

## Introduction

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## INTRODUCTION

In the last few decades, Malaysia has witnessed the emergence, development and consolidation of many local large conglomerates or business groups established by Malaysian entrepreneurs. In compliance with the New Economic Policy, which was implemented between 1970 and 1990, these business groups underwent a restructuring of equity shares, management and employment. This book is an attempt to analyze how these groups were formed and restructured. Needless to say, the number of groups that no more than a few scholars can analyze was limited.

Moreover, the period of our research was rather short. Accordingly, we decided that, in principle, one contributor would concentrate his or her analysis on one group. As a result, only several groups are analyzed here. However, I believe that each contributor, this writer excluded, succeeded in producing an in-depth analysis and in making a new departure in this field of study.

Business groups founded by Malaysians can be divided into three groups in accordance with the socio-economic characteristics of founders. The first is Bumiputera company groups founded by Bumiputera entrepreneurs. The second is non-Bumiputera company groups founded by non-Bumiputeras, especially the Chinese. And the third is privatized companies which were originally established by the government as its departments or agencies. Each participant chose the group which he or she was most familiar with. From the first group Sapura Holdings Berhad was chosen by Dr. Mansor. Then, from the second, the Kouk Brothers group, Kanzen Berhad (formerly Dreamland Bhd.) and Kretam Bhd. were singled out by Mrs. Irene Sia, Dr. Stephen Leong and Dr. Pang Teck Wai respectively. From the third, Sistem Telekom Malaysia Bhd., Malaysian International Shipping Corporation and Tenaga Nasional Bhd. were picked out by Dr. Abdul Aziz.

Although Hara's article does not directly relate to the present business groups, it is hoped that the article might contribute to an understanding of how large industrial firms, which were to become Malaysianized conglomerates controlled by Malaysians a few decades later, were consolidated by the government's policy in the early post war period.

Chapter 1, written by Dr. Mansor, focuses on a newly emerged and most successful Bumiputera business group, Sapura Holdings Bhd. (SHB), which was established in 1975 and is the largest telecommunications conglomerate in Malaysia now, as well as on its founder, Shamsuddin Abdul Kadir. After tracing Shamsuddin's career, which started in the Telecoms Department, and the steady, rapid development of SHB (over the last five years, SHB's turnover has increased more than four fold), the author concludes that Sapura's success in the beginning can be summarized by Shamsuddin's qualification and experience, and contracts

with the government. However, the author stresses, the most important recipe for SHB's success lies in its quality, professionalism, employees' loyalty and choice of partners. Judging from its sound financial position, adequate budget for Research and Development and the exploration of overseas markets, the author predicts a bright future for SHB.

Chapter 2, written by Dr. Pang, deals with Kretam Holdings Bhd., which is one of the largest business groups and the first public listed company in Sabah. As far as I know, this is the first ever research on business groups in Sabah.

The author writes that the objective was to trace how Kretam was founded, developed and then restructured to cope with the changing economic environment. Environment here has a dual meaning, that is, the environment in Malaysia in general and the environment in Sabah in particular. The Kretam group of companies was founded by four families in 1947 and still harmoniously controlled by the same four families now. The most important financial resource that enabled the group to diversify its activities into other field such as oil palm, cocoa and real estate development was timber. None of the founder family members have been involved in political activities. The success of the group can be attributed to thriftiness. To expedite their activities, KHB was listed on the Kuala Lumpur Stock Exchange in 1989 and allowed Bumiputera participation, and finally Bumiputeras assumed chairmanship and deputy chairmanship of KHB in 1993. From these facts, readers might be able to identify the specific features of the largest business group in Sabah.

Chapter 3, written by Mrs. Irene Sia, traces the making of a Malaysian Chinese Taipan with a global conglomerate; the development from the humble beginnings of a provision shop to the majesty of the Shangri-La in Beijing. The author mainly focuses on the rapid and impressive development of Kuok's and Kuok Brothers' enterprises inside Malaysia. Apart from Kuok's foresight, dynamism and global view, his close connections with many old friends including the top government leaders are considered to have contributed to his success. It is interesting to know that even the government's industrialization policy as well as reparation from Japan helped him nurture his business empire.

Chapter 4, written by Dr. Stephen Leong, analyzes Kanzen Bhd. (KB). Its predecessor, Dreamland Holdings Bhd. (DHB) was set up in the late 1970s by Lim Kim Hong to manufacture mattresses. DHB took a great leap forward when it entered into a joint venture in China in 1987 and 1990. Another quantum leap was taken when DHB changed its name to KB in 1991 with a subsidiary Kanzen Tetsu Sdn. Bhd. venturing into stainless steel production. With Japan's Okura & Co. providing the requisite technology and links with a sogoshosha, the Mitsubishi Corporation, Kanzen is set to make its mark in the steel industry. Group Chief Executive Lim Kim Hong hopes to fulfill his current dream of achieving multinational status for KHB within ten years.

"Kanzen" means perfect in Japanese. The author verifies how the joint-

ventures in China, which were the pioneering projects for Malaysian entrepreneurs, and adoption of the Japanese management philosophy contributed to the development of the Kanzen group of companies.

Chapter 5, written by Dr. Aziz, describes privatization process. After tracing the evolution and chronology of privatization, with a focus on rationale, policies and strategies as well as divestment procedures, the author attempts to highlight the micro-level picture of the content and management of the divestment process of the three privatized companies mentioned above. His conclusion is that the privatization exercise so far has met with some degree of success. From this article, readers might understand another perspective of corporate restructuring in Malaysia.

Chapter 6, written by Hara, should rather be regarded as an appendix. It refers to the reparations assumed to be claimed against Japan immediately after the end of the Second World War. Not only in Japan but also in Malaysia and Singapore, reparation problems with Japan are considered to have emerged in 1962 when hundreds of remains massacred by Japanese soldiers were exhumed in Singapore. In fact, the problem had emerged just after the end of the war and was strangled by the Allied Powers at the San Francisco Peace Conference held in 1951. Instead of reparations, Japanese assets which remained in Malaya were utilized for the rehabilitation of Malayan (inclusive of Singaporean) industries. Analysis here is focused on how the problem was settled, how the Malayan people regarded it and the effect it had on Malayan and Malaysian economy.

As we did not try to reach a collective or common understanding on the topic, each article reflects the author's personal point of view.

Editor