that there should be ethnic quotas within companies, while 26.58% disagree. However, 12.66% are undecided or have no comment.

Figure 5.1
OVERALL percentage of managers who
support Government's promoting a more Globalized Malaysian economy.

Question: Should the Government promote a more globalized Malaysian economy?

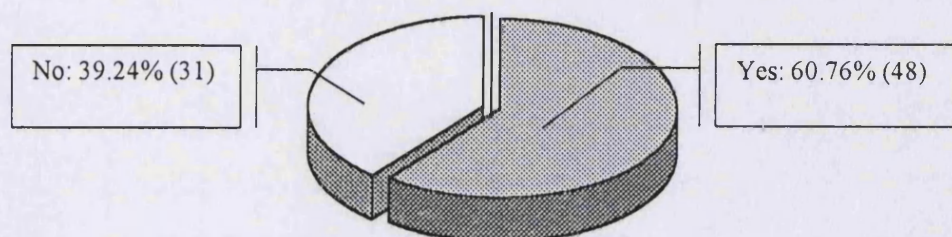


Figure 5.2
OVERALL percentage of managers who
Agree that companies need to globalize in order to succeed

Question: Should companies Globalize in order to Succeed?

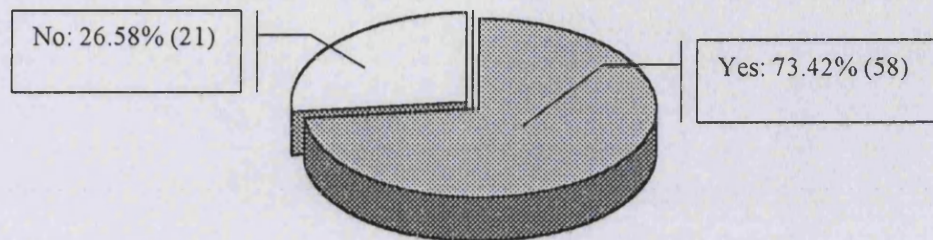
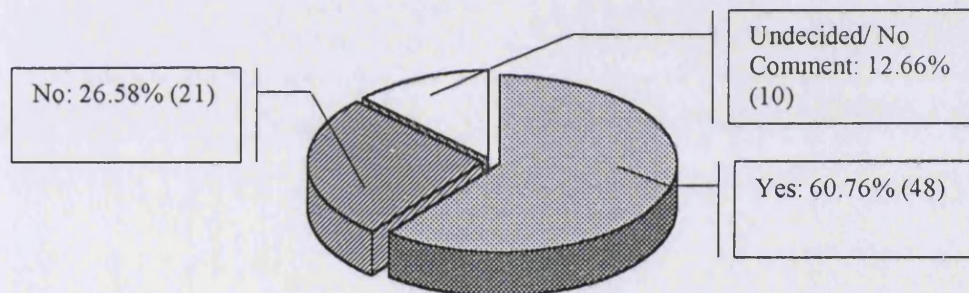


Figure 5.3.
OVERALL percentages of managers who
Agree that there should be ethnic quotas within companies

Question: Should there be Ethnic Quotas within Companies?



Analyses based on TNC status

What is almost incontrovertible about these findings is how overwhelmingly well spread the agreement with the idea of globalization is. In the following Figure 5.4, all throughout FTNCs, MTNCs and LCs, a significant percentage of managers advocate the view that government should promote a globalized economy: FTNCs' managers, 100%, MTNCs managers, 77.78%, and LCs' managers, 60.71%.

As for their support for the idea that companies need to globalize in order to succeed, even higher scores are shown as indicated in Figure 5.5: FTNCs managers, 92.86%, MTNCs' managers, 88.89%, and LCs' managers, 66.07%. Practically speaking, at least two thirds of managers in all companies support the idea of

globalized Malaysian economy and that companies need to globalize in order to succeed (in whatever manner those ideas are being individually defined).

Another observation that can be made is that FTNCs managers appear to be the most supportive of globalization among all the three types of companies.

Figure 5.4.
Percentages of Managers from FTNCs, MTNCs and LCs who support government's promoting a More Globalised Malaysian economy

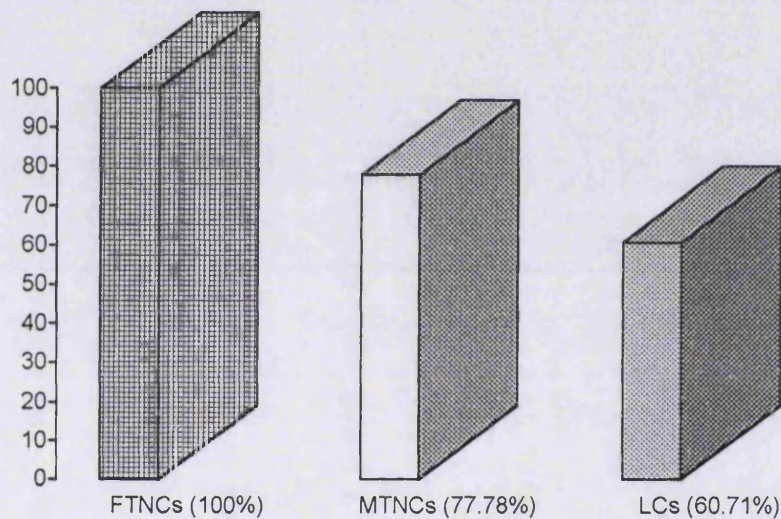


Figure 5.5.
Percentages of Managers from FTNCs, MTNCs and LCs who agree that Companies should Globalize in order to Succeed

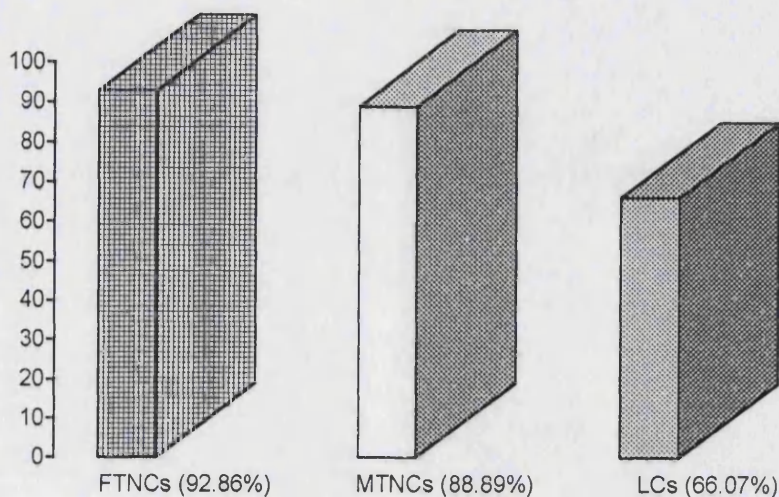


Figure 5.6.
Percentages of Managers from FTNCs, MTNCs and LCs
who Support Ethnic Quotas

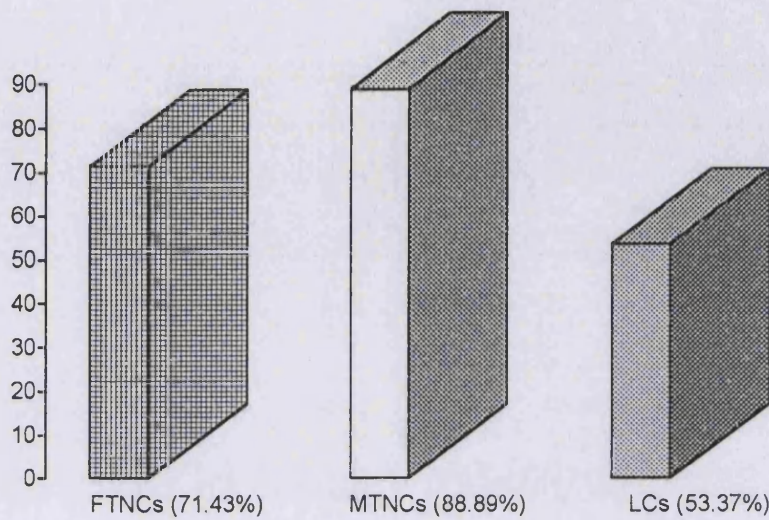
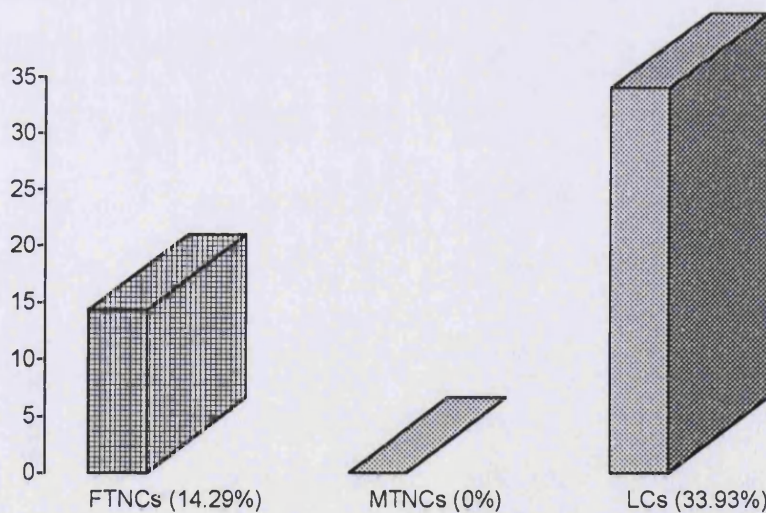


Figure 5.7.
Percentages of Managers from FTNCs, MTNCs and LCs
who DO NOT Support Ethnic Quotas



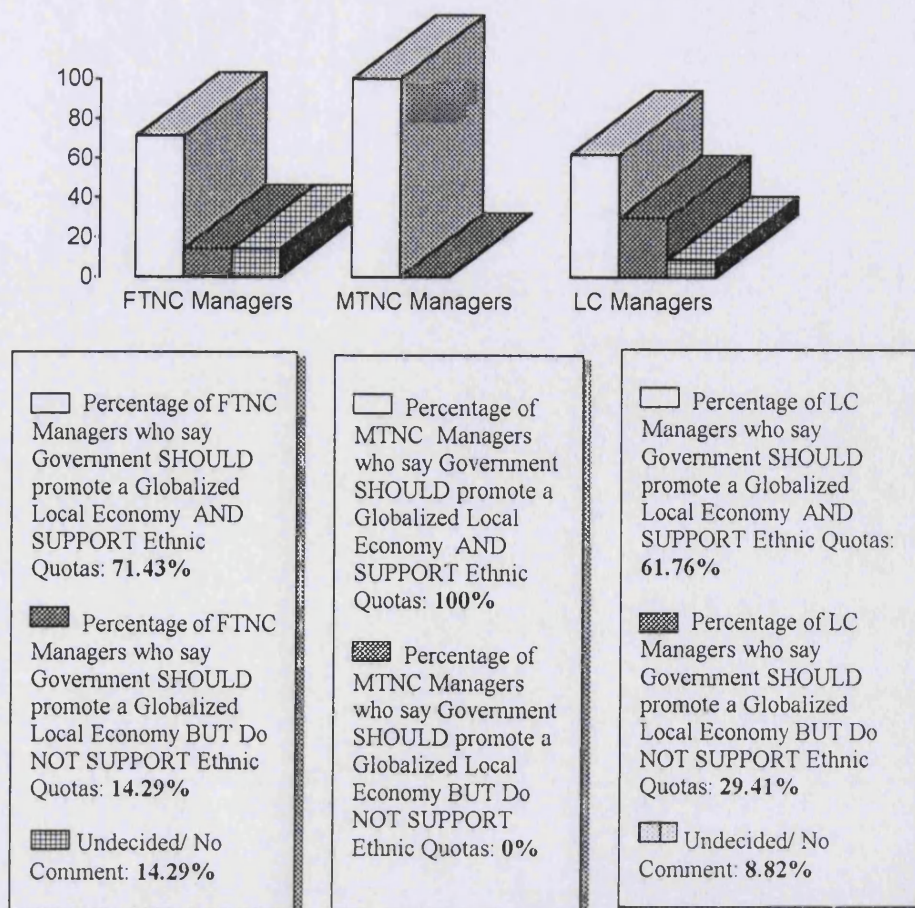
The data shown in Figure 5.6 support the general trend of the connection between globalization and ethnic integration. TNC managers show a higher propensity in agreeing with ethnic quotas than LCs. 71.43% of FTNC managers support ethnic quotas, and, 88.89% of MTNCs managers feel the same the way, while only half, 53.57% of LCs managers, support such quotas. As depicted in Figure 5.7,

the opposite is also true. In the case of opposing the idea of ethnic quotas, more LCs (33.93%) show their disagreement more than FTNCs (14.29%) and MTNCs (0%).

Connection between managers' views on globalization and ethnic quotas

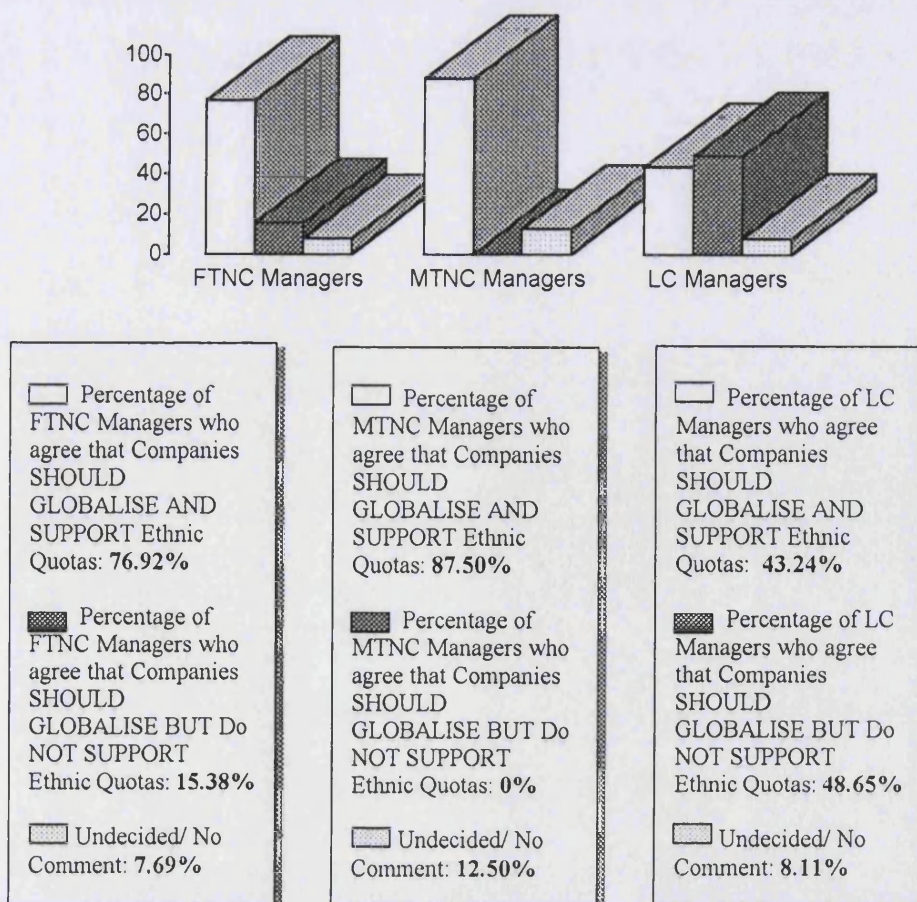
Comparing the attitudes towards globalization, we also find the evidence of a connection between the globalization and ethnic integration variables. Out of those who agree that the government should promote a globalized economy, there is a corresponding higher percentage that supports ethnic quotas as opposed to the percentage who do not. As illustrated in Figure 5.8, this is true for FTNCs managers, 71.43% versus 14.29%, MTNCs managers, 100% versus 0%, and especially for LCs managers where the contrast is, 61.76% versus 29.41%.

Figure 5.8.
Percentage of Managers who SUPPORT versus those who Do NOT SUPPORT
Ethnic Quotas among those who say that
Government SHOULD promote a Globalised local economy



Although the same connection can be found with their views on companies' success and globalisation; some of the results are mixed. In Figure 5.9, more managers who think that companies need to globalise in order to succeed are likely to support ethnic quotas than those who do not, FTNCs managers 76.92% versus 15.38% for FTNC managers, and 87.50% versus 0% for MTNCs managers. However, of those LC managers who agree that companies need to globalise in order to succeed, about the same percentages can be found on both sides, 43.65% support ethnic quotas and 48.65% do not.

Figure 5.9.
Percentage of Managers who SUPPORT versus those who Do NOT SUPPORT
Ethnic Quotas among those who say that
Companies SHOULD Globalize in order to Succeed



In spite of this, we must be cautious about accepting these findings at face value, since the questions involve a sensitive ethnic issue in Malaysia. There may well be the 'social desirability effect' or 'social response bias' at work, in which the managers believe that these are the answers expected by the question. Or, some managers may conceal their true views to avoid any undesirable situations in relation to being labeled anti-government or anti-Bumiputra.

The facts also show that there is quite a number of managers who decline to respond (12.66%), despite the fact that during most of the interviews, they appeared to be open and frank in expressing their opinions on other matters. There is, however, a group (26.58%) who did speak up their minds in voicing their disagreements against ethnic quotas.

This finding may suggest that there possibly is a percentage of managers who are opposed to such measure of affirmative action among those (12.66%) who decline to comment. As the general findings show, the connection between the support for globalization and ethnic quotas seemed to be in place.

Views and Opinions of Globalization

In this section we will analyze the managers' responses about globalization in greater depth. Specifically, the lead questions are "what does globalization mean to you? / what are your views about globalization?"

In response to these questions, managers give varying width and depth of answers. These responses are indeed rich with their own insights and interpretations of globalization. The findings also show that managers' views are intertwined with their organization and their very own experiences. The answers given demonstrate that there is not only a diversity of views, but also that many of the managers have

thought about the issue of globalization and have developed their own perspectives. However, these views can be generally grouped into three perspectives: political globalization¹, cultural globalization² and economic globalization. Since the issues pertinent to political globalization³ and cultural globalization⁴ are outside the scope of this thesis, we will instead focus on the managers' views on economic globalization.

With respect to economic globalization, the analysis of the managers' feedback yields three dominant paradigms that form the basis of their views of globalization. The three paradigms are (1) globalization as a form or process of *economic collaboration*, (2) globalization as a form or process of an *economic competition*, and (3) globalization as a form or process of *economic domination*. Although many of their comments can be traced back to one of these three paradigms, some of the managers' views also stem from a combination of these paradigms. Furthermore by examining the managers' views through the four embedded relationships framework, we discover that certain sets of relationships are more prevalent within certain paradigms and themes than in others. Nevertheless, the other less prevalent relationships are not completely absent.

5.2. Three Dominant Paradigms of Economic Globalization

Collaboration Paradigm

The collaboration paradigm of globalization has two themes: (1) *opportunity-driven* theme and (2) *combative-cum-protective* theme.

Theme: opportunity-driven

The following are selective comments of collaboration paradigm under the *opportunity-driven* theme:

"In practical terms, globalization is actually opportunity to have smart partnerships with the more experienced foreign companies. We can learn a lot from them. It will be like role modeling for us." (l-08)

"Something else is happening in the global era, there is a new synergy of action globally. The question is whether we are part of this synergy or are we alone, greedy trying to gobble up everything and then lose everything." (m-03)

"Globalization is about collaboration. If there is no collaboration, there is no globalization. That [collaboration] is the basis of most of the international dealings today. That's where it starts, where it's going to bring us, I don't know for sure. But, I hope things will work out well for our company." (m-01)

"Really it's an opportunity to link-up with others outside Malaysia. It means it is time to move beyond our little shell and be brave enough to market our expertise and services internationally. I take globalization very positively and it means lots of opportunities to co-operate with others overseas and share our gifts the people there." (m-05)

"It (globalization) means companies from neighboring countries and countries far away are doing business with one another; the economies are opening up and we are fortunate enough to be in a respectful position to join this international co-operation." (f-06)

"Like it or not, it means markets are going to be able to be accessed by everyone; Malaysia is no exception. I don't like to see that people grabbing our markets here, but hey, what can you do, if you can't beat them, join them." (l-31)

"The forces that are coming together are too strong, we must be part of it [them] and share this big giant cake together." (l-32)

As indicated in these managers' comments, the opportunity-driven theme is *predominantly associated with the company-company and the company-market relationships*. As globalization is seen as the opening up opportunities for companies to expand their company and/or their markets, managers' comments tend to emphasize the need for collaboration with other companies, often foreign ones, in order to tap into these opportunities. Therefore, we found interpretations of globalization which include terms and phrases such as "smart partnerships", "role-

modeling”, “synergy”, “opportunities to co-operate”, “economies are opening up”, “international co-operation”, and “share this...cake together.” These comments imply that managers perceived the company-company relationship and the company-market relationship to have a great deal of relevance to opportunity-driven theme under the collaboration paradigm.

Theme: protective-cum-combative

The following are examples of managers' interpretations and views on globalization within this collaboration paradigm for the *combative-cum-protective* theme.

“Working and co-operating with other Malaysian companies is good. Each of us has different skills based on our cultural background. If we get together, we can beat the foreign companies not just within our domestic market but also those around us.” (l-15)

“A lot of things are happening under globalization; so it's not that clear cut. But what I can say is how it applies to us. To us, globalization means more closer co-operation with government and our own Malaysian companies to, number one, protect ourselves and, number two, to go beyond Malaysia. We are very clear about this.” (m-04)

“As I said before sometimes the best defense is a good offence. This is true for football and for business. But you can't do that alone. Winning is a team effort. Globalization is also like that... we must unite to protect our home ground and at the same time score goals on the side. But if you focus too much on the defense you will always get attacks and become panic; so we have to attack them too and let them be on the defensive.” (m-09)

“Globalization is just a term for expansion through co-operation. And this expansion is an outcome of partnerships and arrangements that are being made between companies and between governments. The key for Malaysian companies is really to have strong partnership with the government because we need them to support us or lead us when we expand our businesses. If government is on our side, our chances to succeed is higher when faced with very strong foreign multinationals.” (l-53)

“To me globalization means synergy, which group can synergize better and produce the best results collectively. One great thing about Malaysians is that we have natural tendency to

come together and work together. That is our strength. That is the reason Malaysia is doing successful economically and politically. But, other groups, other conglomerates are coming in to take away our success story; unless we keep on synergising and focus on producing the best results together, we won't be able to protect our success." (1-29)

Analyzing the second theme under the collaboration paradigm, we find that in addition to the *company-company relationships*, the *company-government relationships* show an equal degree of significance. While the comments of the opportunity-driven theme highlight managers' perception of the possibilities for greater gains through the company-company relationship and the company-market relationship, this is not the case for the other theme of the collaboration paradigm. The combative-cum-protective theme consists of views that project some level of resistance or caution to the embracing of foreign economic forces. Collaboration with foreign interests is not necessarily objected; in fact to be clear, many of the managers still believe in co-operating with foreign partners. Nevertheless, the collaboration is to be carried out in strategic ways so as not to bring detriment to local interests. The company-government relationship is, hence, considered vital since this relationship is believed to be strengthening the local companies' position. The main difference between the opportunity-driven theme and the combative-cum-protective theme is that the latter places trust on collaborating with local parties (local government and local companies) or friendly foreign allies (which often do not include western firms), while collaboration with western parties is to be forged in a more cautious manner. In other words, there are elements of "us against them" among those managers whose views fall within this theme. Comments such as "if we get together, we can beat the foreign companies", "protect ourselves", "we must unite", "strong partnership with the government", and "we have to attack them too" are examples of this mode of thinking

which emphasizes collaboration among the locals in order to protect locals and combat the rivals.

In essence, under both themes what the managers perceive through this collaboration paradigm is that companies are either coming into the country or going abroad to establish collaborative ties for a variety of reasons. Underneath this paradigm, although the views expressed toward globalization are mostly favorable, there are a number of them that are cautious or even critical. Nevertheless, the comments seem generally optimistic about their chances of success.

Domination Paradigm

As a rule, the domination paradigm consists of views and beliefs that globalization is a means for the more powerful to establish command and control over the rest. These are samples of the managers' comments exemplifying this paradigm:

"The real story about globalization which they don't tell you is that eventually all the big players will dominate markets all over. Our government realizes this, that's why we are gearing up to become a major player to match the size and might of these big bullies. I wouldn't say this to them. But we know who we are up against. We don't have much time, but if globalization means combining our strengths with our [those of our] allies to survive, then we must do that fast." (I-35)

"It's like a game of chess. They always want to find ways to checkmate you till you've got no where else to go, and then they'll negotiate and take all and become the winner and we become the losers." (I-07)

"I see globalization as a grand strategy promoted by the western powers to [re-ignite] their colonial aspirations over the developing countries. The government needs to maintain control over the globalization of our economy. The ownership of companies in certain important sectors of the economy must be in the hands of Malaysians. We don't want foreign companies to direct how we run our economy." (I-26)

"I must say that overall, globalization can lead to western hegemony or imperialism. It does not necessarily lead to that but it can if Malaysian companies don't master the globalization tactics practised by global players with hidden agendas." (m-05)

"Globalization must be taken with a grain of salt. Once developing countries are not careful, it can lead to a win-lose situation, rather than a win-win." (l-24)

"Globalization is ruled by some real people with some real interests. It is not some invisible thing out there like a wind blowing where you don't know where and why the wind is blowing this way. It's people like Murdock, Bill Gates... companies like Intel and Prudential. We must open up our eyes...we must really know who is behind this whole thing called globalization and don't just buy into it just because it is a sure thing to happen." (l-33)

"Globalization is eat or be eaten. But you must join in or you'll be an outcast. This is what we are being told. Period." (l-34)

"They send in academicians and consultants to convince us this [globalization] is a good thing. Do you know that US embassy always sends these pro-globalization, pro-liberalization, speakers over here to give lectures and have dialogues with us. This is exactly like the old days where they send in the missionaries to indoctrinate us about their kindness and their moral values and then they take away our lands. Globalization is colonization all over again." (l-03)

"Globalization is really a plan for developed countries government and their companies to rule the world." (l-17)

"It's outright domination. Of course we also benefit by their presence in the country because we can supply things to them. But, I hate to see foreign companies dictating how Malaysian companies should be managed just because they (foreign companies) are business clients." (l-09)

"It means we must learn to be smart when we expand our market overseas. We don't want to be dominated by certain parties just because we are new to the market." (m-06)

"We need to consider the clash of cultures when we embrace Globalization. We should not oblige to adopt western practices, which is in conflict with ours, even if we are a subsidiary of the large western company." (l-36)

Although not all, most managers who share this paradigm are of the opinion that the domination agenda originates from the West. In addition, many also believe

that the process to dominate the world economy by the established powers is already underway and has achieved substantial, though not total, success. Interestingly, a number of managers that are opposed to Western hegemony propose to 'fight back' by establishing their own domination master plan. Under this umbrella of domination, globalization is perceived somewhat critically. Albeit most managers do not reject the idea of globalization, many do not accept the current form of globalization, which is seen as a massive invasion to their current markets as well as their potential markets domestically and abroad.

As indicated in the managers' comments under the *domination paradigm* of globalization, again the company-company and the company-government relationships remain important. Since this paradigm is most critical, if not antagonistic, towards foreign interests (especially western foreign interests), therefore government's role in regulating the external forces as well as protecting local companies is seen as crucial. Many advocate government's supportive relationship with the local companies. As for company-company relationship, emphasis on company-company relationship is also found in the views calling for the combining of strengths among allies in order to protect against the foreign domination. Meanwhile, they are highly critical about their relationship with large foreign companies. These managers often consider these large foreign firms as domineering or having exploitative relationship with the local companies; hence, we find comments such as "big bullies", "we the losers", "colonial aspirations", "western hegemony and imperialism", "global players with hidden agendas", "take away our lands", "outright domination" and "should not oblige to adopt western practices". In other words, many view their relationship with these foreign companies as a win-lose situation,

whereby the foreign interests are mainly in Malaysia to exploit and to establish their dominion over the local economy.

Competition Paradigm

The managers who view globalization from a competition paradigm stress the competitive nature of the globalization process. The two major themes associated with this paradigm are *organizational advancement* and *external pressures*.

Theme: organizational advancement

Comments on this theme of organizational advancement include:

"Globalization means new ways of managing, new threats, new opportunities, and a chance for companies to get out of their 'comfort zone'. You either succeed and be one of the top players or you just manage to survive, in the long run." (l-15)

"I think it would be good for Malaysian companies to learn how to manage more efficiently and effectively. Globalization is the driving force for us to learn to be lean and mean and more competitive. It's good for the long-term growth of the company." (m-03)

"It means picking up new skills so that Malaysians know how to deal with the uncertainties associated with globalization. It won't be good to go global without knowing the rules of the game that are being practiced by foreign players." (l-37)

"Globalization is also global competition. Companies must take what they have and compete with the outside world. It is good way to pressure us to get out of our tempurung [half-coconut shell] and test our metal." (m-02)

"Globalization means courage to me. Success does not come in one day. It is based on many learned experiences, which are normally failures. Open competition is one way to perturbate a company to go up the success ladder faster." (f-08)

"It is about equal access to all markets. Anyone can go anywhere. You can go to most countries and face our competition. This will open our eyes, stretch us and make us learn to grow faster." (f-05)

"Globalization is more about yourself than about others. The more there are firms out there selling the same thing, the more you've got to differentiate yourself. This world-scale competition means that you must know yourself and brand yourself. If you want to become successful in this globalized economy, your company must brand itself. The more established companies have the image. Globalization forces companies to work on branding or just be neglected by the market." (f--13)

"Personally, I think all Malaysian companies should embrace globalization. Nobody should be left out. We must master the new globalization tools like e-commerce, strategic alliances, creating niche markets and many others. We must be as competitive as the American and European MNCs if we want to be a fully industrialized nation by 2020." (m-07)

"Globalization is also vital for a country like Malaysia. If we want to be on par with the western countries in R&D, we need to keep up with the latest technology out there. This means bringing in new investments, initiating research collaborations, and signing new technology-oriented ventures with foreign companies. Then, we can put forward a competitive image to others." (m-08)

In the theme of *organizational advancement*, the managers underscore the company-internal community relationship. Comments such as "learn how to manage more efficiently and effectively", "picking up new skills", "stretch us and make us learn to grow faster", "globalization is more about yourself", "you've got to differentiate yourself", "brand yourself", "master...tools like e-commerce, strategic alliances, creating market niches", and "need to keep up with the latest technology" highlight the importance placed on focusing on the internal components of the companies. Indeed, due to the nature of views underneath this theme which centers on the internal growth of the organization itself, naturally the embedded relationship which relates to the comments is company-internal relationship. The intriguing side to this finding is that these managers who interpret globalization as competition, have somewhat narrowed their interpretation by relating globalization only with internal matters of the company. Furthermore, a high degree of importance is also placed on companies' responsibility in learning and acquiring new skills, knowledge, techniques

and technologies. The implication is that some would blame companies' own inefficiencies and ineffectiveness if they were to fail in this competition.

Theme: External Pressures

These are samples of their comments:

"Globalization has its strengths and weaknesses. There is the good side to globalization. Malaysian companies learn to adopt sophisticated technology and compete side by side with the more established companies. But, there is also the bad side. Can Malaysian companies withstand the onslaught of aggressive marketing and management sophistication of more established companies? To many of us, it is like high-pressure cooker. " (l-28)

"What globalization really is is competition between developed and developing countries. Because now there is no more communist block, globalization is a contest that pits the people and the government of the Third World and the people and the government of the First World." (l-23)

"Just like anything else, there are pitfalls associated with globalization. When we open our markets for others to come in, it won't be a level playing field. Globalization needs to be adopted in stages. We need time to catch up with the larger foreign companies." (m-09)

"I prefer to tell you what globalization is doing to companies than what it is. Whether your company is ready or not, globalization pressures your company to be more. Your company is pressured to do more." (m-01)

"Globalization is by definition the coming together of international competitors. When all the world competitors penetrate the economy, there is going to be very, very, very intense pressure." (l-15)

"Competition is at the centre of globalization. It's coming from all angles. Globalization means the economy is getting more competitive with the many choices it offers, more competitive financially, technologically, intellectually...the market is up for grab for anyone; and in this global village, your competitive advantage can not be sustained if you are not on your toe to continuously improve it." (f-07)

"From where we stand, it [globalization] is a very much an economic exchange between countries like ours and China, India versus those established nations. The government and the whole society are in it together, not just large companies like us. This exchange is by no

means fair. This is true in most economic exchanges, the companies from the super-power nations usually nine out of ten times will get more out of the deal because of the capital, technology, and market position they have in the exchange." (l-06)

"Globalization can be seen as a way to test how good a company is. If a company wants to create a company that will outlast itself, the company needs to globalize and play with others. The real competition is outside of the country's borders." (f-09)

"Globalization is a competitive game. It is a game where all the countries in the world are competing against each other. The question for us (Malaysia) is whether we can thrive under pressure or just fall apart. So, the government is responsible to build that resilience by supporting us with the right policies and assistance and also inculcate a tough-minded spirit among Malaysia companies." (l-25)

"Globalization is part of our evolution. You can't run away from it. It stares right into your face. Whether, I like it or not, I need to deal with it. I think facing the new competition out there is challenging. You think you know what you're facing against, but you won't really know it until you have successfully beaten your competition or beaten by them. It is scary but business is all about taking risks." (l-19)

"Yes, globalization makes us face our competition head on. We either match up to our competition or die off. But, I don't think it's completely a good thing for everyone." (l-44)

"Now, MITI (Ministry of International Trade and Industry) is urging our entire local public listed companies to have some plans to globalize. Globalization is too strong to stop. But, If we allow globalization to carry on without controlling it, the competition that is being created will have no heart. Companies can be wiped out by the competition so fast that there will be recurring periods of high unemployment and recession. What our government is doing is right; we are doing it at the right pace and [with] the right understanding of the threats and opportunities of globalization. " (l-35)

Although there are similarities between the *organizational advancement theme* and the *external pressures theme* in that they both stress *company-government relationships*, what differentiates the latter from the former is the emphasis and interpretation of *company-company relationships*. Indeed, the views of competition

often refer to competition among companies. However, unlike the *organizational advancement theme*, this theme projects a much more cautious and critical stance towards the competition. Furthermore, while in the previous theme, managers' views focus on the implication of the competition on the companies, under this theme of *external pressures* their interpretations of globalization point more towards companies' external reality. More importantly, the external reality as described by the managers is associated with intense pressure resulting from company-company relationship characterized by its competitive nature. Therefore, in expressing their interpretation and views of globalization, they use the terms, "need time to catch up", "the onslaught of aggressive marketing and management sophistication", "high-pressure cooker", "pressures...to be more", "pressured to do more", "coming together of international competitors", "competitive advantage", "very, very, very intense pressure", "a competitive game", "competition... will have no heart", and "wiped out by the competition". In addition to company-company relationship, some views within this theme interpret globalization by incorporating company-government relationship. Relationship with government is considered as part and parcel of the 'us versus them' competition paradigm, whereby the Malaysian government and the Malaysian companies are seen as part of 'us', while foreign governments and foreign companies are part of 'them'. Many times, constituencies of 'us' within this notion of competition extend beyond the government and the companies to include the people, the societies and the entire nation, or even the developing world. Indeed, when the company-government relationship is pitched into the discussion with regards to company-company relationship with foreigners, the government is usually seen as a friendly and supportive party. With reference to company-government relationship, managers give comments such as "[t]he government and the whole society are in it

together”, “contest that pits the people and the government of the Third World and the people and the government of the First World”, “responsible to build that resilience by supporting us”, and “[w]hat our government is doing is right; we are doing it at the right pace and [with] the right understanding of the threats and opportunities of globalization.”

On the whole, under this paradigm, the arena of perceived competition is also vast, as shown in the comments above. We find differences in the embedded relationships within each of these themes. The managers perceive competition in not just market share, but also in capital, technology, knowledge / research and development, sales / profits, labor, networks, credibility, image and positioning. Many see globalization as inevitable competition that is heading their way; thus, needs to be managed with various strategies, approaches and tools. Indeed, within this paradigm, most managers have seemingly well thought-out plans and ideas to overcome the competition. Yet, similar to the collaboration paradigm, the competition paradigm comprises interpretations of globalization that are favorable, cautious and critical, albeit the favourable views outweigh the others. Table 5.1 outlines the three paradigms and their themes as well as excerpts from the managers comments.

Table 5.1.
Qualitative Data on Manager's views of Globalization

Paradigms/ themes	Embedded Relationships / Excerpts
Collaboration Paradigm	
<i>Opportunity-driven</i>	Company-company relationship, company-market relationship Smart partnerships, collaboration is the basis of international dealings, in a respectful position to join international cooperation, if you can't beat them, join them, we must be part of the forces that are coming together
<i>Combative-cum protective</i>	Company-company relationship, company-government relationship Get together to beat the foreign companies, closer cooperation with government and Malaysian companies, must unite to protect home ground and attack them, our strength is coming together and working together
Domination Paradigm	Company-company relationship, company-government relationship Need to match the size of big bullies, like a game of chess, re-ignite colonial aspirations, win-lose situation, ruled by people with some real interests, dictate how Malaysian companies should be managed, clash of cultures
Competition Paradigm	
<i>Organizational advancement</i>	Company-internal community relationship Get out of comfort zone, learn to manage efficiently and effectively, learn to deal with uncertainties, go up the success ladder faster, differentiate oneself, master the new globalisation tools, be on par with western companies in R&D
<i>External Pressures</i>	Company-company relationship, company-government relationship Aggressive marketing and management sophistication of more established companies, competition between the developed and developing countries, not a level playing field, intense pressure arising from penetration of international competitors into the economy, challenge to sustain competitive advantage, unfair economic exchange, match competition or wither away

5.3 Views on Ethnic Integration

To the question "What does ethnic integration mean to you?" the views expressed by the managers can be categorized into different levels, ideological and practical. We will first deliberate on the ideological level followed by the practical level. At the ideological level, the analysis of the findings reveals two major paradigms. These are the *fair share* and the *fair play* paradigms.

The Fair Share Paradigm

The fair share paradigm emphasizes that the economy should be fairly shared by the members of the society. Ethnic groups should have their fair share within the economic pie; hence, the term 'fair share'. The three main themes associated with this paradigm are (1) fair chance for the disadvantaged to advance themselves, (2) assistance from the more advantaged for the disadvantaged and (3) overcoming imbalances and inequalities.

Theme: Fair chance for the disadvantaged

These are some of the comments made by managers reflecting this theme.

"Ethnic integration means allowing all ethnic groups to participate in the economy and the result must be a Malaysian economy shared by everyone. ... This means the Malays must venture into areas controlled by others. This means the economically backward Malays should advance themselves and be brave to take risks into territories that they are not familiar." (l-45)

"To me, it means giving an equal chance for all races to go up the career ladder. It is good that the government has taken an active role in providing scholarships to the Bumiputras. This helps them to develop themselves. Now, companies must hire them and not discriminate them because they have same level of academic qualifications during recruitment. Once working with the company, the management must provide equal training and education opportunities to all, regardless of race. (l-47)

"It is about having everyone sharing the wealth of the country and having no negative perceptions of one another. I think it is about companies dispelling stereotypes of orang melayu [Malays], cina [Chinese], India [Indians]. It is no longer true that people of certain ethnic group are lazy. It is only that the less advantaged group has not had a chance to show their capabilities within the company. But when they are allowed equal access, they have shown that they can be equally good, sometimes better than the more successful communities." (m-01)

"Ethnic integration is not just an outcome but a ongoing process of pulling in and integrating all races into the society. No doubt, there is a lot to be done. The ethnic groups who are left behind have a lot of catching up to do. They must prove that they are capable of

occupying the management position. They should also aggressively find ways to penetrate all sectors. (m-05)

"Let's be frank; it means getting the Bumiputras who still control, what, twenty to twenty-five percent [of the economy] to have their share in the economic pie too. So ethnic integration is to get them, us [Bumiputras], to educate, develop, push ourselves to be smarter and not to shy to ask for their share of the pie. But it's not about fighting one another but to be fair to all races. Everyone should have his fair share of the pie." (l-31)

Theme: Assistance from the more advantaged

The following are sample comments for the *theme: assistance from the more advantaged*.

"Ethnic integration is power-sharing. Powers sharing usually means those with more power share their power with the rests. It means the strong in a particular area should help the weak in that area, should share with the weaker race. Chinese are stronger economically, so they should help and share with the rest. By partnering with the Malays, they can share their knowledge and skills in business. Malays are stronger politically, so we should help and share with the rest. By partnering with the Chinese, they can help the Chinese connect with the government. I know I'm over-simplifying it because that doesn't happen all the time; and I myself always voice my dissatisfaction about many things related it; but as long as we are working towards it, there is hope." (m-07)

"Ethnic integration is actually more radical than people think. It is justice for all races; so it [ethnic integration] can only be done through the restructuring of the society as stated in the NEP. It boils down to the opening and re-opening of business opportunities to create fair distribution of wealth. It touches on the sensitive issue where the dominant ethnic group which controls the economy gives the weaker group some space in the economy. This is the only way for each race to get their share." (m-08)

"Ethnic integration is another word for ethnic diversity, to have ethnic diversity in the producing and sharing of the country's wealth. The Malay companies should open up their doors to the Indians and Chinese; the Indian companies open up their door to Malays and Chinese, the Chinese companies open up their doors to Indians and Malays. It is that simple. It is that hard." (l-16)

"Forgive me for sounding a bit philosophical. Ethnic integration is a goal and also a culture. It happens when the people and the companies do their bit in helping all the ethnic groups to raise their standard of living. Taking a conscious decision to balance the make-up

of employees to include the all races. There is enough for everyone. This culture of helping each other must come be at the bottom and the top management." (f-10)

Underneath the themes of *fair chance for the disadvantaged* and *assistance from the more advantaged*, the fair share paradigm has specific implications on company-internal community relationship as well as company-market relationship. Issues of fairness are framed within the context of companies. Managers raise the issues of the chances for advancement of the disadvantaged group within the organizations. Companies' internal structures should promote more participation from the economically disadvantaged group; hence, the significance of company-internal community relationship. At the same time, these fair share views of ethnic integration also stress on more opportunities for the less advantaged companies (especially Bumiputra companies) to have more equitable market share. The implication is that the more advantaged companies (often non-Bumiputra companies) are to assist Bumiputra companies to enter industries where the latter is marginalised. Therefore, the company-market relationship, in terms of companies' sharing equitable portion of the market, can be seen as a measure of fairness.

Theme: Ethnic Equality and Overcoming Imbalances

The theme *ethnic equality and overcoming imbalances* draws attention to the need to create ethnic equality by bridging the economic gap among the various ethnic groups. The following are the relevant managers' comments:

"I think that ethnic integration means a collective action to bridge the gap between the rich and the poor. The gap is still there. The rich know how to get richer, while the poor are still uneducated. We need to continue with NEP-type programs if we want to improve the overall standard of living in this country. Chinese companies should respond positively government's attempts at bridging the gap. Forming joint-ventures with Bumiputra companies should be done voluntarily"(l-46)

"Genuine ethnic integration happens when there is cultural change. Restructuring the society by having equitable economic participation in the economy is only half the battle. We must convince companies that ethnic integration is good for them in the long term. In their minds, they should believe that ethnic integration is the right thing to practice. When the company ownership includes other ethnic groups, chances are that the company can expand into new markets which were once the domain of other ethnic groups." (l-54)

"We had our May 13th racial riot. Once is more than enough. We can see the trend the country is moving into. We are moving straight from the agricultural age towards the information age at high speed. If we are not careful, many of the less privileged folks will be left behind while the more privileged will continue to progress. Government needs to be hands-on and take serious effort to reduce the imbalances that still exist. So, the weak companies should take on the opportunities which the government has provided. These opportunities like tenders, vendor development programmes and even the specific training to upgrade knowledge must be taken seriously." (m-06)

"It is all about creating a more harmonious environment for everyone. I think we have done a great job at maintaining peace within the country. I believe we can do more since there are a lot of destructive forces out there that can destabilise our country, politically and economically and in terms of security. When we can wholeheartedly admit to ourselves that the imbalances among the ethnic groups are insignificant, then we can relax with ethnic integration a bit. As of now, we still see a particular ethnic group dominates markets in certain industries. The network chain among the suppliers are too strong. Only with the government's intervention can that situation change." (l-42)

While the previous two themes focus on the ways for the more successful groups to assist the disadvantaged groups as well as the necessity for to disadvantaged groups to proactively advance themselves, under this theme of *ethnic equality*, government's role is, indeed, seen as crucial in overcoming these imbalances and inequalities. Therefore, although other embedded relationships are woven into their explanations of ethnic integration, the company-government relationship is emphasized in the managers' responses.

Bringing the discussion on the *fair share* paradigm together, what we have seen in many of these comments is that within the company internal framework, this paradigm translates into fair and proportionate economic representation at the various levels of the organization. As reflected by the managers' responses, ethnic integration within the fair share paradigm is basically seen as necessary to achieve this ethnic-economic balance.

In addition, managers whose views fall into this paradigm interpret ethnic integration as a fair chance for the disadvantaged ethnic groups to advance themselves, or for the more advantaged groups to help the others, or as a means for society to overcome its imbalances, injustice, economic disparities and inequalities. Aside from that, as we will see in the following paragraphs, each of the paradigms on ethnic integration has mainly different sets of embedded relationships.

Fair Play Paradigm

The fair play paradigm places importance on having the same set of rules for all. Views expressed within this paradigm rest on the perspective that whether one succeeds or not depends on how well he or she plays the economic game, and that is being fair. Therefore, the rules of the game ought to be equal and not favouring particular persons or groups over the rests; hence, the 'fair play' paradigm. The two main themes underneath this paradigm include *meritocracy* and *Darwinian perspective*.

Theme: Meritocracy

The *meritocracy* theme draws in more views involving company-internal community relationship than those related to other embedded relationships.

The following are examples of the managers' comments:

"It would mean merit-based promotion could be sabotaged. In some high-technology industries that apply high precision technology, if you want to conform to ethnic quotas, you may not be able to find the most appropriate persons to fill in the positions. Let's face it. The less privileged ethnic group may not have the skills. Should they still be promoted so that we have a balanced make-up in organisational structure at every level?" (f-11)

"It means that skill-based recruitment takes a second fiddle. It should not be secondary to ethnic integration"(l-27)

"Malaysia needs a more competitive workforce, especially more than ever now. We are entering the K-economy. Merits play a more important role now. It is timely that we nurture a conducive work environment that promotes a desire amongst employees to continuously improve themselves. Ethnic integration policies and ethnic quotas do the opposite. We condition people to take it easy because they know that somewhere in some companies or even business contracts, a quota has been set aside for them." (l-52)

Managers' interpretations of ethnic integration emphasizes on the ways in which ethnic integration, such as ethnic quotas, can compromise companies' own performance and organizational needs. Since this theme also highlights the importance of recruiting and promoting the individuals who have desired skills and performance, the views expressed have the tendency to center on the internal issues of the companies, although some use the meritocracy argument to expound on the company-company relationship and company-market relationship.

Darwinian perspective

While the *meritocracy* theme prioritizes fairness for the company's internal needs over the individuals, the *Darwinian theme* argues that ethnic integration as currently practiced will harm instead of help the disadvantaged groups.

These are samples from the managers' comments vis-à-vis the Darwinian perspective:

"Ethnic integration does not necessarily help the less advantaged group to improve themselves. Companies may recruit and promote employees based on ethnic quota, regardless of merit. If they don't use this opportunity to advance their own selves, it will be harder for them when they try to compete for better jobs at higher level position or start their own business. They never master the fundamentals of business early in their career. At the end of the day, only the smart ones will survive in an economy where hard work and good experiences count most." (1-20)

"Ethnic integration interferes with how a company should grow. Real successful companies grow out of their own efforts and not because of the color of the owners' skin. Companies that are selected and given special privileges won't be strong; you've got to trust me. If our economy is filled with this type of companies, and the hard-working companies are being sidelined, with globalization coming, Malaysia will be in [a] big crisis when we face the real competition from foreign companies." (1-22)

"I am not against ethnic integration only that how it's been done is not producing the right results. You've got to be cruel in order to be kind. If companies can not survive then they must learn to be discipline or get out of the market. Ethnic integration policy like ethnic quotas rewards the companies for being weak and staying weak. We should let only the strong companies survive and then get them to become ethnically integrated." (1-39)

"It goes against the natural forces at work. If you want to succeed in business for a long time, you've got to earn it. You will only reap what you sow. That is the generalised principle of success. The idea of favouring those who are not capable is not right. If a Chinese, or an Indian or a Bumi company achieves success through ethnic quota, it will not be based on their hard work. This is the reason we see many of these companies go into bankruptcy. They did not learn how to build themselves through hard learning experiences. They don't understand their markets or know how to build good strategic relationships with other companies." (1-48)

According to the managers' comments, the current practices of ethnic integration are said to stifle excellence and reward complacency; thus, are contrary to the principle of survival of the fittest, as social Darwinians would argue. Since this *Darwinian perspective* is applicable at individual and company levels, the views of the fair play paradigm underneath this theme relate to company-internal community and company-market relationships. The implication on company-market relationship

is that denying market access and opportunities to successful companies and favoring companies of the disadvantaged groups is not only unfair but also detrimental to the companies involved as well as the economy as a whole.

The two paradigms, *fair share* and *fair play*, discussed above, are oriented toward the ideological level of ethnic integration. We will now turn our analysis to the practical level. At the practical level, the comments can also be placed into two main paradigms, namely *complementarity* paradigm and *competition-cum-conflict* paradigm. Views within these paradigms explain more about the practical or the operational side of ethnic integration as perceived by the managers. We begin with *competition-cum-conflict* paradigm

Competition-cum-conflict paradigm

This paradigm describes managers' responses whereby ethnic integration or ethnic quota is seen as competing with the company operations, resources, interests, goals or/and ideals. The themes that fall under this paradigm are (1) *resource and operational constraints* as well as (2) *organizational goals and nature of business*.

Theme: Resource and operational constraint

The *resource and operational constraints theme*, as it suggests, consists of views which raise issues such as rejecting more able candidates during recruitment, lacking resources to invest in employee training, and disrupting the company's operations if there is to be change in management.

"We need to be competitive. So, it is fair that we are allowed to recruit only the best. We can't afford to invest our resources on re-training and re-educating all the time just because we employ people to meet the racial quota at the expense of getting the best people."

It's difficult for our technical staff to train people who don't speak the same language. Too much time. This is waste of company resources." (1-21)

"Well, I think that speed is important in business. Our ability to respond to customers in the shortest possible time will determine the long-term relationship. Now, if ethnic integration slows down our response time, it is not good. I have had experiences with employees who can't handle customers' needs due to miscommunication. Now, at this moment, I am happy with my employees' performance. I think we already have the right [ethnic] mix. I don't want to risk losing my customers. If I integrate all the races into the company, this might mean that I need to train the new recruits. I don't have time for this." (1-56)

"It means that there will be hiccups within the organisation. It [ethnic integration] would affect the management and distract the smooth flow of business since management of the company will need to go through some restructuring." (1-30)

Theme: Organizational goals and nature of business

As for the theme *organizational goals and nature of business*, managers point to the importance of business decisions and organizational goals over other secondary matters. Furthermore, managers also emphasise the significance of maintaining and upholding their organizational culture and history as well as the nature of family business.

"Ethnic integration sometimes makes things hard for us. One thing about business, it's not a political organization. We manage to produce the best results...that means getting the best people during for the company and those who don't perform should not be kept. So, actually we should be color-blind and not think about the racial factor when we hire and fire." (1-17)

"Every decision in a business is a business decision. Ethnic integration to some extent benefits the company; but that's not always the case. We can't really say that it is good thing for all companies at all times. Ethnic integration or gender integration or whatever integration can and will go in conflict with the goals and ideals of the business, if that happens, is it fair to force companies to still implement it?" (1-10)

"Some [companies] are family business. The style of management is different. You can't expect these companies to practise affirmative action at the higher management. This

will be troublesome for them. It's crazy. They need to keep the business within the family. This is their tradition." (l-11)

"It [ethnic integration] can only be practised 100% in companies which practise good professional management, open-mindedness and are financially established." (f-11)

"Ethnic integration should not be forced onto companies. It can destabilise the organisational culture...you must consider that. You should be open-minded enough to understand the history of the company first before you ask it to do something. Everything has its time and place. Of course you encourage them; but let the companies decide when the right timing is. " (l-12)

"Ethnic integration should not mess up with the culture of the company. If ethnic integration helps the organization to run better, then the company should adopt it. If it does not, let the company manage its own affairs to get what it wants. It is fair to say that the success of company is more important." (l-25)

In many cases cited by the managers under this paradigm, ethnic quota may be perceived as being in conflict with the businesses. Nevertheless for both of these themes, company-internal community relationship has been the main emphasis. With regards to company-internal community relationship, ethnic integration is seen as too demanding on the company's resources and operations, if not impractical or even conflicting to the structures and cultures of existing within the company. Even if these problems do not always occur, when they do, ethnic integration is seen as a hindrance to the company's operations or goals which take precedence over efforts of ethnic integration, if at all.

Complementarity Paradigm

This paradigm views ethnic integration as having a practical side. It is seen to complement and benefit company's strengths, plans and objectives; and thus, allowing them to develop further, either directly or indirectly. We categorise the

responses of this paradigm into three themes: (1) internal organizational development and enrichment, (2) strengthening external relationships, and (3) social-political benefits.

Internal organizational development and enrichment

The theme of *internal organizational development and enrichment* connects directly with company-internal community relationship because the managers perceive ethnic integration as having direct implications upon the company internal growth. The following are managers' comments relating to this theme:

"It [ethnic integration] is the integration of capabilities. It develops the capabilities of the workforce. It's really great. You know...it offers opportunities for better synergy of skills from many ethnic groups. "(f-14)

"Different race has different strengths. Different race has different expertise. Only an ethnically integrated company can tap into these strengths and expertise. Ethnic integration enriches our company." (m-02)

"Not many global players are truly global in a sense that their staff consist of many ethnic groups. Yes, there are, but many of them have small percentage of this group or that group and they say they have cultural diversity. But Malaysian companies can truly have cultural diversity; we have been promoting it for over thirty-years. We have seen true exchanges of ideas and views among our staff; why? because there is ethnic integration in our company. And wonderful things have come out from these people." (l-16)

"You know that there is ethnic integration when you see the people in your company flourishing. Ethnic integration occurs when they choose to work, play and laugh and cry together. When you can see your Chinese, Malay, Indian and Sikh workers choose to sit down together and eat together and laugh together, they actually grow together, you know that ethnic integration works. And it definitely brings out the best in the company." (l-40)

External Relationships

Managers who view ethnic integration via the *external relationship* theme of this complementarity paradigm point to the complementary benefits ethnic integration

has on company's external social surroundings; hence the company-company, company-government and company-market relationships become relevant. Among the managers' comments are:

"It brings to mind the ultimate benefit of ethnic integration. It makes it easier to build trust with suppliers and customers. Companies can take advantage of ethnic integration of employees to build better ties with suppliers and customers. Let's face it. People of the same cultural background can relate better with each other. Malay employees can relate better to Malay customers because of language, culture, and background. Same goes to the non-Bumiputras." (l-29)

"I think companies must look at ethnic integration from a practical point of view. The political set up of the country should be considered when you go into business. In many cases, an ethnically integrated company helps them win tenders or contracts from the government. They are favoured by the government through the NEP benefits." (l-32)

"Running a business is not only about making profits. It is also about leadership or championing a cause. Ethnic integration is good for the image of the company. It shows company's sensitivity to national goals. That doesn't just attract more opportunities with new clients, but we could also be a model for other new and coming companies to see that an ethnically diverse company can really make it." (m-04)

"Ethnic integration has become a good management practice. In Malaysia where the customers and the markets are multiracial it is sensible for companies to be multiracial. Companies that are outward-looking can see that this is the business reality and suppose they want to do business they have to deal with the business reality. It is not practical not to have ethnic integration in Malaysia." (f-06)

Social-political benefits

The theme *social-political benefit* refers more to the ways in which ethnic integration serves the greater good and the betterment of the society. These are some selected comments:

"I think it is about supporting our government and our society. We don't need another racial riot in the country. In order for business to thrive, we need a stable economy. In fact, you gain more when you support ethnic integration." (l-13)

"You've got to be ethical about this. It is ethical to be ethnically integrated. In our heart we all know this. The only thing that is stopping us is our prejudice; but you see, in the long run, it is good for the society and for the economy. It is something you do for the solidarity with other Malaysians." (l-08)

"Ethnic integration means to be Malaysian. When we think of Malaysian people as Malaysians, instead of Chinese, Indians, Malays or Ibans, then ethnic integration is natural thing. There won't be discrimination in the company. Malay companies will network with Chinese companies. That's the first thing. The second thing is that it is plainly good for our country. It creates harmony. It creates a sense of Malaysian community that we are Malaysians living in a Malaysian society working in Malaysian companies. It's simply good." (m-36)

" Ethnic integration is when we have no artificial barriers between us. As long as we are not ethnically integrated, we have not made it as a society. We still think along racial lines. We still have racial intolerance. We vote based on racial sentiments. We can't get along together at the workplace and work as a team. I don't want to see our people and our companies functioning in this situation." (f-03)

From the managers' comments, we find that managers weave in the embedded relationships into their paradigms in such a way that the relationships are frequently seen as a premise to support their perspectives. Under the theme *external* relations, ethnic diversity within the company is perceived as assisting company's relations with external parties including customers, other companies (suppliers and partners) as well as government agencies and figures. For the theme of *internal organizational development and enrichment*, the effect of ethnic integration relates directly to company internal growth. Among others, examples of the key phrases underneath this theme are "synergy of skills", "different race has different strength...[and] expertise", "cultural diversity", and "exchanges of ideas". In the theme *social-political benefit*, ethnic integration is seen to help; avoiding "another racial riot", creating a "stable economy", "harmony", and "solidarity". Therefore, the managers' comments have touched on the embedded relationships; yet in most cases, they contextualize

their views into the embedded relationships by explaining how ethnic integration relate to these relationships. However, different paradigms and themes emphasize different sets of relationships.

The two opposing paradigms we have explored hitherto relate to what managers' perceived as the practical or the operational side of ethnic integration. However, there are also other views, which do not fit into these two paradigms, which leads to the following discussion.

Irrelevance or Obsolescence of Ethnic Quotas/ Ethnic Integration

This set of managers' comments cannot be classified into any of the paradigms stated above. This is because these views regard ethnic quotas and ethnic integration as being irrelevant or even obsolete. These are the samples of the managers' comments:

"I feel that it is obsolete because the economically backward groups have attained high level of achievement since the NEP days. These companies are already benefiting from government's assistance"(1-26)

"Nowadays, young people of different races have the same educational opportunities. They come out graduating with similar standards of achievements with their degrees. So, we don't have to worry about ethnic integration anymore. When the good ones are recruited, chances are, we can see a mix group of all races in the organisation. So, we should just focus on the business rather than ethnic integration." (1-06)

"The issue of ethnic integration has moved beyond ethnic quota requirements. When companies of different ethnic groups get together through smart partnerships, that's ethnic integration too. It should not just be seen from employment within the company. The point is to have Malaysians of various racial groups working together and that's definitely happening now where all these companies [are] working together." (1-55)

Part of the argument for this irrelevance, as commented by the managers, is based on the belief that the various ethnic groups have made significant gains in terms of education and employment through the NEP, or that there is already collaboration at the company-company relationship among these ethnic groups. This leads to the conclusion that there should not be any further compulsion to implement ethnic integration policies such as ethnic quotas. The country has done enough. Indeed, essentially what these managers are arguing is that the ethnic integration agenda should no longer be an agenda for companies, and by implication, should be dropped from government's policy framework.

The following Table 5.2 places all the four paradigms of ethnic integration along side their themes and selected comments.

Table 5.2.
Qualitative Data on Manager's views of Ethnic Integration

Paradigms/ themes	Embedded Relationships / Excerpts
<i>Fair-share Paradigm</i>	
<i>Fair chance for the disadvantaged</i>	Company-internal community relationship, company-market relationship Malays must venture into areas controlled by others, giving an equal chance for all races to go up the career ladder, companies need to dispel stereotypes of Malays, Chinese, Indians, prove that they are capable of occupying management positions, everyone should have his fair share in the economic pie.
<i>Assistance from the more advantaged</i>	Power-sharing, dominant ethnic group which controls the economy gives the weaker group some space in the economy, conscious decision of companies to balance the make-up of employees to include all the races.
<i>Overcoming imbalances and inequalities</i>	Company-government relationship Continue NEP-type programs to bridge the gap between the rich and the poor, weak companies should take on the opportunities which government has provided, government intervention needed because particular ethnic group dominates markets in certain industries.
<i>Fair-play Paradigm</i>	
<i>Meritocracy</i>	Company-internal community relationship Skill-based recruitment should not be secondary to ethnic integration, K-economy requires work environment that encourages merit-based employment, merit-based promotion should not be sabotaged in high-technology based companies which needs qualified managers
<i>Darwinian views</i>	Company-internal community relationship, company-market relationship Real successful companies grow out of their own efforts and not because of the color of the owners' skin, should let only the strong companies survive and then get them to become ethnically integrated, it goes against the natural forces at work.
<i>Competition-cum-conflict paradigm</i>	
<i>Resource-operational constraint</i>	Company-internal community relationship Scarce financial resources for training and education, speed is important in business and there is no time to re-train new employees, management restructuring will distract the smooth flow of business.
<i>Organisational goals and nature of business</i>	Only those who perform should be kept, can't expect family business to practise affirmative action at the higher level of management, only companies which practise good professional management, are open-minded and financially-established can practise it 100%, may interfere with internal culture.
<i>Complementarity paradigm</i>	
<i>Internal organizational development and enrichment</i>	Company-internal community relationship Better synergy of skills from diverse ethnic groups, true exchanges of ideas and views, all employees of different ethnic groups bring out the best in the company when they grow together

Table 5.2. (Continue)
Qualitative Data on Manager's views of Ethnic Integration

Paradigms/ themes	Embedded Relationships / Excerpts
Complementarity paradigm (cont.)	Company-company relationship, company-government relationship, company-market relationship build trust with suppliers and customers, win tenders or contracts from government, sensitivity to national goals, good management practice (no directly relevant relationship) don't need another racial riot, about being ethical, creates a sense of a Malaysian community, breaking artificial barriers
<i>External relationships</i>	
<i>Social-political benefits</i>	
Others: Obsolescence of ethnic quota / ethnic integration	economically backward groups have attained high level of achievement since the NEP days, different races have the same educational opportunities, ethnic integration is happening outside of the employment through smart partnerships between companies

5.4. Conclusion and Further Reflections

The main objective of this chapter is to present and examine the views and opinions of managers concerning globalization and ethnic integration. In analyzing their views, we have gathered both quantitative as well as qualitative data with regards to some central issues of globalization and ethnic integration within companies. Furthermore, in the qualitative section, we have also discovered several patterns of thinking and views which we have classified into major groups of paradigms vis-à-vis globalization and ethnic integration.

In order to recapture the main highlights of the analyses of quantitative and qualitative data we will briefly summarize the findings. A point should again be made here that the quantitative findings reveal the “what” in that the findings clarify the states of globalisation and ethnic integration as well as whether there is a connection between them, while the “why's” are to be found in the qualitative findings.

We begin with the quantitative section, which yields several important findings. We have found a rather consistent base of advocates among managers for the globalization agenda as expressed by the significant percentages of their support for government's promoting a more globalized Malaysian economy (60.76%) as well as for the statement that companies should globalize in order to succeed (73.42%). This mirrors the prior findings in chapter six of this thesis that there is a solid base of companies with high scores for globalizing tendencies measured by the company practices.

Similar level of support was found with respect to their views on ethnic integration. 60.76% of the managers interviewed support having ethnic quotas within companies. This finding about the managers' views, however, does not correspond to the findings of company practices; whereby most of the companies have low scores for the various measures of ethnic integration. Therefore at the quantitative level, there is a gap between the managers' views on ethnic integration in relation to ethnic quotas and the actual company practices (i.e. ownership structure, ethnic composition of the employees and patterns of promotion).

Another facet of the quantitative findings is the comparison among managers of FTNCs, MTNCs and LCs. The analyses show that FTNC managers have the highest scores for supporting globalization, followed by MTNC managers and LC managers. On the other hand, MTNC managers have the highest scores for supporting ethnic quotas, followed by FTNCs and LCs. The LC managers have the lowest scores for both globalization and ethnic integration variables. Furthermore, the LC managers also have the highest score (33.93%) against ethnic quotas, among the three groups of companies. It should be noted that the scores of FTNC and MTNC managers are not far from each other, for all the three questions. The possible

explanations behind the differences in the support for globalisation and ethnic integration can be found in the discussion on the qualitative findings which will follow. The discussion will present the various paradigms underlying the views of globalisation and ethnic integration.

The cross tabulations between the two sets of quantitative data reveal some connection between the managers' views of globalization and ethnic integration. Managers who support government promoting a more globalized Malaysian economy are more likely to support ethnic quotas within companies compared to those who do not support government doing so. This cuts across FTNC, MTNC and LC managers. However, there is an exception in the next set of findings. Although, there are more FTNC and MTNC managers who support ethnic quotas among those who agree that companies should globalize in order to succeed, LC managers do not display such tendencies.

We have discovered that there are slightly more LC managers who do not support ethnic quotas among those who agree that companies should globalize in order to succeed (48.65%) than otherwise (43.24%). Nevertheless, aside from this exception, the rest of the quantitative findings demonstrate a clear connection between managers' views of globalization and ethnic integration.

Turning to the qualitative data, a number of general observations or conclusions can be deduced from the findings. First and foremost, the analyses of the qualitative data expose the multiple paradigms the managers have about globalization as well as ethnic integration. Underneath each paradigm, there are several related themes associated with it; thus, these paradigms and themes provide us with a

framework to understand managers' perceptions and views of globalization and ethnic integration.

The question posed to the managers on globalization led to three different perspectives: political globalisation, cultural globalisation and economic globalisation. Further analysis of the economic globalization perspective yields three dominant paradigms: (1) economic collaboration, (2) economic competition and (3) economic domination. The paradigms were then further divided into themes, as summarised in Table 5.1.

As for the ethnic integration question, the overall analyses of the comments reveal two levels of thinking or interpretations: ideological and practical levels. At the ideological level, the two paradigms are the (1) fair share and the (2) fair play paradigms. As shown in Table 5.2, within these two paradigms, the views are further classified under several themes. At the practical level, the two main paradigms are (1) complementarity and (2) competition-cum-conflict; each has its own themes. A particular perspective stood outside these major paradigms: the obsolescence of ethnic quotas / integration.

Another point of conclusion is the significance of the embedded relationships. Granovetter's embeddedness argument is applicable not only to company practices as evident in Chapter Four, but also to managers' views which are apparent in that the embedded relationships are enveloped into in managers' interpretations of globalization and ethnic integration. All the four embedded relationships: company-company, company-government, company-internal community and company-market relationships exist in the various related paradigms and themes. Indeed, examining

the data through the lenses of embedded relationship unfolds certain patterns of thinking in the managers' views and interpretations of globalization and ethnic integration. As displayed in Tables 5.1 and 5.2, each paradigm and each theme is associated with certain predominant sets of embedded relationships. The relationships indicate which parties the managers perceive as major players with regards to the respective paradigms and themes; hence, providing further clues as to what factors and how these factors influence their views and perceptions. This brings us to the next point of observation.

Exploring further into the patterns of embedded relationships in these paradigms and themes, we can observe that the paradigms of globalization have a common embedded relationship present throughout all the themes; this is also true for the paradigms of ethnic integration.

The most common embedded relationship threading through all the paradigms of globalization is company-company relationship. In other words, company-company relationship has an integral role in the managers' interpretations and views of globalization, suggesting that the importance placed on it vis-à-vis globalization may outweigh the rests of the relationships. In a way, managers are suggesting that the points of interaction between companies with the 'outside world' under globalization are, indeed, other companies, more so than governments or markets. Of course this does mean that the managers neglect the relevance of company-government, company-market and company-internal community relationships. As indicated in the Table 5.1, their views incorporate these embedded relationships under the various paradigms and themes.

Nevertheless, the fact that the company-company relationship is in all the paradigms of globalization affirms that perceptions and interpretations of

globalization are also perceptions and interpretations of how companies are relating with outside companies or vice versa. To postulate further, both favorable and less favorable views of globalization stem from or involve this company-company relationship. Put differently, the three paradigms of globalization: collaboration, domination and competition paradigms define foreign companies as the definite leading players of globalization, while others (government, customers or company employees) may not be performing the lead role all the time. With the perception of company-company relationship as core or common concern to the globalization phenomenon, the strategies to manage this relationship are also incorporated into their views of globalization. Therefore as revealed by the managers' responses, the others, company-government, company-market and company-internal community relationships, are often cast into supporting roles to the company's own position in relation to the foreign companies, albeit there are exceptions. We find substantial evidence of this in all the three paradigms of globalization.

As for ethnic integration, company-internal community appears to be the one common denominator in all the paradigms. Managers, more often than not, relate ethnic integration to its implications on the company internal structures and cultures. The findings show that the intra-company arena is where ethnic integration is most often defined. As presented in the examples of managers' comments, those in favor of ethnic integration describe the ways in which it facilitates the growth of the individuals and the company. Likewise, those not in favour argue from the standpoints of defending the individuals as well as the company, both of which fall under the company-internal community relationship.

To be sure other relationships are also drawn into the interpretations of ethnic integration; but not to the extent to which the company-internal community is

emphasised. This implies that in order to address the problems of resistance against ethnic integration, whether at the ideological or the practical levels, issues and factors concerning the internal dynamics of the company should be taken into consideration. Indeed, it is quite safe to suggest that as long as the power structures, for instance the ownership, within individual companies are not ethnically integrated, then there will probably be difficulties to promote or accept ethnically balanced employees' composition as well as patterns of promotion. However, there are still indications from the managers' comments that the pressures originating from company-company, company-market and company-government relationships may sway the company internal structures to accept higher levels of ethnic integration within their companies.

It is also through the embedded relationship framework that we can observe the implications of these findings on the ethnic economy, ethnic resource and Mansor's thinning of ethnic preference theses. On the one hand, it is seen that the relevance of ethnicity is questioned in several situations; on the other hand, it is also clear that some managers indicate that ethnicity is relevant in some specific areas. Managers who operate from *fair play paradigm* and *competition-cum-conflict paradigm* often gave critical explanations within company-internal community and company-market relationships in order to question efforts on affirmative action or challenge the goal of ethnic integration itself. Yet, these explanations are not necessarily groundless. The basis of their argument as we have discussed comprises meritocracy, recruiting and promoting individuals with better records and performance, nurturing the fittest and the most resilient organizations, resource constraints for re-hiring and re-training, and interference with internal culture. Based on these ideological and practical justifications, these managers submit the general idea that carrying out affirmative actions and having ethnic quotas would jeopardize

their management effectiveness and organisational goals. Assuming there is a degree of truth for these reasons, the views expressed by the managers support Mansor's thesis that there is thinning of ethnic preference among businesspersons; instead, individuals in business operate in a rational manner to maximize their interests; hence, ethnicity becomes secondary or less relevant. Indeed, one type of explanation given is that the ethnic or ethnic integration issue is obsolete or irrelevant in present day context due to equal opportunities or additional educational privileges given to the disadvantaged groups under the New Economic Policy, and the fact that ethnic integration can be achieved through co-operation between companies of different ethnic groups.

However, there are two vital points to be made in response to the above discussion. First, we have also found findings challenging the thinning of ethnic preference thesis. Under the *complementarity paradigm*, managers point to the ways in which greater ethnic diversity develops and enriches its internal organisation through the possibilities of synergy of skills, inter-cultural interaction and exchanges of expertise and ideas. In addition to the significance of ethnicity in the context of company-internal community relationship, there are also other important areas external to the organisation (involving company-company relationship, company-government relationship, company-market relationship) to which ethnicity or ethnic integration contributes. These areas include ease of communication with outside parties, trust built with suppliers and customers of various ethnic groups, better prospects for obtaining tenders and contracts from the government as well as portrayal of good-will and projection of good corporate image. These findings controvert the thinning of ethnic preference thesis, and in turn, affirm Light and Karageorgis's ethnic

resource thesis, whereby ethnic resources (such as trust and language), which are distinct from class resources, are employed to advance the interests of co-ethnics.

Second, while many explanations under the *fair play* and *competition-cum-conflict paradigms* explicitly question the propriety of having ethnicity as a basis for decision-making in a business organisation, in actuality, ethnicity is often relevant as implicitly indicated in their comments on ethnic integration. The same managers, who imply or claim that they favor or practice color-blind management, were also raising issues, which in effect reflect their ethnic preference. On the issue of lack of resources for re-hiring and re-training, there were comments on too much time will be taken up for their technical staff to train people who do not speak the same language; thus, suggesting that the preference is to hire candidates of the same ethnic group. This is an indication of ethnic preference. On interference with internal culture, it was suggested that ethnic integration may disrupt or distablise the companies organisational culture. By inference, this may mean that not having ethnic diversity, or, having disproportionate percentage of employees of a particular ethnic group helps companies to maintain their existing culture, which may be due to the common language as well as the common cultural values and practices shared by co-ethnics. This is again a form of ethnic preference in their management thinking. To be fair, these standpoints probably stem from the managers' intention to serve and protect the interests of the organisation from cultural and financial perspectives. Nevertheless, we are not arguing against the intentions of the managers. Rather, we are drawing out the ethnic preference in their viewpoints, which may appear to be rational or color-blind, yet have embedded in them ethnic elements. In other words, the idea of capitalising on ethnic resources (such as language, cultural values and trust) is indeed ingrained in certain aspects of these paradigms, which are critical of ethnic

integration. Therefore, even in these cases, Light and Karageorgis's ethnic resource thesis is much more applicable than Mansor's thinning of ethnic preference thesis.

In chapter six, we will conclude by highlighting seven essential points of the thesis, tying them to the research objectives set at the very beginning. In addition, several important issues will be raised in order to connect to their larger theoretical and empirical implications. Last but not least, the chapter will submit ideas for further research on globalization and ethnic integration.

¹ The perspective of political globalization revolves around comments such as, *"decisions are no longer made within Malaysia but among governments who decided to work collectively"*, *"the leaders are coming together at higher level to regulate the countries"*, *"there are more exchanges of views between the governments to have develop their economies"*, *"US is the one who's going to control all these international organizations"*, *"it is the same story all over again only this time they are more united and there is no more socialist block"*, *"a lot of things cannot be resolved in Malaysia alone so new governing bodies outside the country needs to be formed and implement the solutions"* *"We are strong because we have strong leadership in ASEAN, Commonwealth countries, G77 also the South-South co-operation"*, *"it is a new way of doing things, Malaysia has a choice to be proactive or reactive; so far our government has been wise to be proactive but protective at the same time – we go global but watch our (back)"*, and *"globalization works both ways, we Asians also have the opportunity to assert our stance through our networks and allies"*.

² As for cultural globalization, the views involve comments such as *"it is like the internet, anyone can do anything and all the values and customs and norms of others are coming straight to our face,"* *"it is wonderful phenomena because the world is like a village"*, *"I see people eating different ethnic dishes and appreciate these different cultures"*, *"it's like we are becoming like neighbors and we can understand each other better, of course there will be quarrels but there will also be get-togethers and that's how we grow as humans"*, *"most important development is the rise of what I called 'global thinking' - a more ideal way of looking at things that see that we are all one race and we are all connected – so the cultural barriers are really unnecessary"*, *"the media is in the hands of the West, our children, our economy, our politics are constantly being influenced by their thinking"*, *"globalization is pushing us to think in only one way and that's the western way"*, *"Hollywood, CNN, Reuters, BBC are all western media and they are spreading their cultures and values to us in developing countries, we must fight back"*, *"globalization actually means colonization at all levels"*.

³ Literature on political globalization or on political aspects of globalization is abundant. These are only some recommendations: Promoting Polyarchy: Globalization, U.S. Intervention, and Hegemony by Robinson (1996) is a critical work on the low intensity democracy among the Third World countries promoted by global financial elite and U.S. imperialism in order to expand and perpetuate their the (latter) hegemonic powers. He asserts that there is an "emergence of transnationalized capital, concentrated in international finance, as the hegemonic fraction of capital at a world level" (p. 33).

Democracy in this context essentially means the choice to elect between competing elites. Another relatively recent important book on the subject is Chase-Dunn and Hall's (1997) Rise and Demise: Comparing World-Systems. The book is a comparative study of stateless societies, state-based regional empires, and the modern global capitalist political economy. It analyses the dynamics of the reproduction and transformation of social, economic, and political structures. The authors raise issues on underdevelopment by questioning whether all world-systems contains unequal (core/periphery) hierarchies whereby, the development of one area leads to the underdevelopment of another. They also examine the ways in which commodity production and the supremacy of capitalist accumulation influence the rise and fall of political centers. In Capitalism in the Age of Globalization: The Management of Contemporary Society, Samir Amin (1997) outlines the future of global polarisation and provides an analysis of the crisis of contemporary society as well as the ways in which capitalist economic management handles this crisis. Amin also examines an alternative vision of polycentric regionalism. In addition, he offers an interesting discussion of ethnic ideologies of the third world and argues that ethnicity has risen to become a political force to respond to economic globalization.

⁴ Like political globalization, there is also a substantial literature on the subject of cultural globalization or the globalization of culture. Featherstone's (1990) edited book, Global Culture, Nationalism, Globalization and Modernity, provides a good account on cultural processes and analyses of local and global cultures. The collection of articles in this book examines how these cultural processes sustain the flow of information, ideas, goods, capital and people. Featherstone also questions whether a global culture necessarily translates into homogenisation or the erosion of local cultures. In describing cultural globalization, McGrew (1992) identifies five groups of contradictory changes which are occurring simultaneously: 1) specialization and universalization 2) homogenization and diversification 3) integration and segregation 4) centralization and decentralization 5) juxtaposition and syncretization. The Cultures of Globalization, a collection of essays edited by Jameson and Miyoshi (1998) is another credible source of reference which covers a wide variety of topics on the subject including transnationalization of culture, modernity, philosophy, media, social movements, eurocentrism, racism, consumerism, and environmentalism.

6

CHAPTER SIX:

CONCLUSION AND FURTHER CONSIDERATIONS

Introduction

This thesis begins with the objectives of uncovering the state of globalisation and ethnic integration in public listed companies in Malaysia with particular reference to the Klang Valley and Penang. In so doing, we have traced the evolution of development in Malaysia, since the colonial years to post-independence recent history in Chapter Two. What we have uncovered is a history of continual struggle among different groups for control in the political-economic sphere. As a whole, there was a peaceful evolution from one phase of history to another, punctuated with periods of overt and sporadic conflicts. But, the political-economic forces were clearly present with evidence of groups of colonisers, Bumiputra aristocrats, and ethnic Chinese immigrants competing and co-operating in different fronts at the different periods. In addition, institutions, structural and geographical divisions were established during the colonial rule perpetuating the ethnic and economic conflict long after the colonisers 'left'.

The post colonial period witnessed the continuation of old ethnically segregated social structures and the introduction of laissez-faire economic policies; thus, setting the stage for the 1969 ethnic riot. This turn of events led to the formulation of the NEP which marked the beginning of a more interventionist government.

The NEP aimed at restructuring the ethnic-economic balance in the various sectors of the economy as well as eradicating poverty regardless of race. The NEP framed the development agendas of the coming decades. Although NEP targets were mostly met, government's policies of redistribution, affirmative action and ownership equity have not removed the old deeply entrenched base and superstructure which divide the society. This has been the case until the present.

We have also introduced Granovetter's embeddedness argument in the very first chapter because social embeddedness is the thread that weaves through the variables of globalization and ethnic integration. Furthermore in Chapter Two, we have drawn upon three other major theoretical perspectives. These are Light and Karageorgis's ethnic economy and ethnic resource thesis, Sklair's non-state centric perspective and emphasis on TNPs (transnational practices), and Mansor's thesis on declining significance of ethnicity. These are the four main theoretical thrusts that direct the present research.

In addition, we have reviewed the prominent themes in Malaysia's development discourse. The dominant paradigms of Malaysia's development literature have also been criticised. The paradigms of ethnicity and state-centrism as we have seen both in the literature review, as well as in the findings, have limited scope and must be complemented or substituted, in order to provide a more balanced as well as up-to-date perspective of the changing reality.

In conceptualizing a new type of theorising on development in Malaysia, we have made four points of contention; to rephrase them, they are (1) to transcend the uni-centric assumption of social reality by identifying and analyzing major entities, institutions or groups shaping Malaysia's development; (2) to explore and examine the possible existence of relationships between these entities, institutions or groups and the

implications of these relationships; (3) to verify the relevant existing theories and assumptions through an examination of hard and soft evidence drawing upon the social actors themselves and their social environment, which involves confirmation and information on structural or institutional characteristics, policies, practices, and perceptions; (4) to identify any new entities, groups or institutions as well as relationships; hence, enabling more dynamic analyses on the changes in the empirical world vis-à-vis the theoretical spheres in researching on development issues.

Consequently, based on this new type of theorising and the four theoretical thrusts, we have emphasised the need for the analysis of the firm, the global economic forces, as well as the relevant social relations. Instead of operating from a macro level by looking at country's statistics, the research pursues an alternative unit of analysis, i.e. companies in Malaysia. In this way, we are able to study globalising tendencies of companies and examine their connection with companies' ethnic integration in various dimensions: structural, operational and attitudinal. This attempt to offer a complementary perspective forms the basis of the analytical framework for globalisation and ethnic integration.

6.1. Summary of Findings

At this juncture, it is useful to recap the findings of the thesis as well as the ways in which they fit into the overall theoretical and analytical framework. In order to assemble the different parts of the research into an integrated whole, we have grouped the findings into five essential points. The first three are straightforward evidence of globalising tendencies, ethnic integration and the existence of connection between these two variables, which answer some of the main research questions. The

final two sets of findings bring in the evidence of the four embedded relationships and the implications of the qualitative findings on the theoretical underpinnings. More importantly, these five sets of findings help answer the five research questions introduced in chapter one¹.

(1). As a whole, globalising tendencies are present among the companies interviewed.

The research approach of focusing on the companies as the unit of analysis as well as examining companies' practices and managers' perceptions undoubtedly exposed the globalising tendencies of the companies. We have discovered that globalising tendencies exist among companies at all three levels: structural, operational and attitudinal. The findings portray moderate (25% - 50%) to majority (more than 50%) percentages of companies with significant globalising tendencies for all the variables. Both quantitative and qualitative data also show widespread globalising tendencies not only among the FTNCs and the MTNCs, but also among 25% of the LCs. The findings imply that such globalising tendencies, at least partially, constitute the existing structures and practices of these companies. What is most striking is that 60.76% of the managers support the view that government should promote a more globalised local economy and an overwhelming 73.42% believe that companies need to go global in order to succeed. This implies that most of the managers of the public listed companies in the Klang Valley and Penang interviewed, these include companies with or without significant globalising tendencies, are in favour of some level of globalisation.

(2). As a whole, companies tend to score low on ethnic integration.

The overall view on ethnic integration indicates that companies generally score low in ethnic integration. To reiterate, the percentages for companies scoring high on ownership structure, ethnic composition and patterns of promotion are 59.43%, 35.44%, and 29.11% respectively. These findings reflect that, for the most part, ethnic integration is not yet a reality in these public listed companies; this is at least true at both structural and operational levels (ethnic composition and patterns of promotion). Nevertheless, 60.76% of the managers interviewed support ethnic quotas as prescribed by the NEP.

(3). There is a connection between variables of globalisation and ethnic integration.

The findings clearly suggest a connection between companies' globalising tendencies and ethnic integration. A large percentage of the companies with globalising tendencies also show a high degree of ethnic integration, compared to those without globalising tendencies. This connection holds true for most of the globalisation variables and for all three structural, operational and attitudinal dimensions of ethnic integration. We discover that companies which score high on four globalisation variables - foreign equity, forward linkages, mission and vision, and corporate planning/strategies - also score higher on ethnic integration (the exceptions are international certification and benchmarking). In addition, as for the TNC status, FTNCs and MTNCs both have consistently higher scores on all ethnic integration variables - ethnic ownership structure, ethnic composition and patterns of promotion - compared to LCs.

Finally, when we examine managers' views on globalisation in relation to their views on ethnic quotas, we found that managers who support globalisation (i.e. those who agree to government promoting a more globalised local economy and who agree to the idea that companies need to go global in order to succeed) are more likely to support ethnic quotas. This again is generally true for FTNCs, MTNCs and LCs (with some exceptions for LCs as shown in Chapter Five).

(4). The qualitative data indicate that the four sets of embedded relationships play a pivotal role in contextualising and shaping the decisions and practices of the companies.

Based on the qualitative data received, the managers implicitly and explicitly confirm that variables of globalisation and ethnic integration are embedded in a web of four relationships which in turn contextualise and constantly mould the corporate decisions and practices. It appears that the interests and goals of the companies are both confined by and achieved through the elements within these four relationships: (1) company-government relationships, (2) company-company relationships, (3) company-internal community relationships, and (4) company-market relationships. Furthermore, these relationships represent the link between a company and the social actors. A company's success in each set of relationships may yield its own distinctive and predominant type of power: company-internal-community relationships lead to financial power, company-government relationships lead to political power, company-company relationships lead to network power, company-market relationships lead to market power. Therefore, these relationships are vital in understanding the 'whys' and the 'hows' by which companies adopt certain approaches and practices, and not otherwise.

(5). It is through the four sets of embedded relationships that the connection between companies' globalising tendencies and ethnic integration can be explained.

As the qualitative findings support the importance of these embedded relationships, we found managers' revealing that a web of interconnected relationships becomes the source of pressures and means through which the companies accomplish their aims and strategies for globalisation. This is where company globalising tendencies are connected with ethnic integration. Indeed, as the companies expand or increase their globalising tendencies to meet their strategic goals, they need to also expand their networks of relationships, which inevitably involve harmonising with the ethnic elements within these networks of relationships. As the findings show, these ethnic elements exist in company-government relationships, company-company relationships, company-internal community relationships, and company-market relationships. This harmonisation with the ethnic elements within these networks usually leads to greater ethnic integration; hence, the connection between ethnic integration and globalisation.

The following section will connect the findings with the theoretical background of the research in greater detail. By integrating the findings with the theoretical ideas, it will also help clarify several important conceptual as well as substantive issues and questions. Below, we have identified the issues which have significant implications, either on the overall inquiry of the research or specific matters regarding the re-theorising of Malaysia's development. We frame these issues into six questions.

6.2. Connecting the Findings with Theoretical Background

(1). What is the implication of the findings on the importance of ethnicity?

Relating these findings to the larger discussion on ethnicity and ethnic relations, it is obvious that their (ethnicity and ethnic relations) role in public listed companies in Malaysia is and will continue to be important for some time to come. This affirmation of the importance of ethnicity and ethnic relations challenges Mansor's ideas on the declining significance of ethnicity in Malaysia. To reiterate some of his main ideas, foremost, Mansor (1998a, 1998b) argues that ethnicity and ethnic consciousness are declining as a social factor. Secondly, other factors such as personal values, business experience, business expertise, and business potentials of the individuals involved are more crucial relative to ethnicity; this has also been shown in the formation of business partnerships (Mansor, 1998b). Third, the importance of ethnicity and ethnic consciousness will diminish even further when there is a high rate of economic growth. The fourth and final point is that "[c]hanges in alignment come about as a result of individual choices" and that "choices have to be made between individual responses and group alignment, or between alignment on the basis of class, or ethnicity, or religion (Mansor, 1999, p62).

However, the findings of this research suggest the contrary, especially in relation to Mansor's first point. To a large extent, ethnic elements are frequently being considered in company decision-making process. This is true for all four sets of relationships. This has been reported by managers when the decisions involve company-government relationships, when there are joint-ventures between Bumiputra and non-Bumiputra companies, when the markets are made of diverse ethnic backgrounds, or at times when the board of directors consists of mixed ethnic groups.

Therefore, in many cases, ethnicity has also been a strategic factor in company structures and practices in Malaysia.

Ethnicity is also a vital embedded element in the history of company evolutions. Ethnicity is embedded in its structures and relationships and in the expansion of the companies. As the findings revealed, many Chinese companies are conscious that the family members and friends of those who have founded them maintain the ownership or the control of the company to a certain extent. Often this implies individuals of the same ethnic groups; hence, perpetuating the control over the company by the same ethnic group. Although Bumiputra companies may not have the same degree of family involvement, the qualitative data show that this situation is also applicable to many Bumiputra public-listed companies whose managers consider that they are shouldering a mandate to demonstrate that Bumiputras are also able to survive and thrive. Indeed, the findings do not necessarily negate Mansor's idea that individuals are evaluated based on their own individual merits in the formation of inter-ethnic business partnerships. The present research does not investigate and disprove this proposition. But we question any claim or inference that ethnicity is diminishing in its importance in the business decisions within inter-ethnic, or even single ethnic companies.

The findings also challenge Mansor's third point that during periods of high economic growth, there will be further decline in ethnic consciousness. As indicated in the findings on cases of business expansion, ethnicity can often become the connecting factor, for instance, when Chinese companies were to collaborate with other Chinese partners outside Malaysia. As to Mansor's fourth point on whether the alignment is to class, ethnicity or religion, the findings seem to posit that many times, the individuals or the companies need not align to class at the expense of ethnicity. This is because

ethnicity or ethnic connections can often complement the companies' class interests. This connects to our next point of discussion.

The findings correspond to the ethnic economy thesis as posited by Light and Karageorgis (1994). The qualitative findings show that Chinese-owned companies tend to have stronger company-company relationships than Bumiputra companies. Indeed, a lot more Chinese-owned companies exhibited many of the concepts described by the ethnic economy thesis, such as industrial clustering, ethnic networks and ethnic resources. A number of the Chinese-owned companies have indicated that they have benefited from these ethnic resources. (To repeat, the advantages offered by ethnic resources include “kinship and marriage systems, trust, social capital, cultural assumptions, religion, language, a middleman heritage, entrepreneurial values and attitudes, rotating credit associations, relative satisfaction arising from nonacculturation to prevailing labour and living standards, reactive solidarities, multiplex social networks, employer paternalism, an ideology of ethnic solidarity, and underemployed and disadvantaged co-ethnic workers”, Light and Karageorgis, 1994, p660).

Therefore, the study of ethnicity and ethnic inequality in Malaysia can yield a much fuller picture if both class and ethnic resources are analysed together. This importance placed on ethnicity has further implication when we raise the question of whether or not globalisation leads to ethnic integration in companies in Malaysia. We address this question in the following paragraphs.

(2). Does globalisation lead to ethnic integration?

The answer to this question would have to be a qualified yes. Indeed, the findings exhibit a connection between companies' globalising tendencies and ethnic

integration in that, as a rule, companies scoring high on globalising tendencies also score high on ethnic integration. The reverse is also true for most of the variables. However, as the qualitative data indicate, this connection depends on the pressures and the directions asserted in the four sets of embedded relationships. Implicit in the qualitative findings is that when the pressures or forces for ethnic integration within these relationships are considered crucial for the company's interests or existence, then the management will be inclined to adopt decisions that promote ethnic integration. Yet, ethnic integration is not necessarily consciously planned. Apparently, ethnic integration by itself is not an explicitly stated agenda of the companies interviewed.

This is not the case for the globalisation variables. A large number of the public listed companies and their managers are in favour of globalization. As the quantitative data indicate, most of them have plans and strategies to go global. *It is when these globalising aspirations and tendencies coincide with ethnic elements within these relationships, that company globalising tendencies can lead to ethnic integration.* For example, the government's encouragement for companies to have at least 30% Bumiputra participation will have an effect with companies planning to have close ties with government's agencies and pro-government entities and individuals. This is especially the case for companies having government as their client or a potential client. Therefore, it follows that in order to promote more ethnically integrated corporate environment, entities within these four sets of embedded relationships should continue to assert greater pressure for ethnic integration.

The implication is that in order to have more ethnically integrated structures, operations, and attitudes in the public listed companies, there should be more ethnic diversity or ethnic balance in the various entities in the relationships. Subsequently, the pressures for ethnic integration generated by the different centres of power -

government, network of companies, market as well as directors and business owners - will likely translate into a more ethnically integrated social reality. This logic again places doubts on Mansor's idea on the alignment issue. Responses of alignment to class interests, whether by the individual or the company, need not contradict alignment to ethnic interests. In fact class interests can be adapted and served through the web of ethnic elements. It is not necessary an either-or choice. Individuals and companies need not choose between individual responses and group alignment, as Mansor would suggest.

(3). What is the implication of company's globalisation agenda(s)?

Shifting our discussion towards the companies' globalisation agendas, the findings are rather telling. At risk of repeating an obvious and recurrent pattern in the findings, it is nevertheless important not to overlook that the globalisation agenda has been widely accepted in the plans of public listed companies interviewed and even more so by the managers themselves. This is the gist as summarised in the first set of findings discussed earlier in the present chapter. This is the striking disclosure, if at all, about these companies vis-à-vis globalisation.

The points raised in chapter two on the ontological issues and the need to factor in external forces highlight that it is becoming increasingly important to examine the interaction between global and local factors in the analysis of Malaysia's development. The new type of theorising that will bring Malaysia's development literature to the next level must include the interplay between the global institutions, global social actors and global practices with the local ones. The local economy has reached a stage in which to study it in isolation of global forces will probably yield

limited insights, at least as far as public listed companies are concerned, since these globalising tendencies are ingrained in the company plans and practices.

Equally significant is the long-term impact of the globalisation agendas. If the globalising tendencies are becoming dominant, questions need to be posed as to the long-term social value and benefits of the globalisation agendas (as defined by companies) for the society, as well as the extent to which the FTNCs, MTNCs and LCs will adapt to the pressures for ethnic integration.

(4). What is the implication of the analysis of companies and their embedded relationships?

This research has approached the study of globalisation and ethnic integration using companies as a unit of analysis; hence, challenging the state-centred paradigm of previous studies on Malaysia's development. Equal importance is placed on the exploration of the four types of embedded relationships that the companies have. Therefore, the present research has shifted away from state-centrism. It has also incorporated other major entities without presupposing that any entity occupies the centre stage.

These first two points of contention for the re-theorizing of development issues submit the need for a new ontological approach in that the theorising of Malaysia's development should not presuppose a uni-centric social universe or neglecting certain entities or groups. In addition, these entities should not be analysed in isolation, but in relation to one another. As expounded by Granovetter (1985), the social relations embedded within these companies are the contexts through which these institutions and their behaviours are to be examined. The findings affirm Granovetter's embeddedness argument. This approach has enabled the research to draw out and

assess different aspects of their power relations that influence the individual entities. As an example, it is through this approach that we have discovered the existence of rather extensive inter-company co-operation between companies with different ethnic ownership. The four embedded relationships to which the companies are connected entail some degree of power relations, be it high or low. The analyses of embedded relationships have also revealed that certain aspects are much more influenced by particular sets of relationships than others are. As an example, the company-government relationship is particularly vital when Malaysian companies are dealing with other foreign companies. However, with regards to ethnic integration, it is the company-internal community relationship that has greater role in shaping the practices of the firms. The ethnic composition of companies' ownership structure is also influenced by company-government relationship and company-company relationship. We found many cases whereby, if an alliance with a Bumiputra firm is being forged, or if connection with the government and political figures are perceived as important, then Bumiputra shareholders are invited into the company as part of the board of directors. This is in line with Granovetter's assertion that social relations between and among firms have higher degree of significance than the authority within individual firms (Granovetter, 1985, p71). Companies with mixed ownership structure are more likely to have ethnic integration practices. As for market expansion, company-company relationship seems to have paramount importance above many other relationships. These are all exposed through the analyses of embedded relationships.

Further implications of embedded relationships on the analysis of Malaysia's development especially with regards to ethnicity is that ethnicity should be examined at various levels of analysis. Research on ethnicity should go beyond analyses at a national aggregate level which often examine comparative statistics, such as household

incomes and occupational distribution, and which use these aggregate findings to assess government's policies. Instead, more efforts need also be invested in studies of embedded relationships involving company-level (intra-company), network-level (inter-company, for instance, various supply chains), industry-level, inter-industry level (for instance between particular financial and manufacturing industries or between particular manufacturing and marketing industries) and sectorial-level analyses.

(5). What is the significance of the analysis of foreign versus local actors?

There seems to be a high level of trust among a number of local public listed companies on the government's role in 'safeguarding' their interests against foreign forces. Indeed, it appears from the findings that the Malaysian government adopts a hands-on approach in managing the economy. For many of the MTNCs (and some LCs as well), the findings suggest that they are very much part of a team with the government in building their company as well as in expanding overseas.

This may represent a twist in the globalising tendencies of the Malaysian-based companies. Although they may have high globalising tendencies for their corporate mission and vision, plans and strategies and even for forward linkages, they may still hold some sentiments that may not align them with the foreign companies. These sentiments may take the form of being proud of being a Malaysian company, or Muslim company or a family business, or a Malay company (all these have been explicitly stated by the managers). But, there is also a class dimension to these sentiments. The alliance forged between the Malaysian public listed companies and Malaysian government is a means to provide additional protection and credibility to the resources and reputation of the Malaysian-based companies, since many of these companies have board members close to the ruling party. As implied in the qualitative

findings, the relationship between Malaysian companies and Malaysian government is necessary to create sufficient concentration of power to negotiate with big players which facilitate better business engagements with the foreign TNCs.

This throws a different light to the criticisms against the Malaysian government by Gomez and Jomo (1997) on cronyism and political patronage, Ozay (1986) on development by trusteeship and Jesudason (1989) on ethnic development framework. Their arguments are based on a common thread that (1) Malaysian government is the mastermind behind the developments occurring in Malaysia, (2) foreign TNCs and local capitalists are part of the Malaysian government's grand strategy. Indeed, none of them draws attention to or places emphasis on the conflict between global and local forces.

(6). What is the implication on ethnic integration vis-à-vis NEP?

With regards to the NEP, the embedded relationships have shown that based on managers' comments, ethnic relations in companies have benefited from the ethnic quotas pressures generated directly through company-government relationship and indirectly by the government through the NEP. Oddly enough, ethnic integration and ethnic diversity were found to be useful by a number of managers. Many managers essentially reported that with ethnic integration or diversity, their relationships with various parties, function more smoothly and effectively (e.g. with government and customers). However, further considerations are needed to address the internal challenges faced by some companies in adopting ethnic integration policies into different aspects of their companies' practices.

6.3. Limitations of the Research

First of all, since this research covers only public listed companies, the empirical findings cannot be directly generalised to non-public listed companies in Malaysia. It must be noted that public listed companies tend to be more exposed to the elements of globalisation compared to the companies not listed on the stock exchange. This is especially the case with respect to the public listed companies' equity since this corporate equity, depending on its size, may lead to the some degree of control over the decision-making process of the companies.

Nevertheless, despite its empirical limitations, at a conceptual or theoretical level, many of the findings may have implications for other companies operating in Malaysia. Among others, these include matters regarding company-company relationships and company-market relationships which weave through smaller size firms. More importantly, the ethnic factor still exists in the relationships embedded in non-public listed companies. The nature and the dynamics of ethnicity and ethnic relations in these firms may differ, but they would still need to manage the ethnic relations in one way or another.

Second, the research only covers companies in Klang Valley and Penang; therefore, companies that are outside these regions with different geographical characteristics may not share the same tendencies and practices. Indeed, the cosmopolitan nature of these locations (Klang Valley and Penang) which penetrates various aspects of social life in these urban areas, may well influence the ways in which companies carry out their businesses. Therefore, the findings generated from the companies in Klang Valley and Penang may not be consistent with the realities of companies outside these areas.

However, as we have discussed in Chapter Three, due to the rapid urbanisation, the growth of Free Trade Zones and, industrial parks, and fast economic growth, the work environments in which other public listed and non-public listed companies are located, are likely to be transformed, in order to duplicate or reinforce the economic 'dynamism' of the Klang Valley and Penang. Hence, the development in Klang Valley and Penang can be pertinent to the understanding of the ways in which the future of companies in Malaysia is unfolding.

Third, this research was conducted during the booming period in the Malaysian economic cycle. So, this may affect the perceptions and practices of the companies and managers. During periods of economic growth, companies may be more open to expanding their operations, markets, and networks rather than downsizing, cost-cutting and stream-lining. Since the financial crisis of 1997, which hit East Asia very badly, there is a possibility that companies have changed their approach and their inclinations resulting from their adversely affected markets, supply linkages as well as from their own disrupted financial standing². This puts a serious limitation on the research in that the findings may be subjected to the 'mood-swings' and the 'confidence' of the companies, and thus, the directions and practices reported by the study have the possibility of being discontinued.

Having discussed the limitations of the research, the following paragraphs present possible future projects on corporate Malaysia and on development theorising.

6.4. Further Research and Projects

Even though this research has revealed some insights into the dynamics within companies vis-à-vis the connection between globalisation and ethnic integration, there are more to be disclosed in a full-scale analysis tracing companies' embedded relationships. Despite the fact that the present thesis focuses more on company-level analysis and still reveal useful insights about the inter-company dynamics, more information, therefore, can be excavated on the inter-company directions and practices from projects studying company-company relationships. Further detailed studies on how companies co-operate and compete against one another may yield more on the dynamics of ethnic relations. Although many public listed companies interviewed do not display a high degree of ethnic integration, many of them claimed that they do co-operate with companies of different ethnic groups. At the same time, new studies on the relationships between specific companies and government will produce concrete examples on the balance of power between the government and the corporations. The present research has suggested a method for studying these embedded relationships of companies. Indeed, case studies on selected networks of Chinese or Bumiputra companies will produce different insight and knowledge as to the size, structures and strategies of these networks. Such extensive studies are necessary to formulate verifiable findings that can be the basis of new type of development theorising for Malaysia. They will be needed to grasp a more thorough understanding of the impact of these relationships on ethnicity and globalisation within companies as well as chains of companies.

The study of globalisation and ethnic integration should also be widened to cover companies all over Malaysia. These companies should include both public and non-public listed companies throughout Malaysia (not only in Klang Valley and

Penang). Such a scope will ascertain the representativeness or the generalisability of the findings discovered in the present research. It may also yield geographical variations which could have significant implications for the theorising of development in Malaysia in that spatial and structural comparisons can be made. We can also contrast the tendencies and practices between small-size and medium-size companies, and with large companies in Malaysia. The ways these small-size and medium-size companies interact and manage globalisation and ethnicity can be tabulated against those of large firms. Perhaps more importantly, a nation-wide study of companies will confirm or clarify further the directions and practices of the companies in relation to globalisation and ethnic integration.

In addition to the geographical scope, studies on corporate Malaysia can also be expanded to analyse the aftermath of Asian financial crisis. Since the field research of this present study was completed in June 1997, the empirical data collected do not reflect the impact of Asia's financial crisis on the public-listed companies. Pertinent to this issue is the newly introduced sections to the Securities Industry (Central Depositories) Act of 1991. These new sections were incorporated into the Act on the 1st of November 1998. The two new sections are Section 25 (A) and 25 A (1).

Section 25 (4) reads:

"Every securities account opened with a central depository shall be in the name of the beneficial owner of the deposited securities or in the name of an authorised nominee."

Section 25A (1) reads:

"Where an authorised nominee opens a securities account under subsection 25(4), such authorised nominee shall only hold deposited securities for one beneficial owner in respect of each securities account."

Section 25 (A) implies that all accounts open with the Malaysian central depository (or MCD) must be in the name of the actual person who does the investment (beneficial owner) or authorised nominee (the banks). But this alone is still

insufficient, since individual capitalist can still hide under the nominees' name. Therefore Section 25A (1) comes to play.

Under section 25A (1), if the bank wants to open up an account, it has to have specific individual names under a single person or investor (as stated, "nominee shall only hold deposited securities for one beneficial owner in respect of each securities account"). This effectively unveils the owners who are buying and holding the shares, be they individuals, corporate bodies or institutions; thus, the ownership has now become transparent.

The significance of these sections is that by preventing investors and potential investors from concealing their identity through appointed nominees, the state is now able to know who the individuals or parties are who might have supposedly been manipulating the market. This would enable the state to take any preventive or corrective measures it deems necessary. Since the Asian financial crisis came after the timeframe of the present research, managers' insights and companies' practices after the crisis were unable to be captured in the analysis of the research. Therefore, new research projects on corporate Malaysia can be carried-out to examine the implications of such changes on the dynamics of social relations embedded in these companies.

From issues of ownership, future studies should also investigate the labour's perspective. In researching globalisation and ethnic integration, this study has centred on companies and their managers. Further studies can be carried out on the workers in order to assess these variables from their angle. The enquiries into the degree of acceptance and resistance to globalisation are pertinent to create an even fuller picture of the social reality in individual companies. Again, specific case studies into a small number of companies examining multiple perspectives will help yield further insights on the questions of globalisation and ethnic integration. The responses received from

the managers in this present research hardly indicate problems between the management and labour. But, by incorporating feedback from the workers themselves, these internal conflicts can be better assessed. In addition, there is a possibility that workers of different ethnic backgrounds may have different views on ethnic integration. The ethnic division and ethnic discrimination as experienced by workers of different ethnic groups will also be useful data to analyse and compare. Such data can also be examined through the comparisons among FTNCs, MTNCs and LCs; hence, producing findings on the possible differential experience and perspective of various ethnic groups working in various types of companies.

¹ (1) to assess the general state of globalisation as well as the general state of ethnic integration among public listed companies in Malaysia in the Klang Valley and Penang ; (2) to evaluate the differences among foreign transnationals (FTNCs), Malaysian transnationals (MTNCs) and local companies (LCs) vis-à-vis globalization and ethnic integration; (3) to explore the perceptions of corporate managers with regards to globalisation and ethnic integration; and (4) to examine the possible connection between globalisation and ethnic integration within these companies; (5) to explore the social dynamics beneath this connection

² Although literature which provides analysis on the ways in which the recent Asian financial crisis directly affect Malaysian companies is somewhat limited (most write-ups discuss the Malaysian economy at a more general level), some relevant discussions can be found in Sieh's (2000) Taking on the World and Jomo's (1998) From Miracle to Debacle. Jomo (1998) draws attention to how the financial crisis has seriously placed some companies in deep trouble and provides a critical account of the issues concerning government bailouts of some of these Malaysian companies (pp186-190). Meanwhile, Sieh (2000) points to the implications of the financial crisis on the different industries in Malaysia, including electronic (pp166-167), automotive (pp182-183), textile (pp209-211), food (pp232-234), and finance (pp261-264). Generally, the impact of the crisis is negative. With the currency being attacked, companies seem to face a whole range of problems. These problems comprise price fluctuation of imported raw materials and equipment, profitability and stability of

pricing of their on products and services, questionable investors' confidence, decline of consumer spending, difficulties of debt collection. Nevertheless, Sieh indicates that the recovery has been promising in that growth rate for 1999 was estimated to be 4.3%, while 2000, 5%; as opposed to the contraction of 7.5% in 1998 (p138).

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Appendix 1: Operationalising the Globalisation and the Ethnic Integration Variables

Operationalising the Globalisation variable

There are three dimensions of globalisation; and there are a number of variables underneath each dimension:

Structural Dimension:

- i) foreign investment
- ii) TNC status

Operational Dimension:

- iii) market- or forward-linkages,
- iv) backward linkages
- v) corporate mission/ vision,
- vi) corporate planning and strategies,
- vii) international certification
- viii) benchmarking;

Attitudinal Dimension:

- ix) managers views on government's promoting globalisation
- x) managers views on company's success vis-à-vis globalisation

- i) *Foreign Investment* - The aim of this variable is to determine whether a company has significant foreign investment¹, to denote whether the ownership equity is 'globalised' or not. This is an important variable since it measures how much of the stake is owned by investors outside Malaysia. Putting it in a state-centric perspective, this shows how much of the non-local capital has penetrated or has

been integrated into the domestic economy, making it more 'globally-integrated' in that respect.

Investors need not have too much at stake to participate in the company's decision-making, especially in public-listed companies where there is often a significant number of shares floating in the open-market. The research sets a level of 15 percent ownership to signify a significant foreign ownership. Even though 15 percent ownership may sound little, it can be substantial enough to place an investor or a partner in a strategic position to virtually shape or steer the decision-making and the direction of a company².

- ii) *TNC Status* - A company with facilities in three countries or more is considered a TNC. I argue that for the purpose of this research, a single office in another country outside of the company's original host country may not have much significance or may be an experimental project or may be due to the fact that the company would like to shift some or all of its organisation to another, more conducive country. It may also signify a bi-national company, in this case, Malaysia-Singapore or Malaysia-Thailand or the like. However, having a facility beyond a second country, in a third country, suggests that there is some greater commitment for the company to be a transnational player. Therefore, the TNC status refers to a company having facilities³ in a minimum of three countries⁴. Foreign-based and Malaysian-based companies can both be TNCs as long as they meet the stated criterion. They will be labeled FTNC and MTNC respectively. The TNC status is a vital measure since it indicates that the globalisation agenda has become an integral part of the company's business planning and policy-formulation.

iii) *Market- or Forward-linkages* - Another measure of the degree of globalisation of a company is to measure its *forward linkages or its markets outside the domestic economy*. This research considers this variable an important measure of companies' globalising tendencies since the amount a company exports to outside markets underlies the degree of its 'connectedness' to the global economy. It also indicates the outward looking nature of the company. A company with considerable exports simply means that the company is also orientated towards global markets and not limited to demand in Malaysia, hence companies' *percentage of foreign exports* are being examined. The research has taken 40 percent as a cut-off point to signify a significant level of exports to foreign markets (40 percent is almost half of the production). The products exported to foreign markets are often reported to be priced by companies at higher levels than those supplied to local markets. Therefore, the 40 percent cut off point seems logical in order to 'qualify' a company as having significant foreign forward linkages.

iv) *Corporate Mission/Vision* - The characteristics of the company mission statement can indicate the direction towards which the company is moving (globalising or otherwise). Sometimes, it is in the organisational mission or vision that includes phrases such as 'to be the number one in Asia' (or in the world for that matter), or 'to be a world-class company'. These statements might be symbolic but may also suggest the drive for globalisation. Often, the formulation of corporate mission statements involves top management, including the CEO or managing director or President or general manager since they are the ones who usually know and decide the strategic direction of the company. Due to the top management's involvement

and the strategic nature of mission statement, it is highly pertinent to consider this aspect of the company's globalising tendency.

v) *Corporate Strategies and Planning* - While the mission may be overly-visionary about its direction, it is the *strategies and planning*, either immediate, short-term or long-term, which chart the level of commitment the company has towards a stated destination. By examining its strategic or developmental plans, the present research explores how much of a global agenda the company is institutionalising for eventual implementation. It must be noted here that there are companies with more ad-hoc strategies, (especially those with decentralised or eclectic management styles); thus, at times nothing much of significance can be found in official documents. More importantly, many companies may well want to keep their strategic planning confidential. Therefore, in some cases this research was only able to assess companies plans in general terms, through the interviews.

vi) *International Certification* - This variable involves companies' attempt to be recognised as having operations or production capacities or processes that are of a certain international standard. This certification usually entails 'opening' up certain parts of the company to be assessed using criteria set by 'independent global bodies' (mostly from the US). Examples of these certifications include the ISO 9000 series international certification, Malcolm Baldrige National Quality Award, Edward Demings Award, which are also designed to grade companies and facilitate their upgrading to an internationally recognised standard. The ISO certification, for instance, is sometimes needed in dealing with major corporations and governments. Nevertheless, these activities again portray a different facet of companies'

involvement in the global economic system with its own authoritative global standards. International certification may signify that companies accept global standards in order to be truly global players; thus, orientating the companies to better position themselves internationally.

- vii) *Benchmarking* - Companies may also *benchmark themselves* or *their company practices* against the best practices at the global level. In a similar way to international certification, benchmarking activities consistently draw the companies into comparisons with competitors at a global level. Having successfully undergone these activities, companies may feel that they are worthy of being global players or that they are not just another local company, but having certain practices or capacities that are of international or even world-class standards.
- viii) *Managers' views on a more globalised economy* - This measures managers' attitudes towards globalisation. In this variable, the research evaluates whether the managers agree with the idea of a more globalised economy. They will be asked whether government should support a more globalised economy and the reasons for their answer. At face value, this measures whether the managers are in favour of the very notion of the globalisation of economy.
- ix) *Managers' views on company's success* - This variable explores the managers' views on companies' success. They will be asked whether companies need to expand beyond Malaysia (or globalise) in order to succeed as well as their underlying rationale for their answer. This is to gauge their paradigm on expansion in general, and specifically on globalisation and its link to companies' success.

Operationalising the ethnic integration variable

The ethnic integration variables will also be measured in three dimensions. The structural and operational dimensions evaluate the companies' state of ethnic integration, while the attitudinal dimension explores management views about ethnic integration.

Structural Dimension:

- i) ownership structure
- ii) ethnic composition of workforce

Operational Dimension:

- iii) patterns of promotion

Attitudinal Dimension:

- iv) managers' views on ethnic quotas

With that, we now turn to the discussions on individual variables that make up the composite variables of globalisation and ethnic integration.

i) *Ownership Structure* - This dimension specifically looks at the company's 'scorecard' on ethnic diversity in its highest level of organisational structure - the ownership level. It evaluates the current reality of the company in terms of the ethnic integration of ownership, the extent to which ownership is shared. A company's ownership structure is accepted to be ethnically integrated when (1) there are at least three ethnic groups represented; AND (2) no single ethnic group dominates by a percentage larger than 60%⁵ of the ownership. It must be noted that government's and nominees' ownership are not being classified as representing any

particular ethnic group. If a company does not meet any of these two conditions, it will be considered as not ethnically integrated as far as this variable is concerned.

ii) *Ethnic Composition* - This variable gauges ethnic integration at the workforce level. A company's ethnic composition is accepted to be 'ethnically integrated' when two criteria are met: (1) there are at least three ethnic groups; AND (2) no single ethnic group has a larger percentage than 60% of the total composition. This variable yields a quantitative measure for the degree of ethnic integration or diversity within the workforce⁶.

iii) *Patterns of promotion* - Essentially, this variable evaluates the operational activities in the companies with regards to its promotion patterns⁷. A company's pattern of promotion is considered to indicate ethnic integration when (1) there are members of at least three ethnic groups being promoted annually; AND (2) no single ethnic group dominates the promotion by a percentage larger than 60%. Without meeting these conditions, a company fails to be considered as ethnically integrated with respect to this variable.

iv) *Attitudinal Dimension* - This dimension measures the attitudes and the perceptions of management staff on ethnic integration, including the issue of ethnic quotas. The interview poses questions on affirmative action, including such issues as ethnic quotas and cultural diversity, ideas on ethnic integration, as well as perceptions on ethnic integration. When combined with the globalisation questions, this line of inquiry on attitudes of ethnic integration enables the research to measure whether

and how these attitudes and perceptions vary from managers who view globalisation favourably versus those who do not.

¹ This research follows Dicken's (1998) definition of foreign direct investment which means investment by one firm in another across national boundaries in order to possibly gain a degree of control over the latter's operations (p69). However, this research recognises that at times the distinction between 'portfolio' investment (in which investors purchase a company's shares or stocks in order to make financial gains) and foreign direct investment is somewhat fine because portfolio investment can also be turned into foreign direct investment with a slight increase in the injection of investment by the investors.

² See discussion on corporate equity structures of Waspavest Group's and Multi-Purpose Holdings-Komunting Group (Gomez , 1994, pp110-111, pp220-223).

³ A facility can mean a factory or production house, or sales, service or any other types of branch office/operations.

⁴ McMichael (1996) defines TNC as "a firm, dispersed among several countries, whose economic activity is global" (p308). Dicken (1998) gives a TNC definition a 'power' or 'control' component; thus, a TNC is defined as "a firm which has the power to co-ordinate and control operations in more than one country, even if it does not own them." (p8). We have discussed this issue of TNC in Chapter Two. Taylor and Ward (1994) state that MNCs are not uniform set of business organisation. They discuss several types or categories of corporations including: global corporations, multinational corporations and 'small' multinationals as well as foreign-owned companies.

Nevertheless, the focus of this research is not on the typology of corporations. The way the variable of TNC status is operationalised must suit the objectives of the research. The definition that I have adopted for TNC status is in accordance with the McMichael's and Dicken's definitions. Although it is somewhat simplistic, this definition for TNC status - a company having facilities in a minimum of three countries - fits the aims and the context of the present research since the scope of the definition allows for the inclusion of Malaysian TNCs.

⁵ Since the largest ethnic group in Malaysia, the Bumiputras, only consists of 55% of the total population, in order to have a somewhat proportionate representation of the population, it seems fair that no single ethnic group dominates the companies far beyond this percentage; hence the figure 60% was chosen. This percentage also allows a 5% flexibility. The same figure is also applied to the rest of ethnic integration variables.

⁶ In order to obtain a more qualitative data, the research also probes into their policies and strategies of recruitment.

⁷ Again, at the interview sessions, attempts were made to understand the dynamics behind these companies' practices and decision-making. Of particular relevance is its human resource management.

Appendix 2:
Coding and Characteristics of Companies Interviewed

	TNC Status/ Code	Sector	Principal Activities	Turnover (RM'000)	Size
FTNC					
1.	f-01	Consumer products	Manufacture and sale of food ingredients, soya-based products, sweetener, organic fertiliser	97,562	353
2.	f-02	Consumer Products	Manufacture of sweetened condensed milk, milk powder, dairy products and fruit juice drinks for distribution in the home market and for export.	301,978	543
3.	f-03	Trading/ Services	investment holding. Group – trading and the provision of engineering services in mobile telephones, photographic, audio visual, electronic, telecommunication, electromedical, sound, studio projection, lighting, office automation and other consumer products.	200,090	652
4.	f-04	Consumer Products	Investment holding; manufacture and sale of tobacco products	569,918	753
5.	f-05	Industrial Products	Refining and manufacture of petroleum products including LPG, luboils and bitumen and blending of lubricating oil	2,088,749	N/a
6.	f-06	Finance	Investment holding and underwriting of life insurance business	88,844	N/a
7.	f-07	Consumer Products	Manufacturing and distribution of food and allied products, consumer retailing and property management and investment.	162,235	700
8.	f-08	Consumer Products	investment holding, manufacture and sale of glass containers, soft drinks and dairy products.	110,364	3,800
9.	f-09	Consumer Products	manufacture, marketing and sale, both locally and for export, of sweetened condensed milk, powdered milk and drinks, liquid milk and juices, instant coffee, instant noodles, culinary products, confectionery and cereals, and yogurt and related products.	1,653,002	2,700
10.	f-10	Consumer Products	Production, packaging, marketing, and distribution of alcoholic and malt drinks	641,214	891
11.	f-11	Finance	commercial banking principally engaged in all aspects of banking and in the provision of related financial services.	363,669	1,500
12.	f-12	Consumer Products	Manufacture and sale of electrical consumer products, home appliances and related components	654,005	2,486

13.	f-13	Consumer Products	Investment holding and provision of management services, restaurants, poultry processing and further processing plants, convenience food store chain, breeder farms, hatchery, feedmill, institutional catering, commissary, bakery, investment holding, manufacturing chili, tomato and other sauces and seasoning mixes	549,460	6,499
14.	f-14	Consumer products	production and marketing of beer, stout, non-alcoholic malt-based beverage, purified drinking water for distribution in the home market and for export	581,449	607
MTNC					
15.	m-01	Consumer Products	Investment holding and management; diversified activities, including bottling, marketing and distribution of soft drinks, manufacturing and marketing of thermoplastic pipes; sale of pharmaceutical products; medical supplies and equipment marketing; video and film post-production services; advertising agencies; oilfield equipment, supplies and services; importers and exporters of oil related equipment and material; property development; club and recreational centre operations; operating convenience stores.	717,690	N/a
16.	m-02	Trading/ Services	Palm oil estates, edible vegetable oils and end-user fats, tyres, mattresses, golf balls, rubber, chemical, ownership and management of plantations, engine and consumer items, equipment and spare parts, automotive batteries and component parts, physical and electronic security equipment, sanitary ware, fibreboard cartons and corrugated boxes, roofing sheets, floor deckings, wall claddings, industrial and decorative paints, and bicycles	9,394,200	221
17.	m-03	Trading/ Services	Investment holding and management, gaming operations, leisure and hospitality, entertainment business, plantations, property development, tour and travel-related services, investments, provision of utilities services, manufacturing and trading in paper and paper-related products, generation and supply of electric power.	2,496,000	N/a
18.	m-04	Properties	Developing townships, residential and commercial projects, building industrial units, recreational club, malls and college; property investment, investment holding, hotel operation and theme park.	230,239	N/a
19.	m-05	Trading/ services	investment holding; trading activities; provision of management services to its subsidiaries; power generation; publishing and broadcasting; financial services; property development; construction; engineering; manufacturing.	460,303	1,066

20.	m-06	Industrial Products	cultivation of rubber and oil palm and investment holding; identification, planning, implementation and management of projects in the automotive, property, construction and services sectors.	2,703,802	15,166
21.	m-07	Technology	Factory machinery and equipment; paging services, telephone cables and telecommunications related equipment; computer software, hardware and related products; electrical equipment, appliances and apparatus; alarm security systems; educational courses.	303,610	N/a
22.	m-08	Finance	merchant banking, commercial banking, retail financing and related financial services, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, property and unit trust management	1,760,795	4,311
23.	m-09	Trading/ Services	Commercial television broadcasting; post-production and animation services of videos and films; production of motion picture films; television homeshopping; facilities rental; miniplexes franchising; film distribution.	213,155	1,772
LC					
24.	l-01	Consumer products	Investment holding, manufacturing, trading and marketing of foodstuff, processing and export of cocoa beans and management and development of cocoa estates, manufacturing of instant noodles, snack food, and confectionery products and beverages.	118,935	1,100
25.	l-02	Industrial Products	Investment holding. Subsidiaries and associates - manufacture of tyres, shoes, bolts and nuts, office seating, chocolates and confectionery; sale and distribution of steel and iron products; manufacture of steel bars, wire rods and hot briquetted iron; sale and distribution of motorcycles and motor vehicles including related parts and accessories; retailing and supermarket business; plantations; property development and management; provision of stockbroking and security services; underwriting life and general insurance; manufacture of printing and writing paper; integrated wood-based activities	4,119,497	24,099
26.	l-03	Industrial Products	investment holding; manufacturing and marketing of polyvinyl chloride (PVC) and polyurethane leather and sheeting, polypropylene and polyethylene woven bags and fabric; operation of rubber, oil palm and cocoa plantations and products' marketing; property investment and development; trading in securities and textile products; provision of management services and contract services; manufacturing of tufted carpet mats and PVC/PP foamed sheets for automobiles; manufacturing of corrugated carton boxes, cotton yarn and fabrics.	108,027	660

27.	1-04	Mining	Mining of tin ore and the sale of related products, property development, manufacture of bricks	4,713	126
28.	1-05	Construction	Investment holding, building and civil construction, property development, quarry operations, manufacturing of concrete products, property investment	207,748	310
29.	1-06	Finance	Licensed commercial bank principally engaged in the provision of a comprehensive range of banking activities and services; financial and other related businesses associated with a commercial bank, nominee services; ownership and management of premises and immovable properties; unit trust management; asset management; trustee services.	334,949	N/a
30.	1-07	Finance	Investment holding and provision of management services; investments; property investment and development; hospital and medical services; manufacture and sale of pharmaceutical products; stockbroking; credit, leasing and other related financing activities; rental of properties; hotel and property investment; nominee and registration services; fund management; investment holding	144,645	300
31.	1-08	Industrial products	management and investment holding; manufacture and marketing of agrochemicals, fertilizers, chlor-alkali products, pharmaceutical and healthcare products; marketing of a wide range of industrial chemicals; operating healthcare facilities.	549,460	6,499
32.	1-09	Plantation	investment holding, property holding and management. Group - logging, processing and marketing of logs, veneer and plywood, extracting of timber, plantations, quarry, property investment and development, manufacturing of rubber retread compounds and re-threading of tyres and investment holding.	401,636	4,987
33.	1-10	Industrial Products	manufacture of tubular products, galvanised steel pipes, conduit and stainless steel pipes, flat bars, processing of steel coils into allied steel products, fabrication of steel products and trading of hardware.	193,837	274
34.	1-11	Industrial products	investment holding; manufacture and marketing of cement and allied products.	529,384	1,667
35.	1-12	Consumer products	manufacture of instant coconut milk powder, defatted desiccated coconut and related products; investment holding. Group – trading in food products.	18,310	289

36.	1-13	Trading/ services	domestic marketing of petroleum products which include bunker fuel oil, aviation fuel, diesel, kerosene, motor gasoline, lubricants, fuel oil, industrial and household LPG and natural gas for vehicles.	3,233,646	14,971
37.	1-14	Property	Investment holding; property holding and development, hotel operations, management services; timbre operations, quarrying; gold mining; security services.	39,017	N/a
38.	1-15	Properties	Investment holding and property development; manufacture of steel bars, wire rods and hot briquette iron, property development and construction and provision of education services. Manufacture and marketing of pharmaceutical products, property development, manufacture of automobiles and plastic components	1,405,603	4,400
39.	1-16	Industrial Products	Investment holding and providing management, financial, technical and other ancillary services; manufacture of stamped metal parts and electronic components for the audio-visual, communication, furniture and hardware industries; tools and dies; precision engineering components; automation equipment such as robots and other specialised equipment; marketing products made by the Group; training institute in tool, die and information technology.	695,300	516
40.	1-17	Plantations	Rubber and oil palm production, investment holding and property development.	3,084	50
41.	1-18	Mining	Investment holding and provision of management services; mining and production of copper concentrate containing significant quantities of gold and silver, manufacture of container locking gears and parts and automotive components; quarrying of limestone as an industrial mineral and production of marble products and the processing of limestone to produce fine calcium carbonate powder, calcium oxide (quicklime), calcium hydroxide (hydrated lime) and other limestone derivatives; general merchandising in building materials and heavy equipment and parts; civil engineering and construction projects; Manufacture and sale of white cement; property development; power generation.	261,372	1,580
42.	1-19	Industrial Products	Investment holding, manufacturing and trading, media and communications; media and entertainment; property; construction; financial services; hotels; manufacturing and trading; travel and tourism; food and confectionery; retailing and education services.	907,466	2,502

43.	1-20	Consumer Products	Investment holding and provision of management services; producer, marketer and distributor of a comprehensive range of branded toiletries, personal care, household and other related products.	95,189	938
44.	1-21	Industrial Products	Investment holding, manufacture and distribution of carbon steel pipes, stainless steel pipes and fittings, metal furniture, bedding and its related products	203,451	700
45.	1-22	Property	Housing development and investment holding; property investment and housing development; manufacture and sale of concrete roof tiles; operation of sports and recreation club; sale of building materials.	134,274	158
46.	1-23	Plantation	Plantations, investment holding, property development and manufacturing	223,570	4,553
47.	1-24	Construction	Construction, property development and investment holding. Group - construction, Properties, manufacturing and quarrying, plantation, education and international ventures	947,336	865
48.	1-25	Finance	Investment holding; banking (including offshore Banking) and provision of related services; family and general 'takaful' business; stockbroking and related services; unit trust management services; training and consultancy; leasing of fixed assets to related companies	136,844	1,650
49.	1-26	Property	Property development, property investment and investment holding; property development and investment; general contractors.	102,902	200
50.	1-27	Industrial Products	Manufacture and distribution of industrial gases, medical gases; distribution of welding equipment, medical equipment and related products; manufacture of welding electrodes.	287,670	570
51.	1-28	Industrial products	Manufacture and sale of plywood, veneer, sawtimber and blockboard.	372,971	2,761
52.	1-29	Industrial Products	agricultural products, articulated trucks, asphalt pavers, automotive/industrial/marine engines, backhoe loaders, cold planers, diesel electric sets and generators, excavators, forestry swing machines, forklift trucks, front shovels, integrated toolcarriers, landfill and soil compactors, logging winches, motor graders, off highway tractors and trucks, pipe-layers, pneumatic tire compactors, road reclaimers /soil stabilisers, scrapers, telescopic handlers, track and wheel skidders, track loaders, track-type tractors, vibratory compactors, wheel tractors and loaders.	1,239,200	3,199

53.	1-30	Industrial products	Investment holding; manufacture of fatty acids and glycerin; manufacture of soap noodles and manufacture and trading of esters and metal stearates	229,079	460
54.	1-31	Industrial Products	Fabricating refined copper into copper rods and wires which are component materials used in the manufacture of all types of cables and cords for household, electronic appliances, transformers, tin-making and others. The product range includes copper rods, wires and copper strips.	597,463	174
55.	1-32	Trading/ Services	investment holding company; property management, investment and provision of management services. Subsidiaries - property investment, property development, construction, industrial colour coatings, manufacture of latex rubber thread and tape, plantations, investment holding, trading in securities, stockbroking, organising and managing numbers forecast pools, public lotteries and related activities.	714,603	841
56.	1-33	Plantation	cultivation of oil palm trees; sale of FFB, crude palm oil and palm kernel; processing of crude palm oil; providing management services; research in clarification of palm oil; harvesting of FFB; trading of agricultural and horticultural products.	68,705	478
57.	1-34	Trading/ services	Operation of department stores and supermarkets; garment manufacturing; property investment and oil palm cultivation	300,699	2,000
58.	1-35	Industrial products	Manufacture and distribution of industrial gases and related products, welding electrodes, provision of total logistics services covering bonded and non-bonded transportation and warehousing; cold storage, freight forwarding.	115,244	562
59.	1-36	Industrial Products	manufacturing; trading; quarry operations, investment holding and provision of management services; investment holding; construction; project management; property development, investment and management; hotel management; plantations; restaurant management.	300,780	1,300
60.	1-37	Industrial products	kiln drying and chemical treatment of timber, mouldings block board, and door manufacturing; logging; sawmilling; plywood, blockboard and door manufacturing; and other value-added downstream processing activities.	169,362	2,050
61.	1-38	Industrial products	Manufacture of a full range of urea-formaldehyde, phenol-formaldehyde, pultruded products, signage and forecourt equipment, FRP tanks and vessels, FRP pipes and fittings, shop fittings, petrol equipment products, chlorination tumblers, manhole covers, air pollution control system.	67,693	450

62.	1-39	Construction	investment holding; civil and building construction; earthworks; renting of construction machinery. Subsidiaries - property and hotel development; investment holding; civil and building construction: earthworks; renting of construction machinery.	198,511	500
53.	1-40	Consumer products	Investment holding, provision of management services; property and investment holding, property development, stock and share brokers, trading and processing of cocoa	36,975	167
64.	1-41	Plantation	investment holding, property rental and the provision of management services; property development, investment holding, oil palm plantations, power generation and hotel operations.	225,373	337
65.	1-42	Consumer Products	Manufacturing garments and knitted products	133,875	3,200
66.	1-43	Trading/ services	ship-owning and ship operating and other activities related to shipping services; container haulage and repair; trucking and warehousing; ship construction, repair and engineering; shipbroking and agency services; merchant banking.	2,474,992	766
67.	1-44	Property	investment holding and provision of management services to subsidiaries; cultivation and sale of oil palm produce, property development, trading in building and timber products, manufacturing of marble slabs and concrete pipes, investment trading, housing contractor, property management and property investment.	144,859	164
68.	1-45	Industrial products	Investment holding; manufacture and sale of corrugated fibre board, carton boxes and paper egg trays; property investment.	99,114	629
69.	1-46	Trading/ Services	investment holding; shipping activities.	26,051	131
70.	1-47	Industrial products	investment holding; manufacture of cryogenic tanks, vaporisers and gas processing equipment; manufacture of equipment for the petroleum and gas industry; turnkey contracting of industrial boilers and palm oil mills; general trading; infrastructure and property development; manufacturing and trading of bricks; general engineering and supplies of plant and equipment; construction works; trading, contracting and project management in relation to water engineering facilities; operation, maintenance and management of water treatment plants.	176,464	350
71.	1-48	Plantation	Cultivation, processing and sale of crude palm oil and palm kernel.	75,556	240

72.	1-49	Hotel	investment holding and the provision of management services. Group - hotel and resorts business, property investment and development, operation of golf courses and civil engineering works.	154,448	537
73.	1-50	Consumer Products	investment holding. Group - manufacture and sale of audio systems, speaker boxes and related products, trading in components and raw materials for the manufacture of speaker boxes, audio systems and other electronic products.	26,983	2,992
74.	1-51	Trading/ Services	publication and distribution of newspapers and provision of advertising and printing services; printing and management services; advertising and news agency.	298,251	1,256
75.	1-52	Plantation	investment holding. Group - cultivation and processing of natural rubber, oil palm and cocoa; bulking of edible oil; agricultural research; advisory services.	182,433	N/a
76.	1-53	Plantation	producing and processing natural rubber, palm products and cocoa on its plantations; manufacturing, property development, overseas investments and investment holding, retailing and plantation.	961,566	15,487
77.	1-54	Consumer products	poultry processing, further processing and investment holding, operation of convenience food store chain	266,036	602
78.	1-55	Consumer Products	Manufacture and sale of yarn and woven fabrics; property development, investment holding and trading	69,378	1,003
79.	1-56	Industrial products	investment holding, hardware dealer, general merchants and civil contractor, hardware dealer; manufacturing BRC and polished shafts; manufacturing channels and pipes; manufacturing elbow joints and supplier of seamless carbon steel pipes; investment and property holding; chartering of barges; manufacturing and trading of hot roll coils and steel plates.	592,819	720