

MANAGEMENT DEVELOPMENT

IN

PENINSULAR MALAYSIA

B.M. CONWAY

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## DECLARATION

I hereby declare that this thesis has been composed by me; the field research was designed in collaboration with Professor N.C. Hunt and the original study was conducted under his supervision.

B. M. Conway



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## CHAPTER 1

### INTRODUCTION

#### Background to the Study

This study is the product of the concern of the Malaysian Government and a number of institutions associated with management training, in particular the Malaysian Institute of Management, to improve the standard of management in the country through more effective management development, and so to further the economic development of the country. It grew out of a request made by the Malaysian Government for a survey of management development needs, a request put to the Ministry of Overseas Development, and financed by the British Government as part of its special aid programme to Malaysia.<sup>1</sup> This original survey was conducted under the supervision of Professor N.C. Hunt of Edinburgh University during 1972. It was similar in approach to a previous study supervised by him of management development needs in Kenya.<sup>2</sup> In both cases the studies were essentially action-oriented and intended to result in concrete recommendations to the respective governments regarding management development needs in the private sector and the provision of management training facilities.<sup>3</sup> (Appendix A gives the terms of reference of the original Malaysian study). In 1976 a follow-up study was conducted to try and assess the degree and direction of change in management development practices. This part of the study was financed by the School of Oriental and African Studies, and a

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- 1 Reference: Malaysian File (18) dlm. JPM. 25282
  - 2 L.M. Whitlock, "Management Development in Kenya."
  - 3 The original survey resulted in the following report to the Malaysian Government: N.C. Hunt and B.M. Conway, "Management Development Needs in West Malaysia."

a summary of the findings was also submitted to the Malaysian Government.<sup>4</sup>

While this thesis reflects the essentially practical orientation of the research it also goes considerably further than either of the two reports in its endeavour to interpret that data taking into consideration the conceptual issues involved in management development, and the complex of historical, social, economic and political factors that make up the context in which it takes place and determine the managerial needs and constraints of the companies on the one hand, and the human resources to be developed on the other.

#### Aim and Structure of the Thesis

The aim of this thesis is to examine the practice of management development in a developing country - here, Peninsular Malaysia - in order to gain an understanding of the specific problems it poses. It will start by looking at what is meant by management development, what the process involves and the assumptions upon which it is based. One of the basic points this thesis seeks to illustrate is that one cannot fully understand the problems companies face in developing their managerial staff without an appreciation of the whole range of factors that impinge upon the situation. For this reason special attention has been paid to the historical, political, social and economic context of management development in Malaysia. The study will examine the way in which companies are actually developing their managerial staff, and coping with the special needs and constraints in the Malaysian situation. Finally, it will endeavour to draw conclusions regarding the practice of management development in Malaysia and the principal areas where it may be improved.

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4 B.M. Conway, "The Practice of Management Development in West Malaysia 1971-1975."

## Terminology

The terms 'manager' and 'management development' will be discussed in the next chapter; however, at this point some clarification is necessary. 'Manager' is being used to refer to the individual who is responsible for the day to day running of a business enterprise as well as planning for the future and initiating new ventures. That is 'manager' is not being used as synonymous with 'entrepreneur', rather the entrepreneurial role is one of the possible components of the managerial role. This implies a measure of specialization of function. Management development is, therefore, considered largely in the context of the company with a number of managers on its staff. As will be seen it was not possible to use a precise cut off point in terms of size of managerial cadre in defining the sample of companies under study and there are some very small companies in the study. However, in the case of these companies, management development needs to be interpreted in its broader sense and the approach modified to suit their particular needs and constraints.

Some clarification of Malaysian terminology is necessary. A number of terms are used to refer to the territory of West Malaysia, or Peninsular Malaysia, as it has recently come to be called. Historically, it was referred to as the Malay peninsula and came to be known as British Malaya. The states with which Britain had the closest relationship (and were the focus of economic development in the peninsula) were the Federated Malay States (FMS); the others were termed the Unfederated Malay States (UFMS). The coastal ports of Singapore, Penang and Malacca were administered separately and they are referred to as the Straits Settlements (SS). After World War II the Federated and Unfederated States were brought together with Penang and Malacca (but leaving out Singapore) into the Federation of Malaya, and then in 1963 this territory combined with Singapore, Sarawak and Sabah to form the federation of Malaysia. In 1965, Singapore was ejected and became a separate republic. The country now consists of East Malaysia - Sarawak and Sabah - and Peninsular, or West, Malaysia. All these various terms for the peninsula will be used according to the historical period.

Communal groupings are very important on the Malaysian scene. Frequent reference will be made to the three main 'races' of Malaysia - the Malays, Chinese and Indians. The term 'race' is used here in the way it is in the country, that is, to mean ethnic origin. It does not necessarily imply that the person is not a Malaysian citizen. Before the War immigrants from China and India were not considered citizens but in the post-war period most Chinese and Indians have been able to acquire citizenship. The Malays are considered to be the indigenous race and are frequently referred to as 'bumiputras' meaning 'sons of the soil'. The term 'bumiputra' also applies to the other indigenous communities of Malaysia - the small tribes of the interior of the peninsula and the tribes of Sarawak and Sabah. However, since the Malays are the most numerous of these groups, the term 'bumiputra' tends to be used as synonymous with 'Malay'.

The currency of Malaysia is the 'Ringgit' or Malaysian dollar. It is this currency that will be used throughout and the symbol, \$, should be taken to mean Malaysian dollar unless otherwise indicated.

A final word about abbreviations. Abbreviations for such things as the Third Malaysia Plan, TMP, and Government bodies such as the Federal Industrial Development Agency, FIDA, are very commonly used in Malaysia and accordingly these shortened forms have been adopted in this thesis. The full title will always be given the first time it is mentioned and thereafter the abbreviation will be used.

## CHAPTER 2

### A CONCEPTUAL FRAMEWORK

The aim of this chapter is to explore what is meant by management development and the assumptions upon which it is based. This analysis is intended to put subsequent chapters on the background to, and practice of, management development in Malaysia into the context of general theory and thought on the subject.

#### THE MEANING, APPLICABILITY AND IMPORTANCE OF MANAGEMENT DEVELOPMENT

First, it is appropriate to define some of the terms that are going to be used throughout this study. The term 'management' refers to the activities of both entrepreneurship and business administration. This covers, on the one hand, the risk-taking inherent in innovation, and on the other, the forecasting, planning, organizing, co-ordinating and controlling of administration. It is a decision-making process aimed at the optimum utilisation of available resources. The 'manager' carries out both these sets of tasks. In fact, in a very large organization it may be primarily those of business administration, whereas in a smaller organization the innovative role would be a very important part of his activities. The larger the organization the more likely the manager is to specialize in a very few functions, whereas in a very small organization there may be only one manager who performs all these functions.

'Management development' refers to the totality of various processes that go into developing a man's capacity as a manager and providing for the managerial needs of the firm both in the present and in the future. It is the process whereby an individual with a good background education and ability is developed into a successful manager. Its aim is to maximise his potential as a manager and to enable him to realise that potential to the fullest. Therefore, it is concerned with all levels of management from the most junior to the most senior. It subsumes 'management education' which involves

the study of the theoretical concepts behind the various subjects that make up the field of management - economics, industrial relations, organizational behaviour, and so on; and 'management training' which is the practical, job-related part of developing managers. Management education is characteristically provided by institutions of higher education - universities, business schools and polytechnics; management training may occur on the job, at in-company training courses or external training centres.

Management development implies an approach to the development of managerial staff based on the belief that good managers can be developed and must be developed to meet the growing needs of the organization. It is an approach that has been evolved in response particularly to the needs of large dynamic American organizations but has appeared to have logical application to companies no matter what their size, industry or geographic location. It reflects a scientific approach to management that characterizes much of recent American thinking. As Drucker puts it

...the manager can improve his performance in all areas of management including the managing of a business, through the systematic study of principles, the acquisition of organized knowledge and the systematic analysis of his own performance in all areas of his work and job and on all levels of management.

The use of sophisticated technology and of mass production have both emphasized the need for an analytical approach:

Mass production...requires management trained in analytical thinking, in scheduling and in planning. New-style mass production as well as process production requires management trained in seeing a business as a whole<sup>2</sup> in conceptual synthesis and in decision making.

Since this analytical approach is related to a technology that it has been suggested is universal, it is argued that the need for such an approach is universal:

Technology - like the language of mathematics - is universal. By obeying laws of reason and science

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1 P.F. Drucker, The Practice of Management. p. 21.

2 ibid., p. 134.



science, men of varying cultural and ideological positions presumably can agree on the best machine design or most desirable production system. For the most part, this technology is Western. The hardware of Europe and the United States is spreading over the globe so that the machine tended by the U.S. worker may be more modern, but is not fundamentally different from that of the Indian or Brazilian worker's where industrialization is just taking place. Demands for attention, response and care exerted by the machines<sup>3</sup> on their human operators are essentially identical.

Given that most modern technological developments originated in the West, and it is this that has engendered the current emphasis on an analytical approach to management, this concept has tended to be influenced by Western cultural assumptions. Nonetheless, there is considerable support for the universal applicability of this approach.

This argument is based on two main planks. The first is that American management thought and practice is the most advanced in the field and therefore can provide a model for other countries which will assist them to manage their businesses more effectively and so attain faster growth.<sup>4</sup> The second has already been mentioned: the spread of technology around the world which, it is suggested, demands a specific approach by those who use it. Technology in this case may be said to refer not just to the industrial hardware but to the systems of modern commerce and industry as well. Because of the educational and attitudinal requirements of modern industry, people around the world are gradually casting aside traditional ways and are acquiring an increasingly similar set of values and attitudes. This is termed the convergence theory.

One of the major instruments of convergence is the multinational company which carries a philosophy and practice of

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3 R.A. Webber, "Convergence or Divergence?" Culture and Management. T.D. Weinshall, ed. p. 41.

4 See for example A.R. Negandhi, "A Cross-Cultural Comparative Study of Management," OMEGA, 2, 6 (1974), pp. 785-791.



management developed in the West throughout the developing world. The ubiquity and size of these companies, not to mention the status and financial rewards attached to employment by them, gives them a potentially powerful influence both on their own managers and within the business community in which they operate. Brooke and Remmers write:

National differences as such are becoming less significant. It is the fact of international operations that is<sup>5</sup> important rather than particular local differences.

Many developing countries are following the Western model of development, particularly through industrialization, importing Western technology, expertise and management. If one takes Malaysia, not only are there a number of European companies dating from colonial times but the Government has made a very clear choice of industrial development along Western lines and of attracting foreign investment to do this.

However, whether convergence is taking place or not, at present there is a great deal of divergence between the business environment in a developing country and that in a Western country, a divergence that is immediately evident to the observer. On the basis of his research Winston Oberg states:

My own experience in international management leads me to believe that cultural differences from one country to another are more significant than many writers now appear to recognize. For example, the skills that lead to managerial success in the U.S. may not be<sup>6</sup> the skills that lead to managerial success in Brazil.

Gonzalez and McMillan have come to a similar conclusion; they write, "this unique American (management) philosophy is a special case, limited in applicability to economies and cultures comparable to that

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5 Michael Z. Brooke and H.L. Remmers, The Strategy of the Multinational Enterprise. p. 292.

6 Winston Oberg, "Cross-Cultural Perspectives on Management Principles," Journal of the Academy of Management, IV, 2, (June 1963), pp. 129-30.

of the United States."<sup>7</sup> Not only are present cultural differences real and significant but Oberg's research sheds doubt on the validity of the convergence theory itself. If the skills required for successful management in a developing country are different from those in the West, this suggests that cultural and contextual differences play a more important role in determining the type of management required than technology. Management consists both in the management of work and the management of people; while the former may revolve around a technology which may be said to be neutral, the latter is complex and culture-bound.

The key importance of this human element in economic development has been given increasing recognition. Frederick Harbison states:

...human resources - not capital, nor income, nor material resources - constitute the ultimate basis for the wealth of nations. Capital and natural resources are passive factors of production, human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organizations, and carry forward national development. Clearly, a country which is unable to develop the skills and knowledge of its people and to utilize them effectively in the national economy will be unable to develop anything else.<sup>8</sup>

Walter Elkan expresses a similar view when he refers to human capital as "the most important part of a country's capital stock".<sup>9</sup> However, human capital alone is not enough; it is the quality of human capital that is the most relevant factor, that is, in this case, its suitability to the requirements of a modern economy.

Education is the principal way of improving the quality of human capital and the relationship between economic growth and

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7 Richard F. Gonzalez and Claude McMillan, Jr., "The Universality of American Management Philosophy," Journal of the Academy of Management, (April 1961), p. 33.

8 F.H. Harbison, Human Resources as the Wealth of Nations. p. 3.

9 W. Elkan, An Introduction to Development Economics. p. 21. Also see F.H. Harbison and C.A. Myers, Education, Manpower and Economic Growth. pp. 13-14.

education in general, has frequently been explored. Harbison and Myers came to the conclusion that, "there is a high correlation and presumably some causal relation between enrolments in education (and hence investment in education) and a country's level of economic development as expressed by GNP per capita." <sup>10</sup>

They found that the relationship between education and economic growth appeared to be one of the chicken and the egg:

Investments in education certainly contribute to economic growth, but it is also obvious that economic growth makes it possible for nations to invest in educational development. Education, therefore, is both the seed and the flower of economic development. <sup>11</sup>

The same relationship appears to apply with management development: it costs time and money, and therefore a firm must be doing well to implement it, yet it is also a factor contributing to a firm's continuing growth and success.

Nonetheless, in the context of a developing country striving to modernize and industrialize, the development of dynamic management is a necessity. Throughout most of the developing world there is a shortage of managers equipped to handle the new forms of commerce and industry that are springing up. Some means of developing new managers is thus essential.

What then are the elements involved in management development? There is the end product - the competent manager, although since it is a continual process, it would perhaps be better to identify the end product as the maximization of the managerial potential of the individual. Then there is the organization within which he works and which defines the particular combination of skills he will require. Third, there is the environment in which that organization functions - its constraints, demands, and opportunities.

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10 F.H. Harbison and C.A. Myers, Education, Manpower and Economic Growth. p. 185.

11 F.H. Harbison, and C.A. Myers, Manpower and Education. pp.x-xi.

Fourth, there is the individual, the man or woman who is going to be developed as a manager, the person with all his potentialities, his attitudes and values. And finally, there is the actual process of management development itself, the process whereby the new recruit is developed into the competent manager.

#### THE MANAGER

The skills required of a manager can be categorized into three main groups - entrepreneurial skills, administrative skills, and technical skills. Entrepreneurial skills involve innovation and risk-taking. "It is the carrying out of new combinations that constitutes the entrepreneur," states Schumpeter.<sup>12</sup> Elaborating a little, he brings in such characteristics as initiative, authority and foresight.<sup>13</sup> On the other hand, Schumpeter entirely rejects risk-taking as part of the entrepreneurial function.<sup>14</sup> This is because he defines risk-taking narrowly as the taking of financial risk, and it is the role of the capitalist to take those risks.<sup>15</sup> However, it is now common to give a wider definition to risk-taking and to attribute to the entrepreneur the taking of risks on behalf of his shareholders. Entrepreneurial skills form the dynamic, thrusting, innovative end of a manager's activities. They are not demanded equally of all managers, indeed in very large corporations it is often administrative and technical skills that are the most crucial. Likewise, they are required more in certain functions than in others: more in sales and marketing for instance, than in, say, accounting or the technical side of a company's activities.

The administrative skills required of a manager are related to the day to day running of the company's activities. They may

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12 Joseph A. Schumpeter, The Theory of Economic Development. p.75.

13 loc. cit.

14 ibid., p. 137.

15 It may be that the entrepreneur is at the same time the capitalist but these are two separate roles and it is as capitalist alone that he takes risks.

involve the planning, organizing, co-ordinating and controlling of activities - the operation of the system of management, and consequent management of the people involved. McClelland has found no experimental evidence that a person with entrepreneurial skills has superior administrative skills.<sup>17</sup> They appear to be completely separate.

Finally, there are the technical skills required of a manager and here technical is being used in a very broad sense. These obviously vary tremendously according to industry and function and change over time as the field changes.

### THE ORGANIZATION

The type of organization and the part of that organization into which a manager fits will determine the skills he is required to use. It will also determine the degree to which his potential can be realized, and the feasibility of certain types of management training. Some of the factors that may influence a firm's management requirements and its approach to management development are the level of technology, the level of capital intensity, the industry, its size, the growth rate, whether it is a new or old company, whether it is a local company or a multinational, whether family-owned or a public company and the management philosophy or climate.

Obviously, a number of these factors are closely interconnected - the level of technology, for instance, with capital intensiveness. In a high technology industry where there is constant updating as the technology becomes more sophisticated a high degree of training is demanded of its managers. Such a level of technology also affects the design of the organization and the management climate. Likewise, a labour intensive industry will have a completely different structure and the skills required will emphasise the management of labour rather than of sophisticated machinery. There are obvious differences in the managerial requirements of different industries. Managers in sales and marketing have

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17 D.C. McClelland, The Achieving Society. p. 238.

been shown to have the highest achievement motivation, therefore one might conclude that this is a requirement for managers in this sector.<sup>18</sup> The size of a firm will influence the range of skills any single manager is required to have and the degree of responsibility - the trend being toward increasing specialization in the larger firms and toward decentralization of managerial decision-making. It will also influence the feasibility of different types of training. The age and rate of growth of a company will also have a powerful influence on its management climate and the opportunities for the growth and development of its managers.

The subsidiary of a multinational company in a developing country not only brings with it the management philosophy and style of its parent company, and has the resources of its parent in terms of technical and management know-how and training, but tends to operate according to a system laid down by and controlled by its parent. Brooke and Remmers found in the case of multinational companies,

...that a decentralizing ideology masks a centralizing reality. The factors which create this situation include an increasing integration of multinational operations, an increasing speed of technological change, and the rapid development of global techniques, strategies and information collection.

It may be argued, as Negandhi does<sup>20</sup>, that the parent companies are in touch with the best possible management practices and that by imparting them to their subsidiaries they ensure their maximum effectiveness. In his research he found that of 126 industrial firms in seven countries, 70 per cent of the U.S. subsidiaries, as compared to 33 per cent of local firms were undertaking comprehensive planning and that, "a greater number of U.S. subsidiaries have paid considerable attention to the selection,

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18 D.C. McClelland, op. cit., p. 267.

19 M.Z. Brooke and H.L. Remmers, op.cit., p.285.

20 A.R. Negandhi, op. cit., p. 786 and p. 790.



promotion, training and development aspect of their employees".<sup>21</sup> In comparing American and local companies in Mexico Toyne found that the company had a strong influence on managers' attitudes which varied about such things as leadership, the sharing of information and participation according to whether they were employed by a Mexican company or a subsidiary of an American company operating in Mexico.<sup>22</sup> Toyne concluded that "management beliefs and needs are potentially transferable, and MNC's can act as transfer agents. However, the "success" of this transfer process is dependent on certain industry and company characteristics," and here he cites capital intensity, research and development intensity, marketing intensity and company size measured in annual sales.<sup>23</sup>

Locally-owned companies obviously reflect the culture in which they function and in many cases, a specific subculture. This is particularly true in the Malaysian context where there has been a tendency for particular clan or dialect groups to specialize in a particular trade or industry . In this case, the style and manner of management tends to be dictated by the subculture of the group.

Within the locally-owned group, there is also a marked difference between the private and public company. Private companies tend to be family-owned and run along patrimonial lines. Harbison and Myers describe patrimonial management as,

...business management in which ownership, major policy-making decisions, and a significant proportion of other jobs in the hierarchy are held by members of an extended family. The effective decision-making authority is centred in the family, and the goals of the enterprise are oriented towards the interests and the aspirations of the family.<sup>24</sup>

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21 ibid., p. 789.

22 Brian Toyne, "Host Country Managers of Multinational Firms: an Evaluation of Variables Affecting their Managerial Thinking Patterns," Journal of International Business Studies, 7, 1, (1976), pp. 39-55.

23 B. Toyne, op. cit., pp. 42-43.

24 F.H. Harbison and C.A. Myers, "Management as a Class," Culture and Management. T.D. Weinshall, ed. p. 216.

They go on to say,

Patrimonial management may be especially effective in the early stages of industrial development...If the key members of the family dynasty are competent, well-educated and diligent, patrimonial management may be quite dynamic.<sup>25</sup>

Not only does such a system put a great deal of responsibility in the hands of a very few, and therefore the quality of their management skills is vital, but the natural constraints of such a system are such that it is only really well suited to "small and relatively simple organizations such as retail and wholesale trade, craft industries, and small or medium-sized industrial plants".<sup>26</sup> A company reaches a point where a change in the management structure is essential. One thinks of Henry Ford who tried to run the giant Ford Motor Company in a totally centralized paternal way and in so doing brought it to the brink of collapse.<sup>27</sup>

By 'going public' a company accepts a change from this family-based pattern to professional management by technically qualified managers, and a division of responsibilities. This is a very major step that enables the company to expand past the constraints imposed by family management. It affects the pattern of decision-making which tends to move from the extreme centralization of patrimonial management towards a decentralized pattern. It also brings with it a need for more specialized and sophisticated training and development of managers.

#### THE ENVIRONMENT

The economic, political, social and cultural milieu in which a company operates is bound to impinge on the management of the company. The overall health of the economy and the company's position in relation to that will determine whether corporate belts are being tightened and items like management training, which are

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25 ibid., p. 217.

26 ibid., p. 218.

27 P.F. Drucker, op. cit., pp. 141-144.



too often considered 'non-essential', are left to fall by the wayside or whether the company is booming and a great deal of effort is being put into the recruitment and development of management staff. The level of competition will affect profit margins, the degree of efficiency demanded, and again the attitude towards training.

The influence of political factors is particularly important to companies in developing countries. The most basic prerequisite is political stability. The tensions of political life can disrupt commercial activity and may be felt within the company, influencing the way individuals react to each other, and so the smooth running of the organization. Third World governments are becoming increasingly involved in the economy, and the threat of nationalization, and/or antagonistic government attitudes towards private industry influence company attitudes. Whereas in colonial times foreign firms tended to bring the bulk of their management cadre from the metropolitan country, and considered the manager's basic education and culture sufficient qualification for management, today there is usually tight control of expatriate appointments and frequently governments place conditions on foreign companies related, amongst other things, to the training and development of local managers and rapid localization of managerial posts. This means that there is a political and commercial necessity for companies to concern themselves with management development. Companies will be expected to conform to the government's development priorities in respect to such things as job creation, regional distribution and the reservation of particular industries to nationals.

The financial, legal and physical infrastructure of a country are important constraints on commercial activity as are social factors - the general level of education, the local employment situation, the existence of well qualified management recruits, and local attitudes towards business. Companies require people with a good basic education who can be trained for management, "trainable people", as Harbison puts it,<sup>28</sup> therefore the extent, quality and

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28 F.H. Harbison, op.cit., p. 84.

orientation of the national educational system is important. It is also important that it be in harmony with the needs of the economy, so that it produces the technicians, engineers, and chemists industry needs and not an overabundance of, say, arts graduates who cannot readily be absorbed into the economy. The existence of an indigenous entrepreneurial group is significant in that it is often from this group that the new industrialists come.<sup>29</sup> Migrant groups who in many cases form a dynamic entrepreneurial class may be present in the population and can perform a very valuable function in the development of the economy.<sup>30</sup> However, in some cases there are tensions between these groups and the indigenous population which may make it difficult for their skills and aptitudes to be put to best use. Where there is no indigenous entrepreneurial talent a company is faced with a very difficult task in developing managers, indeed it may be advised to consider restructuring the company to maximise the effect of the limited managerial skills that are available. Another factor to contend with in developing countries is that managerial skills are usually in such short supply that it becomes a sellers' market. This puts both the price and the job aspirations of the seller up to such an extent that it may be impossible to employ him at a level where he can be most useful.

The response of the indigenous culture to a modern economy and the compatibility of traditional values with modern commercial values will affect the attitudes and values of managerial recruits. Where these are completely at odds with those of the company some means of coming to terms with the situation, of adapting the company to the culture, needs to be found. Linguistic requirements may be significant in developing countries, so many of which are

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29 See for example the writing of Gustav Papanak on Pakistan, e.g. G.F. Papanak, "The Development of Entrepreneurship," American Economic Review, vol. 52, no. 2 (1962), pp. 46-58.

30 As we shall see the Chinese in Malaya are one of the best examples of such immigrant groups; others include the Indians in East Africa, the Lebanese in West Africa and the Chinese and Indians in the West Indies.

multi-lingual, and the language in which business is conducted obviously places constraints on recruitment.

In assessing the influence of local conditions upon management development one must not forget the existence of local training facilities. These may range from a Business School to a Productivity Centre to the training programmes of private consultancy firms. Where there is this sort of institutional support it can play an important role in 'selling' the idea of management development, not to mention providing needed training opportunities.

This has not by any means been a comprehensive list of the local factors which influence the management and so management development activities of a company but gives some indication of the importance and complexity of the context in which companies operate and some of the ways it may impinge upon them.

#### THE INDIVIDUAL

Argyris claims that "...all organizations...originate with the attempt to fuse two basic components, the individual and the formal organization,"<sup>31</sup> that is, they seek to align the needs and goals of the individual with those of the company so that in performing his functions as manager he not only fulfils himself as an individual but also the aims of the company. The company can only begin to do so if it knows what the needs, goals and abilities of the individual concerned are. Because of this close relationship between the individual and the role of manager it may well be that in Western companies parts of the role have been built around the characteristic entrepreneurial or managerial personality to be found in the West. One might say the role has been defined by a specific personality type. This not only creates problems when it comes to fitting a non-Western personality into the role, but makes it difficult to identify fully the pure requirements of the role.

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31 C. Argyris, Personality and Organisation. p. 20.

## Education and Training

The level of the individual's educational attainment has been found to be important in management.<sup>32</sup> Hubert, referring to European industry, stated: "A reasonably high and generalized standard of basic education would appear a prerequisite for the success of management education."<sup>33</sup> Toyne found that one product of education is that it "probably enhances the transferability of U.S.-oriented beliefs about leadership and the management techniques employed," however, "it may result in relatively greater need dissatisfaction."<sup>34</sup> This is to be explained by the fact that education is a form of acculturation, and higher education, in particular, tends to be oriented towards the West. However, in acculturating students to the West it may separate them from their own culture and hence their dissatisfaction. From the point of view of Western firms operating in developing countries this very acculturation makes the university graduate better suited to its approach to management, or, put another way, minimizes the companies' need to adapt to the local culture.

However, it is not always a university-type training that is required. Douglas McGregor claims,

...there is not much evidence that high academic achievement represents a necessary characteristic for industrial leadership. There may be a positive correlation, but it is not large enough to<sup>35</sup> provide a basis for a recruitment policy.

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32 For instance, Dunning attributes part of the success of U.S. subsidiaries in Britain over their British competitors to the better formal qualifications of the executives. J.H. Dunning, "U.S. Subsidiaries in Britain and their U.K. competitors," Business Ratios, 1 (1966), pp. 16-18.

33 A.C. Hubert, "Small and Medium-sized Enterprises and Management Training - the European Experience," Promotion of Small and Medium-sized Firms in Developing Countries Through Collective Actions. OECD. p. 82.

34 B. Toyne, op. cit., p. 50.

35 D. McGregor, The Human Side of Enterprise. p. 186.

It is the practical problem-solving orientation that is of most importance to industry. Hanna Papanek's work in Pakistan shows that formal education under the British proved to be a critical factor for entry into the new occupations in the professions, government service and the more modern sectors of commerce and industry, that is, for professionals, administrators and managers;<sup>36</sup> but not for entrepreneurs. "In a group of twenty-five very large firms surveyed slightly over half of the current heads of firms said they had between zero and ten years of schooling while nearly 90 per cent of their fathers were in this category."<sup>37</sup> The vital skills for these early entrepreneurs were literacy, some arithmetic and a little English. For most companies with professional management sound basic education is now an essential prerequisite. Ideally, this education should emphasize problem-solving, linguistic and quantitative skills, and, for much of management, technical skills.

#### Personality and Enterprise

The personality, the psychological make-up of the individual, is a crucial factor in management and the most culture-bound. David McClelland and his colleagues have done a great deal of interesting work exploring the dimensions of the entrepreneurial personality. The vital element in this he has identified as a need for achievement (n Achievement) and this has appeared to remain constant over a wide range of cultures.<sup>38</sup> He worked out ways of measuring this need in literature and folk tales and found it to be closely associated with a more rapid rate of economic growth both in free enterprise and in Communist countries as well as in societies just beginning to make contact with modern

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36 H. Papanek, "Pakistan's Big Businessmen: Muslim Separatism, Entrepreneurship, and Partial Modernisation," Economic Development and Cultural Change, XXI, 1 (1972), p. 3-4.

37 H. Papanek, op. cit., p. 23.

38 D.C. McClelland, op. cit., p. 70.

technological society.<sup>39</sup> Bradburn and Berlew, testing McClelland's hypothesis, came to the conclusion that, "there is, in fact, a high correspondence of n Achievement level and success in entrepreneurial-type activities, but no relationship between n Achievement and success in bureaucratic jobs."<sup>40</sup> McClelland differentiates between the ambitious individual who is high in need for achievement and makes a natural entrepreneur, and the efficient, conscientious, forward-looking individual who makes a natural administrator, (he, in fact, uses the term 'manager', but that gives a rather narrow definition to the role of manager.)<sup>41</sup> Exploring the need for achievement further, McClelland found it was strongly related to three characteristics - "the desire for personal responsibility, the tendency to set moderate achievement goals, and the need for concrete feedback of results". The entrepreneurial type he found characteristically self-confident and optimistic, though not in a hopelessly unrealistic way.<sup>42</sup> However, not all people with a high need for achievement go into entrepreneurial careers, rather they prefer high-prestige careers and opt for the highest level career within their reach. Since in many countries business is not particularly highly regarded, this is not opted for by upper class youths. On the other hand, business provides the greatest social mobility of any occupation, and therefore, is highly attractive to low and middle status groups.<sup>43</sup>

Frequently entrepreneurs come from groups marginal to, and disadvantaged by, the mainstream of society. They may be immigrants, and/or from a particular religious or ethnic group. The result is

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39 D.C. McClelland, op. cit., p. 105 and p. 202.

40 N.M. Bradburn and D.E. Berlew, "Need for Achievement and English Industrial Growth," Economic Development and Cultural Change, 10, 1 (October 1961), p. 9.

41 D.C. McClelland, op. cit., p. 227.

42 ibid., p. 223.

43 ibid., pp. 249-250.



tension between the group and the rest of society and social cohesion within the group. As a result of their marginality, many opportunities within society are closed to them; business is one of the few options that are accessible.

Another aspect of marginality is that it frees them from some of the constraints of tradition and they are thus far more receptive to change, more willing to take risks and more willing to move to where opportunities lie. Not only is the entrepreneur not confined by tradition but, according to Schumpeter,

...his characteristic task - theoretically as well as historically - consists precisely in breaking up old, and creating new, tradition. Although this applies primarily to his economic action, it also extends to the <sup>44</sup>moral, cultural, and social consequences of it.

Innovation requires deviation from given social norms. This was particularly noteworthy in the financial field since the Muslim religion considers a preoccupation with material things and the practice of 'usury' to be wrong. In the case of immigrant groups these attitudes may be combined with particular skills in business, which may not be possessed, or possessed to the same degree by the local population.

Such groups cope with their marginality by the social cohesion within the entrepreneurial group, reinforced by sanctions applied to those who violate the community's code of behaviour. <sup>45</sup> This provides them with a network of business contacts. It establishes an individual's creditworthiness when he wants to borrow and provides employment when he seeks a job. All social contacts go on within the group. His loyalty and commitment are thus assured and the bonds of the community constantly reinforced. Generally such

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44 J.A. Schumpeter, op. cit., p. 92.

45 See for instance G.F. Papanek's description of Pakistani entrepreneurs in Pakistan's Development, Social Goals and Private Incentives. p. 44. The Chinese in Malaysia also form a socially and commercial cohesive entrepreneurial group.

groups extend trust only to friends and relatives and not to strangers from outside the group of whom they may be intensely suspicious.<sup>46</sup> They are thus largely self-contained and self-sufficient.

Entrepreneurial groups tend to be characterized by frugality, and hard work. Where they come from poor countries they are used to a low standard of living and so have lived very frugally, managing to put something aside no matter how small their earnings gradually building up capital and reinvesting their savings.<sup>47</sup> Bauer and Yamey mention another reason why immigrants have a propensity to save, "because they tend to value the security provided by the possession of capital".<sup>48</sup> They also suggest that one reason why immigrant groups such as the Chinese have succeeded so well abroad while the same has not been the case at home, is that "the most enterprising and ambitious section of the population tend to emigrate."<sup>49</sup> Gustav Papanek, studying the transition of traders into industry in Pakistan, found that it was men with "foresight, ability and ruthlessness" who were able to overcome the obstacles and make the transition.<sup>50</sup>

The new industrialists in a developing economy tend to come largely from the old entrepreneurial groups.<sup>51</sup> That is, factors

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46 These attitudes are often manifested by Chinese Malaysians, see p.281 and the main reason why Chinese are reluctant to bring Malays into their business.

47 The Chinese in Malaysia are a good example of this.

48 P.T. Bauer and B.S. Yamey, The Economics of Under-Developed Countries. p. 109.

49 ibid., p. 108.

50 G.F. Papanek, "The Development of Entrepreneurship," American Economic Review, 52, 2 (1962), p. 54.

51 Berna found that, in South India, "Men of trading background constitute the largest single occupational group" establishing medium-scale manufacturing enterprises in the light engineering industries; Papanek, that, in Pakistan, "if firms owned by  
F/n continued



such as experience in a business setting, knowledge about entrepreneurship, supportive social attitudes towards it, and availability of capital are likely to be important. Indeed Berna found such "access to capital, possession of business experience, and technical knowledge" to be the single most important factors in the emergence of industrial entrepreneurs in modern India.<sup>52</sup>

The question of how entrepreneurial ability is developed and transmitted remains. McClelland has related it to child-rearing practices and the formative influence of the family. He found that three factors were important in producing a high need for achievement in the child - "parents' high standards of achievement, warmth and encouragement, and a father who is not dominating and authoritarian."<sup>53</sup> He suggests that one of the reasons for the decline of great civilizations might be that with success parents can relinquish child rearing to servants who are overly indulgent, and keep them dependent too long and so they lose their need for

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foreigners, Hindus, and government and semi-government agencies are excluded..., over half of industry is controlled by five small "communities" (quasi-castes) of traditional traders, totalling about one-half per cent of the population...On the other hand, groups which had little experience with trade or industry,..., are underrepresented among industrialists to a startling extent"; and Alexander, that, in Turkey, "traders were the most important single group from which industrialists were recruited." In Malaysia, the same trend is evident: the Chinese who are the principal entrepreneurial group are adapting their interests to include industrial entrepreneurship. J.J. Berna, "Patterns of Entrepreneurship in South India," Economic Development and Cultural Change, 7 (1958/59), p. 346.

G.F. Papanek, "The Development of Entrepreneurship," op. cit., p. 54.

A.P. Alexander, "Industrial Entrepreneurship in Turkey: Origins and Growth," Economic Development and Cultural Change, 8 (1960), p. 351.

52 J.J. Berna, op. cit., p. 358.

53 D.C. McClelland, "Business Drive and National Achievement," Harvard Business Review, 40, 4 (July-August 1962), p. 110.

achievement.<sup>54</sup>

He suggests that polygamy "promotes mother-son households in which the son stays dependent on the mother longer and does not get the strong emphasis on independent achievement needed to develop n Achievement."<sup>55</sup> He advocates that one way of improving the achievement orientation of children would be to promote the legal and social rights of women.<sup>56</sup> The exact relationship between child-rearing and entrepreneurial ability is not clear-cut but McClelland's findings do provide some interesting possibilities.

As has been noted, entrepreneurship is only one part of the package of skills that make up the role of the manager although one of the most interesting because it is so enigmatic. One thing does seem to be clear about it, and that is that it is extremely difficult, if not impossible, given our current level of understanding on the subject, to train people to be entrepreneurs. Whilst it is entirely possible to train people to be managers, entrepreneurs appear to undergo a complex cultural and social formation during their childhood which cannot readily be reproduced by a company training programme.

A set of assumptions about managers that needs to be considered is that related to motivation. Motivation involves the factors that influence the individual's response to economic activity. As Herbert Simon has put it, "Individuals are willing to accept organization membership when their activity in the organization contributes, directly or indirectly, to their own

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54 D.C. McClelland, The Achieving Society. p. 128. Over-indulgent child-rearing practices have been a characteristic of Malay society and this may be one explanation for the disinclination of Malays to enter commerce in the past.

55 ibid., p. 374. Gustav Papanek, on the other hand, found no characteristic pattern of child-rearing amongst the entrepreneurs he studied in Pakistan. G.F. Papanek, "The Development of Entrepreneurship," op. cit., p. 55.

56 D.C. McClelland, "The Achievement Motive in Economic Growth," Industrialization and Society. B.F. Hoselitz and W.E. Moore, eds., p. 93.

personal goals.<sup>57</sup> A certain amount of theory has grown up around this that makes assumptions about the individuals that aspire to be culture free. These are important because they affect the philosophy of management applied particularly by foreign firms in developing countries. Maslow has proposed a hierarchy of needs ranging from physical, to safety, to social needs, to the need for self-esteem and independence, and finally, the need for self-actualization.<sup>58</sup> Theoretically, as each succeeding need in this hierarchy is filled the next need becomes predominant in motivating the individual. This fits in with the findings of Herzberg and his colleagues that physical conditions (his hygienic factors) - such as adverse work conditions, salary, etc. - had the power to dissatisfy whereas favourable conditions could not motivate; rather it was factors related to self-actualization - "achievement, recognition, work itself, responsibility and advancement" - that proved to motivate people.<sup>59</sup>

This brings one back to the need to identify what the goals of the individual are in another culture. Also, if one takes Maslow's hierarchy as given, it may well be that managers in a developing country are at a different place on the hierarchy than those in the West,<sup>60</sup> or that personal fulfilment consists of different types of things. For instance, Heller found prestige and authority to be the major motivating factors amongst managers

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57 H.A. Simon, Administrative Behaviour. p. 110. Reprinted in Management and Motivation. V.H. Vroom and E.L. Deci, eds., p. 23.

58 A.H. Maslow, "A Theory of Human Motivation," Psychological Review, 50 (1943), pp. 370-396. Reprinted in Management and Motivation. V.H. Vroom and E.L. Deci, eds., pp. 27-33.

59 F. Herzberg, Work and the Nature of Man. Chap. 6. Reprinted as "The Motivation-Hygiene Theory," Management and Motivation. V.H. Vroom and E.L. Deci, eds., pp. 86-90.

60 See K. Davis, "Managing Productivity in Developing Countries," Management International, 4, 2 (1964), pp. 71-72.

in Latin American countries, and these findings are supported by those of Everett Hagan.<sup>61</sup> On the other hand, the cross-cultural study conducted by Haire, Ghiselli and Porter found the needs for self-actualization and autonomy to be the most important throughout the countries of Europe as well as in Japan.<sup>62</sup> Another factor to be considered is Vroom's finding that "performance is low at low levels of motivation, and reaches its maximum point under moderate levels of motivation, and then drops off again under high level of motivation".<sup>63</sup> It is conceivable that a firm might unwittingly provide excessive motivation in a developing country. Lawler and Porter have proposed that the two key variables that combine with effort in determining performance are abilities, including personality traits, and role perception.<sup>64</sup> Both of which are, of course, strongly influenced by culture. Douglas McGregor has added to this framework what he calls Theory X and Theory Y. Theory X he identifies as the traditional view of direction and control and is based on the assumption that man dislikes work, must be coerced into doing it and directed in the execution of it. Theory X fails, he says, "because direction and control are useless methods of motivating people whose physiological and safety needs are reasonably satisfied and whose social, egoistic and self-fulfilment needs are

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- 61 F.A. Heller, "Motivational Analysis of Managers in Developing Countries," Management Development for Industrializing Countries. G. Morello and M.B. Brodie, eds., pp. 95-99.
- 62 M. Haire et al., "Cultural Patterns in the Role of Manager," Industrial Relations, (February 1963), p. 111.
- 63 V.H. Vroom, Work and Motivation. pp. 204-209. Reprinted as "The Nature of the Relationship between Motivation and Performance," Management and Motivation. V.H. Vroom and E.L. Deci, eds., p. 229.
- 64 E.E. Lawler III and L. Porter, "Antecedent Attitudes of Effective Managerial Performance," Organizational Behavior and Human Performance, 2 (1967) pp. 122-142. Reprinted in Management and Motivation. V.H. Vroom and E.L. Deci, eds., p. 261.

predominant."<sup>65</sup> In contrast to this, Theory Y is based on the integration of personal and organizational goals. It states that work is a natural form of human activity, that man will exercise self direction in working towards objectives to which he is committed, that he seeks responsibility, and that "commitment to objectives is a function of the rewards associated with their achievement."<sup>66</sup> The most important aspect of Theory Y is McGregor's central principle of integration: "the creation of conditions such that the members of the organization can achieve their own goals best by directing their efforts towards the success of the enterprise."<sup>67</sup> This reflects Argyris's view and echoes E. Wight Bakke's concept of the "fusion process" which he defined as:

...the simultaneous operation of the socializing process by which the organization seeks to make an agent of the individual for the achievement of organizational objectives, and of the personalizing process by which the individual seeks to make an agency of the organization for the achievement of his personal objectives. It is the simultaneous attempt of the organization to make over the individual in its own image, and of the individual to make over the organization in his own image.<sup>68</sup>

This discussion of some of the main theories of motivation has highlighted the key role it plays in the development of managers. A highly motivated manager, given an opportunity through careful management development to fulfil his own best abilities, will be a great asset to his company. It also restresses the point that the company needs to understand its managers - their aims, needs, aptitudes, aspirations - to know how to develop them and so to get the best performance from them; and that the company needs to be prepared to adapt to the cultural context of its managers, for

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65 D. McGregor, "The Human Side of Enterprise," Adventures in Thought and Action. pp. 23-30. Reprinted in Management and Motivation. V.H. Vroom and E.L. Deci, eds., p. 31.

66 D. McGregor, The Human Side of Enterprise. pp. 47-48.

67 ibid., p. 49.

68 E.W. Bakke, The Fusion Process. p. 5.



fusion, "is a process in the course of which both the organization and the individual are modified."<sup>69</sup>

### Social and Cultural Factors

"Personality cannot be understood without taking into account the culture in which the personality exists. Culture and personality are inseparable. It is actually not culture and personality, but culture in personality and personality in culture."<sup>70</sup> Therefore, having looked at some of the theory related to personality, now some of the social and cultural factors that may be important in forming that personality will be examined.

The attitudes and values of a culture that are conducive to economic growth are sometimes termed those of 'modern man', and those that do not fit in, described as 'peasant'. An economy is the product of, and in turn creates, a supportive cultural framework. If the economy is characterized by high technology industry and large-scale commerce it will be associated with a very different culture to that of a fairly simple subsistence economy.<sup>71</sup> Although these are two ends of a continuum, it may help to clarify the problems by discussing the extremes. Countries striving to develop, immediately face the problem of the incompatibility of the industrial framework they build and the attitudes and values of their people. These attitudes and values comprise a system of beliefs, feelings, moral and social codes, a system which may be infused with a sacredness which makes adherence to them of immense importance.<sup>72</sup>

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69 loc. cit.

70 C. Argyris, op. cit., p. 48.

71 Raymond Firth defines a peasant economy as "a system of small-scale producers, with a simple technology and equipment, often relying primarily for their subsistence on what they themselves produce." Elements of Social Organization. 3rd edition. p. 87.

72 See E. Shil's discussion of this in "The Concentration and Dispersion of Charisma," World Politics, 11 (1958), pp. 1-19.

The culture that supports a peasant economy has a strong influence on work and work relationships and on the attitude towards time. Work involves providing food and shelter for the family, it therefore has a natural dignity and importance attached to it. Men may work together to accomplish this but it is done in a spirit of mutual co-operation and respect and on the basis of close personal and/or family ties. The usual activity of simple farming tends to be seasonally regulated; what is more, in a peasant economy there is no need to provide for more than the family's wants possibly with a little extra to barter in the market place. In a fertile land such as Malaysia, this leaves a great deal of free time for the cultivation of social relationships. A highly developed social and ethical code which lays down patterns of obligation and respect based on age, family, political and religious status tends to characterize peasant culture. In a subsistence economy there is little scope for entrepreneurial activities and so the values that support it do not develop.

Hoselitz has identified this sort of peasant culture as emphasising ascribed status, a division of tasks according to that status, and diffuse work relationships linked to family, political, social and religious relationships. In a developed economy the reverse is the case: people are accorded status according to what they have achieved; all jobs are, theoretically, open to everyone, and work relationships are, formally, limited to the labour contract.<sup>73</sup>

To the peasant, work is integrated into his daily life, his personal and social relationships, and his religion. He is generally tied to his village and his life has an unchangeable, God-given quality about it. "The very concept of change is absent."<sup>74</sup>

When change does come to a country the village is usually the last to be influenced, the last stronghold of tradition and

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73 B.F. Hoselitz, "Main Concepts in the Analysis of the Social Implications of Technical Change," Industrialization and Society. B.F. Hoselitz and W.E. Moore, eds., pp. 18-19.

74 J.H. Kautsky, The Political Consequences of Modernization. p. 34.



traditional values. So a dual society may develop - with a modern economy and culture in the cities and a traditional one in the countryside and villages. As a result when the young man moves from the village to town he enters what amounts to a totally different culture. This sudden transition from the security and predictability of traditional life to the strangeness and alienness of city life may be difficult and painful. All his values will be turned upside down.<sup>75</sup> The dignity of work will be reduced to the cash value of labour. The constant change and pace of modern society is a problem and industrial discipline difficult to accept after the flexibility of agricultural life.

In the light of the difficulties experienced in adapting to industry and the resentment created by the existence of a dual society, one rich, the other poor, there may be a groundswell of antagonism towards business activity in general, and towards foreign enterprise in particular,<sup>76</sup> which is seen as a threat to their culture and society, and as consuming their country's wealth.

'Modern man' has been described as having a "mobile sensibility so adaptive to change that rearrangement of the self-system is its distinctive mode."<sup>77</sup> He is characterized by a capacity for empathy, which enables him to see himself in the other person's situation and so be able to adapt to new roles and new

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75 Munshi Abdullah described this feeling well when he wrote of the changes that had come about in Singapore with the arrival of trade and commerce:

"Since Singapore has become a settlement, grasshoppers have become eagles, bed-bugs tortoises and earthworms serpents. These strange happenings have their origin in material wealth and position."

Abdullah bin Abdul Kadir, The Hikayat Abdullah. Translated by A.H. Hill. p. 30.

76 See, for instance, J.A. Lee, "Developing Managers in Developing Countries," Harvard Business Review, 46, 6 (1968), p. 60.

77 D. Lerner, The Passing of Traditional Society. p. 49.

relationships.<sup>78</sup> Kautsky describes a modern society as,

...characterized by a belief in the rational and scientific control of man's physical and social environment, and the application of technology to that end. One could thus define the<sup>79</sup> process of modernization as one of secularization...

The change in attitude towards the control of nature and the environment, and the acceptance of the scientific method as the means to knowledge about the world, together strike a blow at traditional attitudes the abandonment of which would appear to be necessary to the achievement of a modern society.<sup>80</sup> Where it exists, the group that seems to find the transition least difficult is the entrepreneurial one because of its natural mobility and orientation to change.

This discussion has stressed the extremes and it should be noted that there is the full range of possibilities in between the two poles of 'peasant' and 'modern'. The profound cultural gap between traditional and modern culture and the problems of the transitional stage form part of the context of business in developing countries, affecting the attitudes and values of managerial recruits. It is, therefore, only through a thorough appreciation of these factors that the organization can come to terms with the individual.

#### MANAGEMENT DEVELOPMENT

It is the manager who makes a productive enterprise out of the human and material resources at his disposal. In developing managers, possibly the most obvious conclusion one must come to is the need for flexibility and an individual approach. Ultimately it is the individual who develops himself, the company's role is to provide him with the opportunity to do this in an organized and

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78 This fits in with McClelland's findings about the importance of 'other-directedness' to economic achievement. D. McClelland, The Achieving Society. pp. 197-201.

79 J.H. Kautsky, op. cit., p. 20.

80 McClelland's findings support this view. The Achieving Society. p. 192.

progressive way with feedback as to how well he is doing so that he can continue to improve himself. The company will only succeed in this if it first succeeds in motivating the individual. The programme of management development will have to concentrate not only on skills but also on the development of attitudes and values required for business, and aim for the internalization of these by the manager, with the caveat that the organization too must be prepared to incorporate some of the attitudes and values of its managers. Management development looks at the individual in the context of the job, but as has been shown it cannot ignore the society from which he comes.

The essence of management development is the systematic development of managerial skills through the provision of planned learning experiences - on-the-job, through training courses, by the maintenance of a stimulus and challenge in his job and through promotion - and the regular, objective assessment of performance to provide feedback to the manager as to his progress and guide those responsible for his future development. It is the means by which the company assures the continuity of management, provides for succession to top posts, and ultimately assures the continued health and success of the firm.

A vital precondition is the commitment of top management, without which no management development programme can be really effective. It is top management that establishes the management climate or philosophy that determines whether the company is conducive to personal growth and development or not. "Special manager-development activities can only be a supplement, but they are a necessary supplement,"<sup>81</sup> and this is confirmed by McGregor:

Programmes and procedures do not cause management development, because it is not possible to "produce" managers the way we produce products. We can only hope to "grow" them, and growth depends less on the tools we<sup>82</sup> use than on the environment which is created.

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81 P.F. Drucker, *op. cit.*, p. 227.

82 D. McGregor, The Human Side of Enterprise. pp. 204-5.

Management development should be the clear responsibility of line managers, who are in a position to create a suitable environment for growth.

Linked to the company philosophy is the organizational structure. Drucker firmly advocates a federal, decentralized structure which he says, "...will develop, train and test a fair number of managers for tomorrow without any additional manager-development activity as such."<sup>83</sup> The company needs to be structured in such a way that the individual is given both a challenge and a high degree of responsibility.

A management development model has been evolved which provides a useful analytical framework. This model consists of a number of clear-cut steps. The first step is to identify the requirements of the job, to prepare a job description covering the tasks and responsibilities involved in the job, its position in the organization, its scope and its overall purpose. In the context of a developing country this can require particularly careful consideration since there may be a severe shortage of people with certain specialized qualifications. Where rapid localization has taken place and there are not the people with sufficient breadth of experience to fill the senior posts vacated it may be necessary to redesign such jobs. On the basis of this analysis of the job a man specification is drawn up identifying the exact knowledge, skills, and experience required to fill the post.

Having prepared a job description and a man specification, the next step is recruitment and selection. It is the function of recruitment to attract suitable candidates, and of selection to try and identify those candidates with the skills required to do the job and with the potential to develop into highly competent managers. This may be done with the particular requirements of a job in mind which is usually the case when recruiting experienced men. Alternatively, it may be done in a more open-ended way taking in young people with no previous business experience. In this case

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83 P.F. Drucker, op. cit., pp. 226-227.

selection may consist, amongst other things, of various skill, intelligence and aptitude tests to try and assess their potential for management as well as their suitability for the range of jobs the company offers. In both cases, selection is normally done by more than one person, sometimes it is by a panel, sometimes by a series of interviewers. This selection process is of critical importance since it determines the future management potential of the company.

Following selection comes a period of induction training whereby the new recruit is introduced to the workings of the company, the department and the specific job for which he was recruited. There may be a period of overlap with the former occupant of the post who may assist in training the new candidate.

After this the new manager may undergo a variety of training experiences. These will be aimed both at extending his theoretical knowledge of the subject and broadening and deepening his practical experience. While knowledge can be transmitted through training courses, experience cannot, yet it is the vital ingredient that enables the manager to use the knowledge he has acquired. The company should therefore endeavour to give the manager a combination of training courses and planned job experience. The most important means of training is on the job. This may consist of 'coaching', that is, training by a successful senior manager in the day to day operation of the job; rotation through a variety of different jobs to gain experience of various functions or different problems and situations; broadening of the scope of a job to give increased responsibility and experience; and/or promotion through increased levels of responsibility and challenge. A warning that Drucker gives is that on the job training must involve real responsibility, "The whole idea of training jobs is contrary to all rules and experience. A man should never be given a job that is not a real job, that does not require performance from him."<sup>84</sup>

Other forms of training include in-company courses; external courses run by professional associations and business

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84 P.F. Drucker, op. cit., p. 226.

schools; and overseas training which may be within the company, with associated companies, or with overseas management training schools. It may also involve advanced education for people already in management. University courses have been shown to "help motivate continued learning, set the standards for further advances, and exhilarate (sic) generally a sense of purpose."<sup>85</sup> External courses may be run on an industry-wide basis to provide specialized training not feasible for any individual company to run. Further education schemes may include anything from afternoon release and book grants, to scholarships. In training and development the emphasis should be on the manager's strengths, building on what he does well, helping him overcome his weaknesses and allying his interests and needs with those of the company.

The specific training programmes and training techniques obviously will change according to the needs of the company, environment and individual. For instance, Moursi found in his research into training needs in developing countries that training in policy and decision-making skills, and in organizational behaviour and in human relation skills was particularly needed. By far the least successful training method he found to be the lecture, followed by role playing and the managerial grid. The more promising techniques included computerized management games and programmed instruction.<sup>86</sup>

A key step in management development is systematic management appraisal to provide information to the manager and the company about his progress. "The ultimate test of management is business performance."<sup>87</sup> Appraisal is a sensitive area and therefore needs to be conducted with the greatest possible objectivity. One

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85 K.R. Andrews, The Effectiveness of University Management Development Programs. p. 243.

86 M.A. Moursi, "The Applicability of Newer Management Training Techniques in Developing Countries" Academy of Management Proceedings, (August, 1975), p. 297.

87 K.R. Andrews, op. cit., p. 21.



means of ensuring this is identification at the beginning of each year of a series of performance objectives, where possible expressed in quantified terms, agreed between the manager and his superior.<sup>88</sup> At the end of the year, it is then possible to measure the attainment of these objectives. This provides both the manager and his superior with information about his performance, suggests areas where training could be helpful, and indicates his potential for promotion.

This is normally done on a standardized appraisal form which is completed by the superior and then discussed with the manager concerned (and signed by him that he has seen it). The emphasis should be on helping the manager to improve his performance not on reward and punishment. Consequently it is recommended that this appraisal of management performance and potential be kept separate from annual salary review. Nonetheless, financial incentives should be directly related to successful managerial performance.

Another channel of feedback is that related to training. When a manager has undergone a period of training, the company will be concerned to enable him to put that training into practice and to assess its impact on the manager's performance and the quality of the training programme.

Finally, management development is linked to manpower and succession planning. To ensure the continuity of management a company needs to plan ahead, to plan for retirement, growth, and unexpected changes in staffing, for changes in technology or internal organization. Since competent managers take a long time to develop, it needs careful forward planning in which the managerial requirements of the company five years hence are estimated. The results of management appraisal are fed into this plan, forming a management inventory, so that a clear pattern emerges of the people with potential for promotion and the management development plan can ensure those managers receive the training and experience necessary.

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88 This recalls McGregor's Theory Y that "man will exercise self-direction and self-control in the service of objectives to which he is committed." Douglas McGregor, The Human Side of Enterprise. p. 47.



A management development plan is thus oriented both to the improvement of performance today and the preparation of managers for the future.

A concept that has become part of the system of management development in many companies is management by objectives (MBO). This was developed both to correct the subjective, personality-oriented assessment of managers, and to link the objectives of the individual more closely with those of the organization. Management by objectives is, "a dynamic system which seeks to integrate the company's need to clarify and achieve its profit and growth goals with the manager's need to contribute and develop himself."<sup>89</sup> It places emphasis on the joint setting of objectives for the firm, the section and the individual, in such a way that the objectives at each level contribute to the attainment of those at the next level. As far as possible objectives are set in quantified terms and attainment of them can therefore be measured objectively. In a newly developing economy management is often in short supply, yet it is such a key element its emergence cannot be left to chance and needs to be consciously fostered. Management development is a systematic approach to the training and development of managers.

It provides a model sufficiently general that, if adapted - and adaptation is the key word here - could prove highly useful in a developing country. The objectives both companies and individuals and the application of the model will obviously vary enormously, but this does not invalidate the concept nor the underlying principle of the need for conscious, careful analysis and planning, taking into account the needs of both the manager and the organization in order to develop the best possible managerial cadre for the present and the future.

The process of transfer and adaptation is not easy. It is the large expatriate firms which have the experience, expertise, and resources to implement a management development programme and it has often been suggested that they should act as transfer agents for the

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89 J.W. Humble, Improving Management Performance. p. 1.

concept, setting an example for local companies.<sup>90</sup> However, they also have the greatest need to adapt to the cultural differences presented by a developing country. It would clearly be foolish to apply the methods of developed countries mechanically to the situation in developing countries; adaptation needs to be done with care and sensitivity, but most important of all, with a keen awareness and understanding of the individuals involved. For only then can there be a marriage of interests between manager and company.

The intention of this chapter has been to explore what is meant by management development and its applicability to the needs of developing countries. It is designed for the needs of a professionally managed company although it can be adapted to those of a family managed one; it originated in large high-technology companies but can be and has been adapted to the needs of relatively small, labour-intensive industries. It would thus appear to be a highly useful tool in the improvement of management performance in developing, as well as developed, countries.

The problems of adapting the normative model to the very different situation companies in developing countries face have been alluded to. Some of the many relevant areas of potential difference that will influence the local management situation have been examined, including the political, cultural, educational, economic and industrial context. It is these factors that determine the availability of trainable managers, their orientation and the priorities in management development. The specific context of Malaysia will now be examined to determine the key factors influencing management development there.

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90 See for instance, F.H. Harbison, op. cit., p. 126 and B. Toyne, op. cit., p. 142.

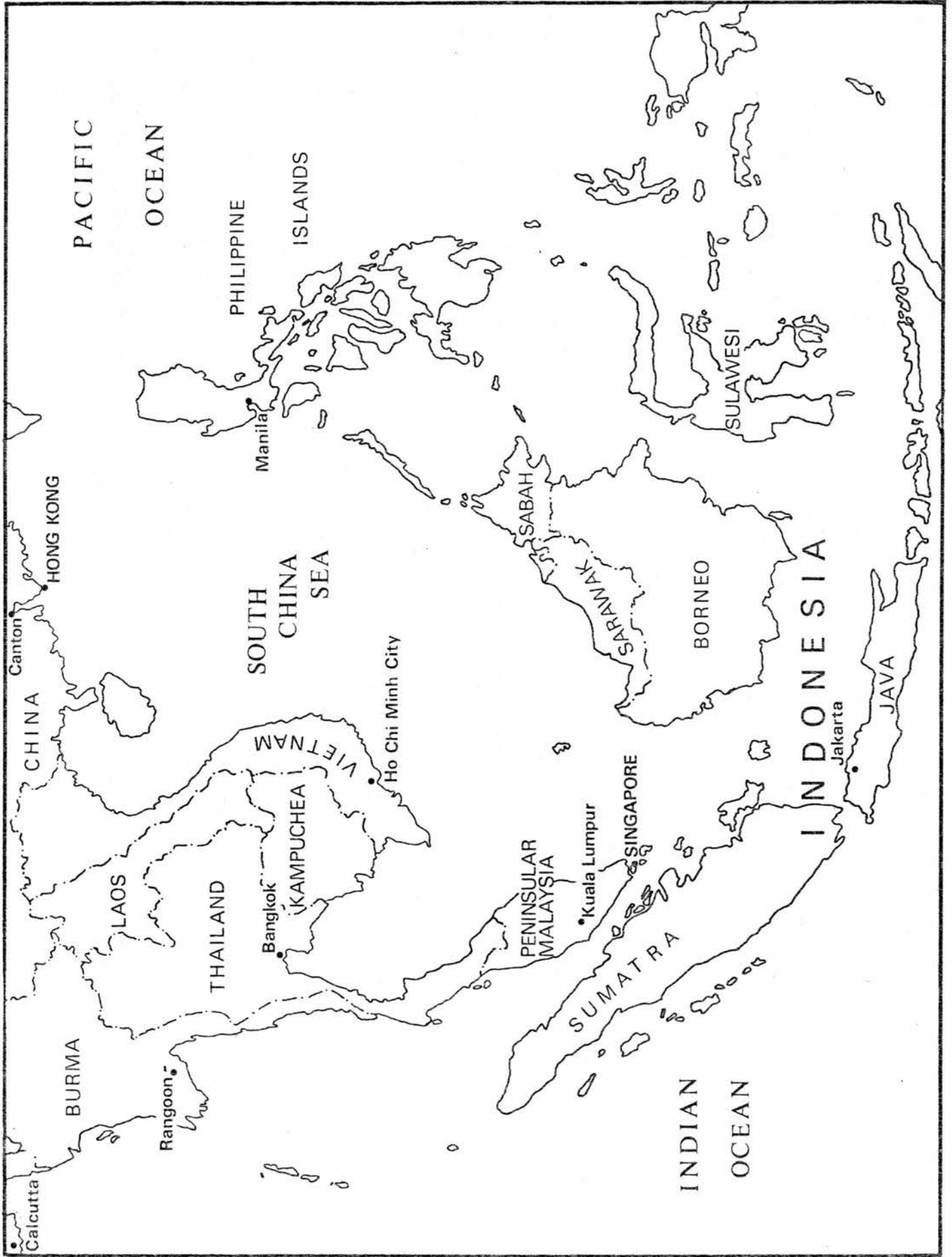


FIGURE 3.1 South East Asia.



**FIGURE 3.2 . Peninsular Malaysia.**

### CHAPTER 3

#### MALAYSIA: THE HISTORICAL AND POLITICAL CONTEXT

There are a number of important factors that need to be understood to appreciate the nature and complexity of the problem of management development facing companies in Malaysia. The first, related to the problem of racial balance, is the origin of Malay political dominance, its characteristics, and the non-Malay position towards it; a second set of factors is the priorities and concerns that influence the Malaysian Government in its policy-making, and in the role it chooses to play in the economy; and third, there is the issue of racial balance and the measures being taken to deal with the problem. This chapter will explore these factors through a review of the historical background to the contemporary period, an assessment of the current political context, and finally, an analysis of the racial balance issue itself.

#### HISTORICAL BACKGROUND

Prior to British intervention, the Malay peninsula consisted of a series of Malay states, headed by Sultans, in which rival chiefs vied for domination. Initial British involvement consisted of the capture or founding of coastal strong-points to protect the valuable trade route to China that ran through the Straits of Malacca and around the end of the peninsula.<sup>1</sup> However, towards the latter part of the nineteenth century British interest turned to the Malayan hinterland.

There were three reasons for this change:

- 1) growing British interest in the tin trade and concern to ensure a steady supply;
- 2) Britain's fear of foreign, particularly French, ambitions in the peninsula;<sup>2</sup>

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1 Penang was founded in 1706, Province Wellesley acquired in 1800, Singapore founded in 1819, and Malacca captured in 1824.

and 3) the increasing civil strife in the states. This threatened European investment and the supply of tin. It was this that provided the immediate excuse for British action.<sup>3</sup>

The opportunity came in 1874 when Raja Muda Abdullah approached the British for support in his claim to be Sultan of Perak. In return he was willing to accept a British adviser at his court. By the Treaty of Pangkor, concluded between the British and the Sultan and his chiefs, it was agreed,

That the Sultan receive and provide a suitable residence for a British Officer to be called Resident, who shall be accredited to his Court, and whose advice must be asked and acted upon on all

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- 2 In a minute arguing the case for British intervention, Kimberley, Secretary of State for Colonial Affairs at the time, stated,  
 "...Her Majesty's Government could not see with indifference the interference of a foreign power in the affairs of the Peninsula, and it would be difficult to justify an objection to the Native States applying for aid to other Powers if the British Government refuses to lend its aid." Draft despatch of Kimberley, 6 September 1872, C0273/67, Straits Settlements Original Correspondence 1838-1919.
- 3 Sir Frank Swettenham has admirably described this mixture of commercial and humanitarian motives that led to British intervention:  
 "Lord Kimberley has furnished Sir Andrew Clarke who became Governor of the Straits Settlements in 1873 with instructions of the first importance, showing a disposition to make an entirely new departure, and to recognise the duty forced upon England, as the dominant Power, to interfere in the Malay States and put a stop to a disgraceful state of affairs. The duty was imperative from motives of humanity alone: but it was equally certain that to undertake it would be highly beneficial to British interests and British trade, though these pleas had hitherto been dismissed as of no importance. The most timid British taxpayer will probably admit that it is not wholly unjustifiable to define more clearly an existing responsibility in order to create and to keep a trade which is wholly, or almost wholly, British, and worth £12,000,000 annually". F.A. Swettenham, British Malaya. p. 174.



questions other than those touching Malay Religion and Custom.<sup>4</sup>

Between 1874 and 1889 Selangor, Pahang and all the states of the federation of Negri Sembilan followed suit and accepted a British Resident.

The importance of this early aspect of Malaya's history is that it determined the key relationship between the British and the Malays. The Malays were acknowledged to be the rightful rulers of the peninsula and the British were there to advise and assist them in that rule. W.G.A. Ormsby-Gore (later Lord Harlech) wrote after his visit to Malaya in 1928:

They were, they are, and they must remain, "Malay States" and the primary object of our share in the administration of these countries must always be the progress of the Malay inhabitants at the invitation of whose forefathers we first assumed responsibilities.<sup>5</sup>

It also indicates the source of one of the great problems of British administration in Malaya: the conflict between British commercial interests and their obligations to the Malay rulers. An important factor in Britain's intervention was the protection of her financial interests and the possibility of further gain. Given the dynamism of the British entrepreneur at that time, and the wealth of Malaya, these factors came to outweigh the immediate obligation to respect the position of the Sultans. The history of British administration in Malaya is one in which the real power of the Sultans was steadily and consistently eroded. Sir Frederick Weld, Governor of the Straits Settlements, wrote to Kimberley in 1880 that British policy in Malaya should be,

To gradually and gently increase our influence as occasion offers...to determine never to relax our hold, but not to annex whilst it is possible to go under the present system.

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4 "Engagement entered into by Chiefs of Perak at Pulo Pangkor, 20 January 1874," Article VI in W.G. Maxwell and W.S. Gibson, eds., Treaties and Engagements Affecting the Malay States and Borneo. pp. 28-30.

5 W.G.A. Ormsby-Gore, Report on a Visit to Malaya, Ceylon and Java, 1928. CD 3235. p. 18.



In the meantime to work by and through the native governments <sup>6</sup>by advice discreetly but firmly administered.

In 1895 the four states which had accepted Residents - Perak, Selangor, Pahang and Negri Sembilan - were brought together in a Federation and became known as the Federated Malay States (FMS). Gradually the other states of Malaya were brought under the British umbrella. In 1902, an agreement with Thailand brought the four northern states under British influence, and in 1909, these states - Trengganu, Kelantan, Kedah and Perlis - were formally transferred to British Malaya. In 1910, Kelantan accepted British protection and Trengganu agreed to receive a British agent. In 1914 Johore accepted a British General Adviser and in 1923 a treaty with Kedah, and in 1930 a treaty with Perlis, brought those states into the fold. They remained outside the centralised Federation, and so were termed the Unfederated Malay States (UFMS). British influence in them was less strong, and they retained their Malay character to a far greater degree than the FMS. Partly as a result of this the UFMS remained relatively undeveloped and did not experience to anything like the same degree the profound economic and social changes that were taking place in the FMS. The two states least influenced by economic developments at the time - Trengganu and Kelantan - remain the most economically backward of the states of Peninsular Malaysia.

While the economic and military basis of the Sultan's power had been removed by the Treaty of Pangkor, and by subsequent treaties, and the day to day administration of the country was being taken over by British civil servants, the traditional authority of the Sultans over the Malay people was never questioned. Indeed, it was a matter of policy that their feudal status should be preserved and their loyalty assured in order to guarantee the loyalty of the

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6 CO 273/104 Weld to Kimberley, Confidential of 21 October 1880  
Straits Settlement Original Correspondence 1838-1919

"raayat", the peasantry.<sup>7</sup> The one area that remained the exclusive preserve of the Sultans was Malay religion and custom. As a result a strong religious hierarchy, dependent upon the Sultan, was built up, a religious hierarchy that even today wields considerable power.

Up until World War II a return to independence was considered by the British Government to be out of the question. Given the increasingly complex society and sophisticated economy that had developed as a result of their presence in Malaya and the trust they held for the Malay people, the British felt their continued administration was a necessity:

It seems clear that the maintenance of the position, authority, and prestige of the Malay rulers must always be a cardinal point of British policy and the encouragement of indirect rule will probably prove the greatest safeguard against the political submersion of the Malays which would result from the development of popular government on western lines. For, in such a government, the Malays would be hopelessly outnumbered by the other races owing to the great influx of immigrants that has taken place into Malaya during the last few years.<sup>8</sup>

World War II saw a number of significant developments. During the period of Japanese occupation, the Japanese supported the Malays and Indians in their struggle against 'Western Imperialism'.

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7 This is in keeping with the policy of indirect rule articulated by Lord Lytton in India in 1877:

"I am convinced that the fundamental political mistake of able and experienced Indian officials is a belief that we can hold India securely by what they call good government...Politically speaking, the India Peasantry is an inert mass. If it ever moves at all, it will move in obedience, not to its British benefactors, but to its native chiefs and princes, however tyrannical they may be...To secure completely, and efficiently utilise, the Indian aristocracy is, I am convinced, the most important problem now before us."  
 Lord Lytton to Lord Salisbury, in Lady Betty Balfour, The History of Lord Lytton's Indian Administration, 1876 to 1880. p. 109.

8 Sir Samuel Wilson, Visit to Malaya, 1932. p. 12. See also the very similar sentiments expressed by Sir Hugh Clifford in his address as High Commissioner to the Federal Council. Federal Council Proceedings, Nov. 16, 1927, p. B113.

They confirmed the Sultans in their titles, property and religious authority, and used the Malayan Police Force, which was almost entirely Malay, to control the Chinese.<sup>9</sup> It was the Chinese in Malaya who suffered most at the hands of the Japanese: all active supporters of the Kuomintang, all active Communists and all who had fought in the Volunteer Forces and not surrendered were to be killed. In response many Chinese fled into the jungle from where they fought a battle of resistance. This set the Malay and Chinese communities against each other. The Chinese resistance worked in collaboration with the British Force 136 against the Japanese Occupation. Their contribution to the liberation of Malaya won them a right to a permanent stake in the country in their eyes, and those of the British Government of the time. Finally, World War II saw the British Government firmly commit itself to the independence of Malaya.<sup>10</sup>

During the war the British Government worked out proposals for the future government of Malaya based on the expectation of British victory over the Japanese in Malaya, helped by the Chinese resistance, and watched by the Malays many of whom were collaborating with the Japanese.<sup>11</sup> The end of the war did not come to Malaya so dramatically. Nonetheless, a proposal for a Malayan Union was put forward that was intended to set Malaya on the path to independence. Initially it would bring the whole of the Malayan Peninsula, other than Singapore, under direct British rule. For the first time, the rights of the Chinese and Indian communities in Malaya were to be taken into consideration. The proposal put forward citizenship requirements that would make most of the Chinese and Indians in

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9 See V. Purcell, The Chinese in Modern Malaya. p. 37.

10 Lord Stanley, Secretary of State for the Colonies, announced in the House of Commons on December 1 1943:  
 "...the main aim of His Majesty's Government as regards the political future of Malaya (after its liberation) will be the development of its capacity for self-government within the Empire". 295 H.C. Deb. 5S, 384, Dec. 1. 1943.

11 T.H. Silcock and Ungku Abdul Aziz, Nationalism in Malaya. p. 25.

Malaya eligible for Malayan citizenship<sup>12</sup> and open to them the Malayan Civil Service, previously restricted to Malays and Europeans. This involved an abandonment of Britain's former policy of preserving Malay privilege. It required that the Malay Rulers relinquish their residual authority to the British Crown, which would be represented in Malaya by a British Governor. The trappings of their positions, their allowances, residences and titles, would be retained, but their function would be merely to preside over an Advisory Malay Council dealing with laws on the Muslim religion. The Malayan Union so enflamed Malay feeling that for the first time Malays took to the streets - men and women alike. The voices of retired British Residents, who took Britain's trust for the Malay people seriously, were added to these protests. The Union had to be abandoned a year after its institution. Having recognized Chinese and Indian rights, the abandonment that followed created tension and bitterness. The Malayan Union proposal shocked the Malays out of their apathy and so sparked off modern Malay nationalism in defence of the rights and special position of Malays. It also awoke the aspirations of the Chinese and Indians to a rightful share in the new nation. Thus Malays and non-Malays developed different and opposing concepts of an independent Malaya and the rights of each community within it. It is this dichotomy that characterizes modern Malaysian politics.

Despite the fact that the immigrant communities outnumbered the Malays, they did not seriously challenge the concept of Malay privilege, or fight to defend the rights given to them by the Malayan Union.<sup>13</sup>

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12 Citizenship was to be given to those Chinese and Indians born in Singapore or Malaya or who had lived in either territory for a certain period of time.

13 Silcock and Aziz seek to explain the lack of action on the part of the Chinese as follows:

"The majority of the Chinese were wholly uninterested in politics. The disorder of the Japanese occupation had accentuated the almost pathologically concentrated self-interest that was already in pre-war times a feature of Chinese society in Malaya...The liberation brought vast possibilities for smuggling and black market activity. Large fortunes could be  
continued

The Malays claimed that since they were the ones who had entrusted authority to the British, it was to them that it should be returned. The immigrant communities were there on sufferance and should have only those rights the Malays chose to give them. This is a view that has dominated Malay nationalist thinking and is still very potent today. Out of the strength of feeling the Malayan Union proposals provoked the United Malays' National Organization (UMNO) was born, the first and most important Malay political party.

With the rejection of the Malayan Union an alternative proposal was put forward: that of a Federation of Malay States. The Working Committee that prepared the arrangements for the Federation of Malaya consisted of representatives of, 1) the British Government, 2) the Sultans, and 3) UMNO; neither the Chinese nor the Indians were represented. The Federation Agreement was to unite the Federated and Unfederated States with Penang and Malacca.<sup>14</sup> It proposed a central Government consisting of a British High Commissioner, an Executive Council and a Legislative Council, with the High Commissioner ultimately answerable to the Colonial Office in London. However, a promise was given that elections would be introduced later. It stipulated that the High Commissioner was responsible for safeguarding "the special interests of Malays" as well as "the legitimate interests of other communities."<sup>15</sup> The citizenship provisions were considerably stricter than in the Malayan Union: while the entire Malay population were automatically citizens, for non-Malays it was stated that the applicant for citizenship must be of good character, intend to reside permanently in the Federation and have "an adequate knowledge of the Malay language" which was

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made by those who attended devotedly to their own business, and politics had been shown to be an unprofitable and dangerous pursuit...Another factor that set limits to what the Chinese could do was the prevailing lawlessness and extortion. To become prominent in any way was to invite demands for money." ibid., pp. 27-28.

14 Singapore was to continue under direct British rule.

15 Federation of Malay Agreement. Clause 19 (1) (d).



interpreted to mean literacy in Malay.<sup>16</sup> The Agreement also restored authority to the Malay Sultans, an authority that had been eroded over the years of British rule. In this way it reaffirmed the principle that Malaya was a Malay country belonging to the Malay people.

Although the Report of the Federation of Malaya Constitutional Commission acknowledged that the Malays were in need of certain privileges if they were to compete favourably with the other communities, it was not considered that the privileges should be permanent.<sup>17</sup> The special privileges of Malays involved preferences in the four fields of: reservation of land; quotas for admission to the Public Service; quotas in respect of the issuing of permits or licences for the operation of certain businesses; and preferences in connection with scholarships, bursaries and other forms of aid for education.

During this period when Malaya was moving towards independence and the future political pattern being evolved, a part of the Chinese community was confirming the worst fears of the Malays. The Chinese guerrilla army that had fought with the British against the Japanese included in their wartime aims the establishment of a republic, and a government in which all communities would be represented.<sup>18</sup> According to Purcell,

There is no doubt that most of the guerillas had been isolated from the world so long and separated from all information except what was contained in their own propaganda that they honestly believed that the Japanese surrender had been due to their own exclusive efforts,...

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16 In 1947 only 1 per cent of Chinese and 2 per cent of Indians over the age of fifteen were literate in Malay. 1957 Population Census. vol. 14, p. 22. In 1952, the citizenship requirements of the Federal Agreement were amended so that many more Chinese qualified for citizenship: the amendment also safeguarded the rights of those who were already citizens.

17 Colonial Office, Constitutional Proposals for the Federation of Malaya. Cmd. 210. p. 14, para. 55.

18 See V. Purcell, op. cit., p. 35.

19 ibid., p. 36.

They had hidden their arms at the end of the war and in the late 1940's decided to renew the struggle this time against the British imperialists. So began the period of Communist insurgency known as 'The Emergency' that lasted twelve years from 1948-1960. This long drawn-out struggle brought the loyalty of the Chinese into question, drained the Malayan coffers, and built up the resentment of the rural Malays. The insurgents were almost all Chinese, and the policy of the Malayan Communist Party (MCP) "was based on the implicit assumption of an extension of Chinese power...."<sup>20</sup> They operated from the depths of the jungle and relied upon the support of Chinese squatters on the fringes of the jungle for food and new recruits. These groups may have given support freely, but if they did not, intimidation was used. The treatment of suspect Chinese by the Government was draconian and even those born in Malaya were subject to summary repatriation to China. The claims of Malayan-born Chinese to a secure position in the country were ignored, and they were treated as unwelcome aliens.

The insurgents claimed to be fighting for the liberation of Malaya and to a degree they may have hastened it. At the Baling talks in 1955 between the Communist Leader, Chin Peng,<sup>and</sup> the Chief Ministers of the Federation and Singapore; Chin Peng declared that if Britain were to grant Malaya independence the communists would lay down their arms.<sup>21</sup> In 1957, Malaya did gain her independence and shortly after that the Emergency was brought to a close. The end of the Emergency assured a non-communist regime in Malaya and left a legacy of political suspicion on the part of the Malays towards the Chinese.

In the newly independent state the special position of the Malays was enshrined in the Constitution, and its identity as

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20 A. Short, "The Emergency", Malaysia, A Survey. Wang Gungwu, ed., p. 151.

21 The MCP statement was "As soon as the elected government of the Federation attains control of internal security and local armed forces we will end the hostilities, lay down our arms and disband our forces." ibid., p. 159.





a specifically Malay state affirmed in the national language, state religion and the position of the Sultans. The Malays were, and are, highly concerned to keep their very considerable political power, and to be very wary of giving power to the non-Malays who might then be in a position to challenge that special position.

Nonetheless, a political alliance was worked out between the Chinese and Malays that took into account the anxieties and aspirations of both groups. In the understanding reached between the leading Malay political party, UMNO, and the Chinese political party, the Malayan Chinese Association (MCA), citizenship qualifications for the Chinese were relaxed and it was understood that they would not be hindered in the commercial sphere, while the continued political hegemony of the Malays was accepted by the Chinese. However, as R.S. Milne points out, this 'bargain' was not static: the Chinese aspired eventually to eliminate the special privileges of the Malays, and the Malays to an equal share in commerce and industry.<sup>22</sup> However, as in any bargain it was also influenced by the relative strength of either side at any one time. At the point of independence the Malays held the political power; the Chinese, the commercial power. Since then various factors have impinged upon this to alter the balance.

In 1963, the state of Malaysia was formed uniting Sarawak, Sabah and Singapore with the Federation of Malaya. Racially, the union was a finely balanced one. Singapore is predominantly Chinese while Sarawak and Sabah have an indigenous majority consisting of Ibans, Dyaks, Melanaus, Kadazans, Muruts and other native people who were considered, along with the Malays, as 'bumiputras' or sons of the soil. Lee Kuan Yew, the Prime Minister of Singapore, sought to create a Malaysian Malaysia in which no one group had special privileges; he also aspired to the political leadership of Malaysia and this threatened the position of the Malays. The result was the expulsion of Singapore from Malaysia in 1965. It was thus made abundantly clear to the Chinese in Malaysia that the Malay-dominated Federal Government in Kuala Lumpur would not brook a Chinese challenge.

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22 R.S. Milne, op. cit., p. 231.

From the beginning the Government was committed to improving the lot of the peasant; however, the choice amongst conflicting priorities is often difficult. On the one hand was the goal of economic development; on the other, a more equitable distribution of wealth and opportunities. And it was the Chinese and Europeans who had the capital, expertise, experience and contacts to develop the economy. A more equitable distribution of wealth could only be attained at the expense of slowing the pace of development. Until 1969 the former priority took precedence.

The year 1969, saw the near defeat of the ruling Alliance followed by an explosion of racial violence that profoundly influenced the direction of Government policy. The ruling Alliance, which had drawn support from all racial groups, lost 23 seats in the election and 14 of these had been lost by the Chinese partner, the MCA. It was thus a firm statement of the dissatisfaction of the Chinese community with Government policies and their desire for more equitable treatment. A Chinese victory march to celebrate their success was said to be marked by expressions of Chinese chauvinism and insults hurled at Malays. The Malays felt that the Chinese had grown too sure of their position and had reaped too many of the rewards of development and the situation erupted into violence. Though the real figures for the final casualties of May 13th will probably never be known, even the official figures indicate the blow the Chinese received.<sup>23</sup>

May 13 was not just an attack on the Chinese; it was also an attack on the Government. The hostility that erupted against the Chinese was an expression of the dissatisfaction of the Malays with their leaders. May 13th also demonstrated the ultimate weapon the Malays had against the Chinese - force. Both the police and the army were predominantly Malay. They thus had control over the means of

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23 Deaths, by Race, in the May 13th Incident up to 30 June 1969:

Malays	25
Indians	13
Chinese	143
Others	15
TOTAL	<u>196</u>

National Operations Council, The May 13 Tragedy, A Report. p. 88.

enforcing Chinese acceptance of Malay supremacy.

For the Chinese, May 13th impressed upon them the present impossibility of a democratic change of power. The Malays had seen Chinese successes at the polls as allowing political power that they felt was rightfully their prerogative to slip into immigrant hands and acted to halt this.

Up until 1969 the Government followed a relatively safe, conservative policy that reflected the lessons of the British. The events of 1969 forced a complete reassessment of policy and a reorientation towards the Malay community.<sup>24</sup> So began the current period of Malaysian political and economic development.

## CONTEMPORARY POLITICAL CONTEXT

### Current Political Framework

Malaysia is a fully independent country within the British Commonwealth. It consists of a federation of thirteen states, nine of which have as their head the traditional Malay Ruler.<sup>25</sup> The Rulers and Governors form the Conference of Rulers who elect the King from among the nine Malay Rulers. The country is a parliamentary democracy with a fully elected House of Representatives, the Federal Dewan Ra'ayat.

While the country consists of three main racial groups, the Malays are considered the definitive people. They, and the indigenous tribes of Sarawak and Sabah, are termed 'bumiputras', and their interests are specifically safeguarded in the federal constitution. Malay is the national language, the

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24 C.T. Goh recounts that soon after the elections at which UMNO, the incumbent Malay party, suffered severe losses, UMNO campaign directors demanded a more Malay-oriented cabinet. UMNO and Utusan Melayu, another Malay party, "felt that the 'immigrant' vote could and should be written off and Malay voters wooed to the fullest." Goh Cheng Teik, The May Thirteenth Incident and Democracy in Malaysia. pp. 16-17.

25 The Head of State in Malacca, Penang, and Sarawak is the Governor, and in Sabah, the Yang di Pertuan Negara.

King is always Malay, and the State religion - Islam - is the religion practised by the Malays.

Within Parliament the balance of power lies firmly with the Malays. They form 53 percent of the population and the constitution makes provision for rural constituencies to contain less than half the electors of urban constituencies.<sup>26</sup> Since the Malay population is concentrated in the countryside this ensures Malay domination of the Dewan Ra'ayat.<sup>27</sup>

Politics in Malaysia is dominated by the need to strike a delicate balance between what are almost entirely communally based parties. As a result a system of power-sharing has been evolved based on the acceptance of the Malays as the dominant political force and the 'special position' of the Malay people. Following the 1969 riots more and more opposition parties have been brought into the ruling Alliance to form the Barisan Nasional or National Front. In the context of a racially divided country this has the advantage of lending itself to "the resolution of sensitive national issues within the structure of political consensus."<sup>28</sup> In this way public debate is avoided and the rifts in Malaysian society supposedly minimized. It also means the Government normally has the two-thirds majority in Parliament required to amend the constitution which gives it enormous power.

### Internal Priorities

The year 1969, was a watershed in terms of Malaysia's internal policy-making. One of the first priorities after the

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26 Malaysia, Federal Constitution. Thirteenth Schedule, Part 1, 2(c). Up until 1973 a rural constituency could contain up to but no fewer than half the electors of an urban constituency, but the August 1973 Act A206 deleted this provision thus allowing the rural constituency to contain less than a half the electors of an urban area.

27 See David Lim for a discussion of the unequal representation of non-Malays. David Lim, Economic Growth and Development in West Malaysia, 1947-1970. pp. 62-65.

28 Third Malaysia Plan, 1976-1980. p. 99. para. 303.

rioting was the need to create a united nation;<sup>29</sup> related to this was the need to solve the socio-economic problems that were the root cause of the rioting.

The nation-building of the post-1969 era has particularly concentrated on ensuring the loyalty of the non-Malay Malaysians. One of the first measures was the articulation of a national ideology in the 'Rukunegara'. This expresses the shared aims and assumptions of a modern society oriented towards science and technology. It also reveals the anxieties that lie behind the emphasis on national unity: the questionable loyalty of non-Malays ("Loyalty to other countries is inconsistent with undivided loyalty to this Nation."); the power of communal loyalties ("The interests of the whole must come before the interests of any sectional group"), the defensiveness of the Malays regarding their "Special position" and the privileges that they have accorded themselves ("it is necessary that the weak and the disadvantaged be assisted to compete on equal terms".)

A second aspect of nation-building was the creation of a national culture and identity based on the Malay culture. It has also brought a reemphasis on Malay as the national language and the development of the Malay language to enable it to cope with the requirements of a modern society. Malay is now referred to as 'Bahasa Malaysia', meaning the Malaysian language. Education has been seen as performing an important role in "moulding civic and national consciousness and spiritual values"<sup>30</sup> and the national language has been progressively introduced throughout the educational system. From the point of view of the business community the insistence on Malay is a matter for concern since it is likely to result in a decline in the standard of English spoken and English is the principal language of business in Malaysia. The Third Malaysia Plan seeks to alleviate such anxieties by stating that although Bahasa Malaysia will be used as the main medium of instruction "the

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29 The Second Malaysia Plan starts off: "National Unity is the over-riding objective of the country." p.1, para. 1.

30 Third Malaysia Plan. p. 2. para. 5.



use of English will be extended as a strong second language."<sup>31</sup>

Along with the new cultural nationalism, has gone an emphasis on economic nationalism. This is related to the idea that the Malay people should have control over the country's natural resources. It has involved the purchase of substantial interests in key companies with the intention of subsequently reselling them to Malaysians, and particularly Malays.

Another manifestation of this has been an increasing hostility towards foreign enterprise. A good deal of publicity was given to the figure presented in the Second Malaysia Plan (SMP) that foreign ownership of limited companies in West Malaysia was 62.1 per cent in 1969.<sup>32</sup> As a result foreign companies experienced subsequent difficulty and inflexibility in their dealings with Government departments, reaching a climax around 1975-76. However, the Third Malaysia Plan (TMP) reaffirmed the Government's commitment to and reliance on foreign investment and the Prime Minister and Deputy Prime Minister showed themselves open to discussion with the business community and receptive to their arguments; as a consequence the suspicion and hostility have begun to subside. This has been confirmed by the appointment on 1 January 1978 of the Deputy Prime Minister, a man largely trusted by the business community, as Minister of Trade and Industry.

One of the key policy changes that came out of the 1969 disaster was the New Economic Policy (NEP) introduced in 1970. This was aimed at what were seen as the two main causes of the rioting: poverty and the identification of race with economic function, that is, that the vast majority of Malays were poor, rural farmers and fishermen and the more visible Chinese were relatively affluent, urban businessmen. This policy has had far reaching effects on the business community which will be dealt with in detail in Chapter 5.

The contemporary context of management development in Malaysia can only be understood in the light of this situation: the political domination of the Malay community, the determination

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31 ibid., p. 384. para. 1310.

32 SMP. p. 40, para. 130, Table 3-1.



of the Government to correct the economic backwardness of the Malays as fast as is possible without serious dislocation to the economy, and the increasing power and centralization of the Government. It is determined to play a direct and active role in the economy and in society in order to achieve its aim. This means that it is concentrating on promoting the interests of the 53 per cent of the population who are bumiputras, and holding back the non-Malay population, who consequently feel persecuted.

### RACIAL BALANCE

The term 'racial balance' is used as a shorthand for the whole process of restructuring society so that the three main races that comprise Malaysian society - Malays, Chinese and Indians - are engaged in all sectors and at all levels of the economy in the same proportion as their proportion in the population. The 1969 race riots highlighted the dangers of allowing social and economic inequalities to continue unchecked and since then the correction of racial imbalance has been, with the elimination of poverty to which it is related, the main aim of the Government.

For historical reasons the Malays find themselves politically dominant in a country in which much of the wealth of the country and the fruits of economic development are in the hands of non-Malays. The Malay population is characterized by being predominantly rural and poor: in 1975, 82 per cent of Malays in Peninsular Malaysia lived in the countryside,<sup>33</sup> in 1970, 65 per cent of Malay households were poor.<sup>34</sup> The rural areas have not had the same educational facilities as the cities and a 1967/68 Survey found 88 per cent of the rural population had attained no more than primary education.<sup>35</sup> Malays are

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33 TMP. p. 150, Table 8-9.

34 ibid., p. 5, para. 21.

35 Department of Statistics, Socio-Economic Sample Survey of Households - Malaysia 1967-68, Employment and Unemployment West Malaysia. p. 72.

concentrated in subsistence agriculture, utilities and services, and are substantially underrepresented in mining, manufacturing, construction and commerce.<sup>36</sup> Within these industries the underrepresentation is particularly marked in the more senior administrative grades.<sup>37</sup>

One area to which Malays have been attracted is the Civil Service which until 1953 was closed to non-Malays (other than the British). When in 1953 non-Malays were allowed into the MCS for the first time it was on a quota basis of four Malays to each non-Malay and this system of a preferential quota for Malays in the Civil Service has been incorporated into the Malaysian constitution. The prestige, security and Malay orientation of the Civil Service tends to make it a natural first choice for many young Malays. Added to this is the fact that the vast majority of Malay students are on Government scholarships that bond them to serve the Government. More recently, with the extension of instruction in Malay to university level, there has been a growing number of graduates who are unable to use English fluently and so are unemployable by much of the business community. That the Government takes its responsibility towards these new Malay graduates seriously is witnessed to by the fact that during 1975-78 Government employment increased by over 100,000 making it second only to manufacturing in terms of its contribution to job creation.<sup>38</sup> "The alternatives open to individuals are important, since we must take into account opportunity costs of entrepreneurial acts."<sup>39</sup> In the case of the Malays the opportunity costs of entering the high risk world of business have tended to be prohibitively high.

Not only are the Malays underrepresented in the modern sectors of the economy, they are grossly underrepresented in terms of ownership of the private sector. In 1970 Malays and Malay interests

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36 See Table 4.5.

37 TMP, pp. 181-182, Table 9-7.

38 Mid-Term Review of the Third Malaysia Plan, p. 64, Table 4-5.

39 G.M. Meier, Leading Issues in Economic Development, p. 660.

owned 2.4 per cent of share capital in Peninsular Malaysia, rising in 1975 to 7.8 per cent.<sup>40</sup>

The Malays see the reasons for their lack of participation in the modern sector as due to a) lack of opportunity and of facilities due to continuous official neglect, and b) the entrenchment of non-Malay interests. In fact, the roots of the problem go much deeper than that. Faced with the problem of moving rapidly into the commercial and industrial sector, Malays tend to lack the knowledge, experience, capital and contacts to do so. The Government is concentrating its efforts on overcoming these handicaps.

The restructuring of society to correct racial imbalance has particularly focussed on the need to bring the Malays into the modern sector, that is, "the creation of a Malay commercial and industrial community in all categories and at all levels of operation."<sup>41</sup>

The four main areas on which the Government has concentrated are the modernization of the rural areas, the creation of a Malay entrepreneurial class, the introduction of Malays into all levels of management and increased Malay ownership of the economy as a whole. The first of these will not be dealt with since it is not relevant to this study; the Government's policies and practices in the other three areas will be examined at greater length since they substantially affect the management context in Malaysia.

#### The Creation of a Malay Entrepreneurial Class

In order to foster the development of a Malay entrepreneurial cadre the Government has sought to help them overcome their immediate disadvantages by the provision of capital, opportunities, facilities, and training.

A number of institutions have been fostered by the Government for the express purpose of providing financial facilities

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40 TMP. p. 86, Table 4-16.

41 SMP. p. 1., para. 2.

for Malays and in particular, easy loans. The most important of these is Bank Bumiputra, which was initiated with \$25 million from the Government (and with the intention that shares would be sold to Malays at a later date.) Because Malays do not always have security for loans the Credit Guarantee Corporation (CGC) was set up in 1973 to underwrite bank loans to Malays. As a result of these measures between 1971-1975 total loans and advances to bumiputras rose ten-fold from \$80 million at the end of 1970 to \$791 million at the end of 1975.<sup>42</sup>

The provision of opportunities for Malay entrepreneurs has taken a number of forms. A certain quota of licences in the transport and haulage business are reserved for Malays, a policy started by the British in 1952, and laid down in the Constitution (Article 153). A proportion of timber concessions is also reserved for Malays. The Government follows a policy of Malay preference with regard to its contracts: all construction contracts under \$10,000 automatically go to Malay firms and over that they are open to tender but Malay preference is still assured. Malay contractors are given preference in the supply of goods and services up to \$5 million for prices 2-10 percent over other competitors, and 30 percent of the value of all work contracted by the Public Works Department is reserved for Malays.<sup>43</sup> These measures are intended to assist and encourage small Malay businessmen who can not compete with the well-established Chinese firms. One result has been that a number of smaller Chinese firms have been forced to the wall and competition, and co-operation, amongst non-Malays has become even more intense. There has been a tendency for Malays to sell or lease their concessions, or sub-contract to non-Malays.<sup>44</sup>

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42 TMP. p. 32. para. 14.

43 TMP. p. 32. para. 115.

44 The manager of one of the Chinese firms interviewed explained that the only possibility for survival in his field - the supply of provisions to the armed forces - was to obtain a sub-contract from a Malay firm, and this was then shared out amongst a small group of companies in the same field to enable each of them to keep ticking over.

Another approach taken has been for the Government to create companies for Malays, get them started and then hand them over to Malay private enterprise. Perbadanan Nasional (PERNAS) is the chief Government body concerned with this. PERNAS was incorporated as a private company in 1969 to speed up the entry of Malays into commerce and industry. The degree of Government support for PERNAS is indicated by the fact that under the First Malaysia Plan PERNAS received \$10 million, under the Second Malaysia Plan \$100 million, and under the Third Malaysia Plan \$200 Million. It has six wholly owned subsidiaries in insurance, construction, manufacturing, property development, securities and trading. It also has a monopoly on all trade with the People's Republic of China which gives it a key position in the distributive trades. Not only does PERNAS initiate its own companies, it also goes into joint ventures with other companies, however, it demands a controlling share in the equity so that it can insist on Malay employment at all levels up to at least 50 per cent of the workforce.<sup>45</sup> Majlis Amanah Rakyat (MARA) has recently started an Industrial and Commercial Division with the task of facilitating direct Malay participation in tapioca processing, fruit canning, timber processing and the like. The State Economic Development Corporations (SEDC's) are involved in establishing wholly owned Malay companies as well as joint ventures. They also assist ailing industries owned by Malays.

Finally, the Government seeks to provide opportunities for Malay entrepreneurs by forcing the private sector to give preference to Malay companies. The distributive and service sectors are seen as areas well-suited to Malay involvement. Consequently the Government has set a target that 30 per cent of the distribution and service business of the private sector be given to bumiputra companies by 1990. Indeed, there has been strong pressure on companies to comply with this target well before 1990. This has caused a good deal of resentment since established distributors have built up a reputation, a market and a distribution network that the new bumiputra distributors do not have. On the service side it is felt that

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45 Tunku Razaleigh Hamzah, "Aids to Malay Development," Financial Times, 26.2.73, p. 16.



bumiputra companies are not necessarily able to provide the range of services of a well-established company. A further problem is that the only companies that are considered to be bumiputra are those that have 51 percent of equity in the hands of Malays, whereas companies that have complied with the racial balance ownership target of 30 percent Malay participation are categorized as non-bumiputra.

The Government has involved itself in the provision of suitable business premises for Malay enterprizes. The Urban Development Authority (UDA) was established to acquire and develop suitable land in Kuala Lumpur, state capitals and major towns to ensure that Malay traders have the opportunity to operate in the main commercial areas of the country. These facilities they sell or lease on easy terms. MARA has built shop and office complexes for Malay businessmen which it leases for nominal rents. Industrial estates, business premises and shopping complexes are also built by the SEDCs.

To facilitate and sustain such rapid development of a Malay entrepreneurial cadre requires a massive training effort. One aspect of this is the improvement of Malay educational standards which will be dealt with in the next chapter. On the job training is one of the main purposes of the PERNAS and MARA ventures and PERNAS companies have the luxury, rarely found in a fledging enterprise, of substantial training funds. Where PERNAS enters into a joint venture one of the requirements made of its partner is in-service training both in Malaysia and in the overseas facilities of the partner. There are also a host of training courses that have been initiated for the express purpose of preparing Malays for business. Consultancy has been made available to the Malay entrepreneur by the NPC; MARA, also provides feasibility studies; FIDA, which likewise provides feasibility studies; and MIDF Industrial Consultants Sdn Bhd.

#### Racial Balance in Management

Not only does the Government want to create a new entrepreneurial class of Malays it is also committed to bringing Malays into all levels of management of the private sector. The



exact proportion of Malays to be attained is unclear. The SMP states, "The Government has set a target that within a period of 20 years, Malays and other indigenous people will manage and own at least 30 per cent of the total commercial and industrial activities in all categories and scales of operation."<sup>46</sup> However, the TMP suggests a target of 53 per cent when it states that, "employment in the various sectors of the economy and employment at all occupational levels should reflect the racial composition of the country by 1990."<sup>47</sup> Either target requires the private sector to recruit a very high proportion of Malays. The Government's own estimates are that Malay employment will have to account for 64 per cent of total new employment in industry and 54 per cent in services during 1976-90.<sup>48</sup> In 1970 22 per cent of all administrative and managerial workers were Malay but this proportion varied between 35 per cent in the tertiary sector and only 15 per cent in the secondary sector.<sup>49</sup> By 1975, the proportion of Malays in the managerial and administrative grades had risen to 27 per cent and by 1978 it had reached 33 per cent.<sup>50</sup> This rapid improvement is evidence of the seriousness with which the problem of racial balance is being tackled.

If the 53 per cent target is to be attained there will still need to be a very large increase in Malay managers. In companies that have been growing rapidly there has been room for new employment; older companies, especially those with a slower rate of growth, have found it difficult to improve their racial balance without sacrificing existing staff and the Government has specifically stated that no one is to be deprived to attain the objectives; racial balance is to be achieved out of growth. New

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46 SMP pp. 41-42, para. 135.

47 TMP. p. 76, para. 245.

48 ibid. p. 77, para. 248.

49 ibid., pp. 181-182, Table 9-7.

50 Mid-Term Review of The Third Malaysia Plan. p. 47, Table 3-4.

industrial firms often apply for pioneer status in order to receive tax incentives offered by the Government. A condition of these incentives has been a commitment to employ a representative number of Malays. This approach has been reasonably effective: pioneer firms employ a considerably higher proportion than other manufacturing companies, for example as early as 1968 pioneer firms employed 42 per cent Malays compared to 24 per cent in modern manufacturing companies as a whole.<sup>51</sup> The difficulty lies at the level of senior management. While foreign experts are allowed in during the early stages of an operation they have to be rapidly phased out except for a very few key posts, and it normally requires a considerable length of time to train a man to take over at the senior level. In recognition of this problem in the TMP the Government has made some allowance and has committed itself to adopting a "flexible approach in the implementation of the restructuring objectives for the modern industrial sector."<sup>52</sup>

Malay employment in management has been at the previous low levels for a number of reasons. One, is the education policies of the British, which will be examined in the next chapter. As a result of these policies Malays lacked educational qualifications particularly in the fields of science, technology and business studies to enter management. And those who had the necessary education tended to prefer to enter the Civil Service. Another difficulty has been the special requirements, such as the need for managers in sales divisions to speak Chinese, because the wholesale and retail trades are dominated by Chinese. A further difficulty has been their disinclination to enter business, and the Malay value structure that runs counter to that of a modern industrial economy. Finally, there has been the stereotype that has grown up of the Malay being unsuited to the demands of business life.

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51 D.R. Snodgrass, "Summary Evaluation of Policies Used to Promote Bumiputra Participation in the Modern Sector in Malaysia," Development Discussion Paper. No. 38, Harvard Institute for International Development, p. 5.

52 TMP. p. 84, para. 254.

### Malay Ownership of the Economy

The Government has stated that by 1990 Malays will own 30 per cent of the economy, other Malaysians 40 per cent, and foreigners 30 per cent. It is particularly concerned to correct the imbalance in ownership in the Modern Rural and Modern Urban sectors of the economy where they are greatest. Given that Malays and Malay interests owned only 2.4 per cent of share capital in 1970, and 7.8 per cent in 1975, it is clear that an enormous leap forward is required. This expansion of Malay ownership is to come mainly out of growth so that existing owners will not be dispossessed.<sup>53</sup> There is a variable policy on the attainment of the objectives; "pioneer" industries, for instance, are required to reserve at least 30 per cent of their equity for Malays, while established companies are required to work gradually towards the target. On the other hand, the sensitive resource-based industries are expected to comply with the target immediately. Where an established company decides to restructure its ownership it is compelled to set aside 30 per cent for Malays. This restructuring of the ownership of the economy is overseen by the Foreign Investment Committee established in 1974.

One of the major difficulties in fulfilling this goal has been the poverty of the Malay community - they do not have the financial resources to take advantage of the shares reserved for them. If the target of 30 per cent ownership is to be achieved, Malays and Malay interests will have to acquire roughly one-third of the total increase in equity capital between 1975-1990 or over \$23 billion worth of shares as well as those reserved shares not yet taken up.<sup>54</sup> In order to accomplish this, the Government has stepped in to purchase shares in trust for the Malay people. These will

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53 TMP. p. 191, para. 588(i) states:  
 "Present imbalances in the ownership of equity stock in individual enterprises will be corrected mainly through growth. Disinvestment of existing stock will not be compulsorily enforced for the purpose of executing the restructuring objectives of the Government".

54 ibid., p. 85-87, para. 258.

then be resold to Malays as they become more affluent. However, it is clear that Government bodies will have to hold an increasing proportion of Malay shares and that only in this way will the targets be achieved. Even by 1990 it is anticipated that private Malay holdings will have been able to take up less than a quarter of the reserved shares. This has created a problem for many companies who have had to reserve 30 per cent of their equity and found that the shares have not been taken up. A further problem is the fact that the price of reserved shares is set not by the market but by the Government and may be well below the market price.<sup>55</sup> Having sold shares to Malays there is also nothing to stop Malays reselling their shares to non-Malays so diluting what has been an expensive balance to achieve.

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One of the ideas underlying the aim of achieving a racial balance in all sectors and at all levels of the economy by 1990 was that this should be achieved through rapid growth so that no-one else should be deprived of what he had to make room for the Malays. This meant it was essential to maintain an attractive investment climate. However, the very radical social change to which the Government aspires cannot be achieved without a considerable degree of dislocation and adequate time for preparation, training and readjustment. When, in 1974-75, the timescale was reduced and pressure applied for companies to comply far sooner and on an individual basis this aggravated the dislocation and created the sort of tension and uncertainty among investors that induces them to reduce their time horizon for profitability. This fostered the sort of attitude that led to 'window-dressing' on the part of companies in relation to the restructuring of their management cadre.

A problem in the attainment of the Government's racial

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55 Wong Sulong cites the example of Batu Kawan, a large plantation and investment group, having to sell 15 million shares to Bumiputras at \$1.1 per share when the going price on the Kuala Lumpur Stock Exchange was \$1.7 per share. Wong Sulong. "Coming of Age Difficulties," Financial Times, 1 February 1979, p.33.

balance policies is that it has continued to foster the very attitudes and values that produced the imbalance it seek to overcome. Its extensive efforts to assist Malays has made them even more dependent on benevolent Government action and obviated the necessity of developing a 'need for Achievement' to use McClelland's term. Malays have not succeeded in entering the modern economy in the past partly because of their traditional, 'peasant' orientation. If the restructuring of society is to succeed there will need to be a change in the attitudes and values of the Malay people, a move away from tradition towards hard work, self-reliance, and a desire for achievement. It is interesting to note that the Government appears aware of this need. The Rukunegara declares that Malaysian society "shall be oriented toward modern science and technology." The present Deputy Prime Minister advocated the urbanization of the Malay community, back in 1970, as a means of bringing about rapid attitude change.<sup>56</sup> There is also reference to the important role to be played by women, "no longer saddled by prejudice and traditional conservatism",<sup>57</sup> a reference which recalls McClelland's emphasis on women's role in the creation of a dynamic society. In the introduction to the Third Malaysia Plan the Prime Minister urges, "There can be no substitute for hard work and a determination to succeed."<sup>58</sup> Further on the Plan explicitly refers to the dilemma:

The community as a group is able to identify and integrate its short and long-term needs, strive for the satisfaction of these needs with the minimum assistance from the Government and deal with all forms of challenges as individuals and as a community, thus, while Government assistance is necessary in promoting development and change within the community, such assistance<sup>59</sup> given injudiciously may negate the above objectives.

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56 Mahathir bin Mohamad, The Malay Dilemma. p. 105.

57 TMP. p. 105, para. 318.

58 ibid., p. vii.

59 ibid., para. 297, p. 97.

Yet the political necessity for rapid progress towards racial balance, to avoid another racial conflagration, but more immediately because the Government is directly dependent on the Malay voters, forces it to intervene to speed up the pace of change.



## CHAPTER 4

### MALAYSIA: THE SOCIAL CONTEXT

The aim of this chapter is to examine the social context of management development in Malaysia: the main characteristics of Malaysian society in general, and the labour force in particular; the origins of its multiracial society; the social and cultural features of the three main racial groups; and the educational background. As has already been shown in Chapter 2, the nature of the population from which managers are drawn, the complex of attitudes and values of a society, the level and quality of education and the availability of technically qualified staff, are highly relevant to the problem of developing competent management.

#### SOCIAL DIMENSIONS

The population of Malaysia as a whole in 1975 was estimated to be 12,249,000, of which 10,385,000 or 85 per cent, were in Peninsular Malaysia. Of this number 53.1 per cent are Malay, 35.5 per cent Chinese, 10.6 per cent Indian, Pakistan or Ceylonese, and 0.8 per cent Other.<sup>1</sup> This gives Malaysia the highest proportion of Chinese of any country in South East Asia.

The population is concentrated in two main areas: a strip down the length of the West Coast of the peninsula and in the north east corner. There is also a particular concentration of population in the state of Selangor which has seen a growing influx of people from other states drawn by the prospect of employment in industry or government in the Federal capital, Kuala Lumpur. (See Table 4.1.) The distribution of the races is very uneven with the Chinese and Indians concentrated in the four Western States which between them

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1 TMP. p. 150, Table 8-9.

Table 4.1  
Population, GDP, and Racial Distribution by State, Peninsular Malaysia, 1970

States	Population	GDP per Capita <sup>(i)</sup> (\$)	Population by Race (%) <sup>(ii)</sup>			
			Malay	Chinese	Indian	Other
Four Northern States:	2,167,545	610	83	12	4	1
Trengganu	405,539	614	94	5	1	0
Kelantan	686,266	480	93	5	1	1
Perlis	120,991	690	79	16	2	2
Kedah	954,749		71	19	8	2
Three Southern States:	2,156,004	933	55	38	7	0
Pahang	504,900	1,014	61	31	7	0
Johore	1,276,969	935	53	39	7	0
Malacca	404,135	828	52	40	8	1
Four Western States:	4,456,799	1,261	38	46	15	1
Negri Sembilan	481,491	1,017	45	38	16	0
Perak	1,569,161	1,019	43	42	14	0
Selangor <sup>(iii)</sup>	1,630,707	1,678	35	46	18	1
Penang	775,440	1,025	31	56	12	2
Peninsular Malaysia	8,819,928 <sup>(iv)</sup>	1,018	53	35	11	1

(i) Census population figures were used and these are at slight variance with population figures for 1970 given in the TMP. Consequently, GDP per capita in this table differs from the figure given in the TMP.

(ii) Percentages do not necessarily add up to 100 due to rounding error.

(iii) Includes the Federal Territory of Kuala Lumpur.

(iv) Total includes 9,580 wayfarers and persons afloat not allocated to individual states.

Sources: Malaysia, 1970 Population Census, Community Groups. p. 45.  
TMP. p. 201, Table 10-1.

enjoy the highest income per capita, and the Malays in the four northern states which have the lowest income per capita.

Peninsular Malaysia has experienced fairly rapid growth in the size of its urban population which has grown from 15.9 per cent of the total population in 1947<sup>2</sup>, to 32.0 per cent in 1975.<sup>3</sup> The cities are characterized as being largely non-Malay: non-Malays made up 72.4 per cent of the urban population in 1970, falling slightly to 70.1 per cent in 1975.

Table 4.2  
Degree of Urbanization by Race, Peninsular Malaysia, 1970-1975

Racial Group	% of Total Population	1970		1975	
		% of Urban Population	% of Rural Population	% of Urban Population	% of Rural Population
Malay	53.2	27.6	63.5	29.9	63.9
Chinese	35.4	58.5	26.2	56.4	25.8
Indian	10.6	12.8	9.7	12.5	9.7
Others	0.8	1.1	0.7	1.2	0.6

Sources: Department of Statistics, 1970 Population and Housing Census of Malaysia, Community Groups. p. 30, Table XI.  
Malaysia, Mid-Term Review of Third Malaysia Plan 1976-1980. p.61, Table 4-2.

A significant problem is that of very rapid population growth. A high post war birth rate has been compounded by improvements in public health which have brought a marked drop in infant mortality from 75.7 per 1000 in 1957 to 40.8 per 1000 in 1970, and an increase in male life expectancy from 55.8 years in 1957, to 59.8 years in 1970, to 61.6 years in 1975. The overall result is an estimated rate of population growth of 2.6 per cent per annum in 1976 - 80.<sup>4</sup>

A consequence of the fairly recent spurt in the birth rate is a very young age distribution: 45 per cent of the population

2 Department of Statistics. Socio-Economic Sample Survey of Households. p. 66, Statement 14.

3 TMP. p. 149, para. 452 and 455.

4 Mid-Term Review of The Third Malaysia Plan. p. 60, Table 4-1.

were in the age group 0 - 14 years in 1970,<sup>5</sup> compared to 23 per cent in Great Britain, 26 per cent in Japan and 30 per cent in the United States. This places a burden on the 52 per cent of the population who are in the working age population, the 15-64 age group, and must support such a large dependent group.<sup>6</sup> This large youth group is gradually moving onto the labour market resulting in the growth of a very young, and consequently inexperienced, labour force with the problems this poses for management development.

The youth of the population in Malaysia combined with the achievement of independence and the rising aspirations that that brought, has produced an enormous demand for education. The improvement in the availability of education is reflected in the improved literacy rate, particularly amongst the younger generation, shown in Table 4.3.

Table 4.3  
Literacy Rate by Age Group

Age Group	% literacy in each age group		
	1947	1957	1967/68
6 -	27.5	66.4	93.5
24 - 44	38.2	45.9	68.6
45 and above	29.4	28.7	39.4
TOTAL	30.8	50.8	76.8

Source: Department of Statistics Socio-Economic Sample Survey of Households. p. 59, Statement 8.

In 1967/68 the Socio-Economic Sample Survey of Households found that 68 per cent of the population over 25 had no formal education at all, and of those who had attended school 80.5 per cent had not received more than a primary education.<sup>7</sup> Only 10 per

5 Department of Statistics, 1970 Population Census, Age Distributions. p. 55.

6 loc. cit.

7 Socio-Economic Sample Survey of Households. pp. 61 and 63. Statements 10 and 11.

cent of those who had attended school, or 4 per cent of the population in Peninsular Malaysia, had achieved middle secondary education or above, that is, what might be considered the very minimum education for a management recruit. By 1975 well over 90 per cent of the appropriate age group was receiving primary education and 50-60 per cent, secondary education.<sup>8</sup>

The figures for the population as a whole are of interest but it is the characteristics of the labour force that are of particular relevance. The labour force in Peninsular Malaysia was 3,035,000 in 1970 and 3,590,000 in 1975. Between 1966-70 it grew by an average of 2.9 per cent a year, and 1971-75 by 3.2 per cent overall. However, as a result of the demographic pattern already mentioned the labour force between the ages of 15-29 increased by 4.8 per cent between 1971-75.

The pattern of employment by industry is given in Table 4.4. Roughly half the employed population are to be found in agriculture, forestry and fishing. The next largest single group is employed in the public sector, followed by commerce and manufacturing. Employment in manufacturing has grown particularly rapidly and is expected to continue to do so. The overall employment figures conceal some very marked racial differences. Table 4.4 includes the breakdown of the employment in each sector by race. Malays are over-represented in agriculture and substantially under-represented in mining, manufacturing, construction and commerce. The pattern of Chinese employment is almost exactly the opposite of this, whereas the Indians are over-represented in utilities and to a lesser extent transport, storage and communications, and under-represented in manufacturing and construction. Although the situation ameliorated between 1970 and 1975, the differences remain marked. It is this pattern of racial dominance of specific sectors that lies behind the call for racial balance.

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8 Mid-Term Review of The Third Malaysia Plan. p. 83, Table 5-4.

TABLE 4.4  
Employment by Race and Sector, Peninsular Malaysia, 1970 - 1975

	Number Employed (000)	% of Total Employment	% of Total Employed in Sector			
			Malay	Chinese	Indian	Others
1970						
Agriculture, forestry and fishing	1,406.0	50.3	67.6	21.4	10.1	0.9
Mining and quarrying	85.3	3.0	24.8	66.0	8.4	0.8
Manufacturing	263.9	9.4	28.9	65.4	5.3	0.4
Construction	77.6	2.8	21.6	72.0	6.1	0.3
Utilities	16.6	0.6	48.2	18.1	32.5	1.2
Transport, storage and communications	119.4	4.3	42.6	39.6	17.1	0.7
Commerce	350.9	12.6	23.5	65.3	10.7	0.5
Services	474.0	17.0	48.5	35.7	14.0	1.8
	<u>2,793.7</u>	<u>100.0</u>	<u>51.4</u>	<u>37.0</u>	<u>10.7</u>	<u>0.9</u>
1975						
Agriculture, forestry and fishing	1,534.3	46.2	67.3	20.7	11.1	0.9
Mining and quarrying	83.7	2.5	33.1	56.9	9.5	0.5
Manufacturing	362.8	10.9	33.1	59.9	6.7	0.3
Construction	97.4	2.9	28.8	60.2	10.5	0.5
Utilities	21.4	0.7	61.2	14.0	23.8	1.0
Transport, storage and communications	161.0	4.9	47.2	37.5	14.6	0.7
Commerce	459.8	13.9	31.6	61.3	7.0	0.1
Services	596.8	18.0	50.6	36.5	11.4	1.5
	<u>3,317.2</u>	<u>100.0</u>	<u>52.6</u>	<u>36.3</u>	<u>10.3</u>	<u>0.8</u>

Source: Third Malaysia Plan. p. 142, Table 8-2.



Not only is there a racial concentration in different industries but also at the different functional levels within the various sectors as Table 4.5 shows. In 1970, the Chinese formed 70 per cent of the administrative and managerial workers in the primary sector and 76 per cent in the secondary sector. In the field of sales their share rose to 73 per cent in the primary sector and 81 per cent in the secondary sector. Their dominance in these fields was largely at the expense of Malays who formed 20 per cent of administrative and managerial workers and 19 per cent of sales workers in the primary sector and 15 per cent and 9 per cent in these fields in the secondary sector. The only occupation in which Malays were over-represented was among agricultural workers where they comprised 69 per cent overall. Indians were concentrated in clerical employment in the primary and secondary sectors, where they made up 32 per cent and 17 per cent respectively; amongst production and service workers, of which they comprised 24 per cent in the primary sector; and amongst agricultural workers in the secondary and tertiary sectors, where they made up 17 per cent and 23 per cent respectively.

The Socio-Economic Sample Survey of Households brings these differences out very clearly. These figures are presented in Table 4.6. The Malays are concentrated in agriculture and Government employment, the Chinese in business and the Indians in estate work and, to a lesser extent, Government employment. This identification of race with economic function is one of the characteristics of the Malaysian labour force and the extent of it accentuates the difficulties involved in achieving the racial balance desired by the Government.

In the face of the rapid rate of population growth and the even more rapid growth of the labour force, Malaysia has been struggling to expand its employment opportunities. Between 1962-67 employment rose at an average of 2.7 per cent a year, but the labour force rose at 2.9 per cent a year; as a result unemployment rose from 6 per cent in 1960 to 7.4 per cent in 1970. Under the Second Malaysia Plan, 1971-75, employment grew at the rate of 3.3 per cent

TABLE 4.5  
Employment by Occupation and Race, Peninsular Malaysia, 1970 (in thousands)  
Secondary Sector (ii)

	Primary Sector (i)					Secondary Sector (ii)				
	Malay	Chinese	Indian	Others	Total	Malay	Chinese	Indian	Others	Total
Professional & technical workers (%)	1,869 55.9	816 24.4	563 16.9	94 2.8	3,342 100.0	2,609 26.0	5,413 53.9	1,577 15.7	449 4.4	10,048 100.0
Administrative and managerial workers (%)	283 19.8	1,006 70.2	115 8.0	28 2.0	1,432 100.0	1,877 14.7	9,709 75.6	829 6.4	420 3.3	12,845 100.0
Clerical workers (%)	2,531 31.0	2,936 36.0	2,644 32.4	49 0.6	8,160 100.0	14,141 32.1	21,910 49.8	7,324 16.7	625 1.4	44,000 100.0
Sales workers (%)	86 19.2	327 72.8	35 7.8	1 0.2	449 100.0	677 8.7	6,269 80.5	784 10.1	55 0.7	7,785 100.0
Agricultural workers (%)	923,580 68.9	279,480 20.8	126,267 9.4	11,710 0.9	1,341,037 100.0	1,423 45.9	1,130 36.5	521 16.8	26 0.8	3,100 100.0
Production workers (%)	9,348 43.7	6,979 32.6	5,017 23.5	43 0.2	21,387 100.0	96,283 30.5	196,165 62.0	22,985 7.3	761 0.2	316,194 100.0
Service and other workers (%)	13,404 44.4	9,355 31.0	7,359 24.4	75 0.2	30,193 100.0	56,138 33.3	94,464 55.9	17,822 10.4	604 0.4	168,828 100.0
Total (%)	951,101 67.6	300,899 21.4	142,000 10.1	12,000 0.9	1,406,000 100.0	173,158 30.8	335,060 59.5	51,642 9.2	2,940 0.5	562,800 100.0
Tertiary Sector (iii)										
All Sectors										
Professional and technical workers (%)	56,673 48.7	42,647 36.7	14,373 12.4	2,522 2.2	116,215 100.0	61,151 47.2	48,876 37.7	16,513 12.7	3,065 2.4	129,605 100.0
Administrative and managerial workers (%)	2,929 34.5	4,248 50.1	755 8.9	550 6.5	8,482 100.0	5,099 22.4	14,963 65.7	1,699 7.5	988 4.4	22,759 100.0
Clerical workers (%)	30,087 34.3	46,510 52.9	10,113 11.5	1,150 1.3	87,860 100.0	46,759 33.4	71,356 51.0	20,081 14.3	1,824 1.3	140,020 100.0
Sales workers (%)	74,638 24.2	198,036 64.3	34,038 11.1	1,094 0.4	367,806 100.0	75,401 23.9	204,632 64.7	34,857 11.0	1,150 0.4	316,040 100.0
Agricultural workers (%)	12,970 63.7	2,661 13.1	4,684 23.0	38 0.2	20,353 100.0	937,973 68.7	283,271 20.8	131,472 9.6	11,774 0.9	1,364,490 100.0
Production workers (%)	6,418 30.8	11,549 55.4	2,780 13.3	102 0.5	20,849 100.0	112,049 31.3	214,693 59.9	30,782 8.6	906 0.2	358,430 100.0
Service and other workers (%)	128,682 48.9	92,651 35.2	37,158 14.1	4,844 1.8	263,335 100.0	198,224 42.9	196,470 42.5	62,139 13.4	5,523 1.2	462,356 100.0
Total (%)	312,397 37.9	398,302 48.3	103,901 12.6	10,300 1.2	824,900 100.0	1,436,956 51.4	1,034,261 37.0	297,543 10.7	25,240 0.9	2,973,700 100.0

(i) Agriculture.  
(ii) Mining, manufacturing, construction, utilities, transport and communications.  
(iii) Trade, commerce, public administration and other services.

Source: Third Malaysia Plan. p. 181-2, Table 9-7.

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Table 4.6  
Percentage Distribution of Employed by Socio-economic Group and Race,  
Peninsular Malaysia, 1967/68

	% of total employed in sector		
	Malays	Chinese	Indians
(Government department or statutory body)	57.9	18.7	20.7
Smallholding agriculture	77.2	20.1	1.6
Owner operator	82.3	15.8	0.5
Operator	89.3	8.0	1.2
Wage Earner	62.2	34.0	3.3
Family workers without pay <sup>(i)</sup>	67.9	29.0	1.5
Estate Workers	26.8	27.6	45.2
Private company, partnership, or proprietorship other than agriculture	27.6	62.2	9.4
Others	46.9	44.2	8.2
TOTAL	49.8	36.4	12.6

align numbers

(i) Unpaid family workers shown here are by and large engaged in agriculture though some of these are also engaged in trading activities.

Source: Department of Statistics, Socio-Economic Sample Survey of Households. p.90, Statement 8.

Table 4.6  
 Percentage Distribution of Employed by Socio-economic Group and Race,  
 Peninsular Malaysia, 1967/68

	% of total employed in sector		
	Malays	Chinese	Indians
Government department or statutory body	57.9	18.7	20.7
Smallholding agriculture	77.2	20.1	1.6
Owner operator	82.3	15.8	0.5
Operator	89.3	8.0	1.2
Wage Earner	62.2	34.0	3.3
Family workers without pay <sup>(i)</sup>	67.9	29.0	1.5
Estate Workers	26.8	27.6	45.2
Private company, partnership, or proprietorship other than agriculture	27.6	62.2	9.4
Others	46.9	44.2	8.2
TOTAL	49.8	36.4	12.6

(i) Unpaid family workers shown here are by and large engaged in agriculture though some of these are also engaged in trading activities.

Source: Department of Statistics, Socio-Economic Sample Survey of Households. p.90, Statement 8.

a year, while the labour force grew at 3.2 per cent; this brought unemployment in Malaysia as a whole down to 7.0 per cent in 1975<sup>9</sup> and 6.2 per cent in 1978<sup>10</sup>. Although the tide seems to be turning, unemployment remains a serious problem that could present a threat to the stability of the country, and consequently the Government has set itself the target of bringing the unemployment rate down to 3.9 per cent by 1990. It is a problem particularly amongst the young, the rate being as high as 22.8 per cent amongst the 15 - 19 age group in 1971, brought down to 16.6 per cent in 1974 and 15.6 per cent in 1977. Unemployment amongst this age group in the urban areas was even higher: 28.3 per cent in 1971, falling to 18.8 per cent in 1974, and 17.3 per cent in 1977.<sup>11</sup> Unemployment is also more acute amongst non-Malays: amongst Chinese it rose from 7.0 per cent in 1970 to 7.2 per cent in 1975, amongst Indians from 11.0 per cent to 12.2 per cent. While amongst Malays it fell from 8.1 per cent to 6.9 per cent.<sup>12</sup> These figures show the impact racial balance policies have had on unemployment opportunities amongst non-Malays. As a result competition for jobs is very keen.<sup>13</sup>

#### THE ORIGINS AND GROWTH OF MALAYSIA'S MULTIRACIAL SOCIETY

In Malaysia racial considerations play a very important part in the choice and development of managerial staff. It is therefore essential to understand the nature of the racial problems and the differences between the races.

In the economic development of Malaya following British intervention, one vital factor was missing - a labour force. The Malay community was already occupied as farmers and fishermen and was

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9 TMP. p. 140, Table 8-1.

10 Mid-Term Review of The Third Malaysia Plan. p. 64, Table 4-5.

11 TMP. p. 141, para. 427. Mid-Term Review of the Third Malaysia Plan. p. 65, para. 163.

12 TMP. p. 141, para. 429.

13 See p.282.

unwilling to toil for foreign interests. In his Report as High Commissioner for the Federated Malay States in 1901 Swettenham makes this clear:

Malays cannot be regarded as an available source of labour supply. When they work it is for themselves, on their own land, and very few of them can be persuaded to accept employment<sup>14</sup> as agricultural labourers, or on public works.

The Chinese mine-owners solved this problem by arranging for the transportation to Malaya of large numbers of Chinese workers. By the mid-nineteenth century this was highly organized with professional recruiters contacting potential immigrants in China and accompanying them by ship to Malaya. The success of Chinese labour was commended by Sir Hugh Clifford to the Royal Colonial Institute in 1902:

The Chinaman is an excellent labourer, and moreover a very shrewd and reliable man of business. He stands possessed of just that energy, enterprise, continuity of purpose and dogged determination to succeed which the Malay most signally lacks.<sup>15</sup>

The stability of British control encouraged increasing numbers of Chinese to immigrate.<sup>16</sup> Nonetheless, Chinese labour was so essential that direct measures were taken to further Chinese immigration: in 1899 a scheme was instituted for assisting Chinese immigration and in 1904 a convention was signed between China and Britain to regularize the immigration of Chinese to British Colonies and Protectorates. Most of these early Chinese labourers came in as indentured labour and the abuses were many. In 1877 a Chinese Protectorate had been established to be responsible for the position

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14 F.A. Swettenham, "High Commissioner's Report for Federated Malay States for 1901," Reports on Federated Malay States for 1901. Cd. 1297. p. 4.

15 H. Clifford, "British and Siamese Malaya," Proceedings, Royal Colonial Institute, XXXIV (1902-1903), p. 55.

16 Victor Purcell estimates that in Perak the number of Chinese miners increased from 9,000 in 1871 to nearly 50,000 in 1882, to 90,000 in 1891. V. Purcell, op.cit., pp. 8-9.



of the Chinese in Malaya, and in 1914, the Labour Contracts Ordinance abolished Chinese indentured immigration. For the most part though, the Chinese looked after themselves and little was done on an official level to relieve the hardship of Chinese immigrants.

With the opening up of rubber estates a more reliable source of labour was needed. The Chinese were reluctant to work for non-Chinese and so rarely accepted employment outside the few Chinese-owned estates, except indirectly as contract labour working for a Chinese go-between.

There was a certain amount of immigration of Malays from Sumatra, Java, and the neighbouring islands who were fairly rapidly assimilated into Malay society. Although they accepted some employment on estates, this proved to be insufficient to meet the demand for labour.

Many of the European planters came from Ceylon where they had used Tamils as tappers. With the precedent of using imported Indian labour established, and the convenience of arranging for such immigration given a British colonial administration in India, it was natural that they should turn to Tamils to work their Malayan estates. To assist Indian immigration, in 1907 the Government set up the Indian Immigration Fund which was a compulsory levy on employers used to finance the transportation of Indian labour. But by 1910 indentured Indian immigration had been banned and all subsequent Indian immigration was voluntary.

One of the advantages of Indian labour so far as the Government was concerned was that it could be repatriated during a slump. In this way the Government was able to avoid problems of unemployment. In fact, Chinese immigrants also tended to flow back to China during a depression but this was through choice rather than compulsion.<sup>17</sup>

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17 The figures for arrivals and departures during the period of the 1930's depression illustrate this. Because Indian labour flows were dictated by the Government it was possible to begin repatriation immediately the economy started to take a down swing. The voluntary movement of the Chinese responded more slowly.

Continued

There was a constant need for the Government to recruit more labourers. This was not only for the plantations; the Government was forced to rely upon Indians for railway and road building and other public works. As the country developed, the need for labour continually grew. In 1901 there were already 301,463 Chinese and 58,386 Indians to 313,205 Malays, while by 1911 the figures had jumped to 433,244 Chinese and 172,465 Indians to 420,840 Malays, and in 1921 they stood at 494,540 Chinese and 305,219 Indians to 510,810 Malays.<sup>18</sup> The Malays had become a minority in their own country with the Government minimally aware of this and little concerned first, because immigration meant an increased rate of development, and second, because the immigrants were considered to be temporary residents in Malaya.

Not only were the immigrants concentrated in the modern sector of the economy but also in the towns. Table 4.7 presents the population breakdown of the five largest towns in the Federated Malay States in 1921.

Table 4.7  
Population of the Five Largest Towns in FMS, 1921

	Malay	Chinese	Indian	Other	Total
Kuala Lumpur	7,297	48,587	20,889	3,651	80,424
Ipoh	3,583	24,434	7,718	1,125	36,860
Taiping	1,839	12,193	6,349	730	21,111
Seremban	1,283	12,110	3,058	821	17,272
Kampar	310	10,475	1,482	58	12,325

Source: Census of British Malaya 1921. p. 171-172, Table XI.

Movement of Chinese and Indians into and out of Malaya

	Indians			Chinese		
	Arrivals	Departures	Difference	Arrivals	Departures	Difference
1929	114,252	76,854	+37,398	264,591	164,826	+ 99,765
1930	69,114	151,755	-82,641	218,868	199,800	+ 19,068
1931	19,692	101,547	-81,855	79,085	212,900	-133,815
1932	17,734	84,501	-66,767	33,534	191,809	-158,275
1933	-	-	-	28,464	86,555	- 58,091
1934	89,828	28,608	+61,220	109,267	68,129	+ 41,138
1935	65,191	38,869	+26,322	145,853	69,025	+ 76,828
1937	122,566	45,167	+77,399	243,304	66,502	+176,802

Source: K.A.N. Aiyer, Indian Problems in Malaya. pp. 122-123.

18 Census of British Malaya, 1921. p. 29.

This gave them access to the modern facilities the British brought with them - schools, hospitals, communications, etc. While the Malays remained isolated in the countryside. In the early years, immigrant groups were transient. Few women came and the men tended to return home to their families when they had accumulated sufficient savings. An important change in the pattern of immigration came in the 1930's. With the depression the Government decided to restrict the immigration of Chinese men, but not women. The resulting influx of women made the Chinese a far more settled population. Amongst the Indians more direct action was taken. It was seen to be an advantage to have a resident Indian labour force consequently men were encouraged to bring their wives and children, and employers were paid a higher recruiting allowance for married couples.

The result in both cases was withdrawal into traditional culture and religion and the gulf between the communities grew larger. Both groups arrived in such large numbers and came from such rich cultural traditions that they did not assimilate. Religious differences also kept them apart and discouraged inter-marriage, and they were also given very few incentives to assimilate. Indian labourers were repatriated during a slump and the Chinese were given no reason to feel any particular allegiance to the country; like the British commercial community, they were there to make their fortune and then return home.

With the redressing of the balance of the sexes there was a marked increase in the number of Chinese and Indians born in Malaya. These figures are given in Table 4.8. The immigrant population that had been assumed to be transient was rapidly becoming permanent.

Table 4.8  
Percent of Malayan Chinese and Indians Born in Malaya

	1921	1931	1947	1957
Chinese	20.9	29.9	63.5	75.5
Indians	12.1	21.4	51.6	65.0

Source: 1957 Population Census. Vol. 14, p. 15.

Milne summed up the problem neatly: "Arithmetically, the sin of the British was not deliberate division, but rather insouciant addition, of immigrants."<sup>19</sup> In fact, each racial group was, and largely still is, concentrated in a different economic and geographic sector: the Chinese in tin and trading in the towns, the Indians in rubber tapping on the estates, and the Malays in peasant agriculture in the countryside. The three major communities were geographically, economically, culturally, religiously and linguistically separated from each other.

## MALAYSIAN SOCIETY

### The Malays

The Malays are considered to be the rightful owners of Malaysia. They are not the original inhabitants of the peninsula: the aborigines of Malaya - the Negritos, Semai, Semelai, Temiar and Jakuns - settled around 3,000 BC, 2,000 years before the Malays migrated from Yunnan. However, their numbers are so small (52, 449 or 0.6 per cent of the population of Peninsular Malaysia in 1970),<sup>20</sup> their life style so primitive and their participation in modern Malaysia so slight that they may be ignored. The Javanese and Sumatran Malays who immigrated to Malaya in sizeable numbers throughout much of the nineteenth and twentieth centuries<sup>21</sup> were fairly readily assimilated due to similarities of language, race and religion and are now considered part of the indigenous Malay community.

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19 R.S. Milne, "Politics and Government," Malaysia, A Survey. Wang Gungwu, ed. p. 328.

20 1970 Population and Housing Census, Community Groups. p. 82.

21 See Vlieland's discussion of this in British Malaya, A Report on the 1931 Census. pp. 71-72.



There is now a difficulty in studying Malay society for it is going through a period of very rapid change. The following generalizations must therefore be regarded as provisional.

Traditional Malay society bears many of the characteristics of a peasant society described in Chapter 2. Malay society was a feudal and this has influenced contemporary Malay society which still recognizes class distinctions between noble and commoner. Indeed, a Malay is considered to be subject to the ruler of his state and the Malay aristocracy enjoy a prominent place in the political and economic life of the country. The mass of Malays were, and the majority still are, peasant farmers and fishermen with a relatively simple economy based primarily on fishing and the cultivation of rice and other food crops. Money was not widely used prior to British intervention, since the limited commercial transactions of the market place could be conducted by barter. Tin mining was a source of revenue for Malay rulers and chiefs but only affected a small area of the country. Therefore, no commercial middle class grew up and there was little accumulation of wealth. It has been mentioned by a number of observers that to acquire wealth in pre-intervention Malay society was to invite confiscation by local chiefs.<sup>22</sup> Where wealth was acquired it was held as jewellery, livestock or land. Jewellery had the advantage that it was, and still is, almost as liquid as cash and could be sold if the need arose. Livestock could be put to use in padi cultivation. Land, however, is particularly valued as providing the security of a source of food as well as a deep sense of belonging.<sup>23</sup>

It is often suggested that Malay-Muslim values discouraged Malays from entering the commercial sphere, for the Muslim religion forbids usury, and it is usury, interpreted loosely, that enables a modern economy to function. Islam condemns the materialism of the business world. It is true that such tenets influenced Malay

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22 For example, see Richard Winstedt, The Malays, A Cultural History. p. 120.

23 E.K. Fisk, "Rural Development Policy," The Political Economy of Independent Malaya. edited by T.H. Silcock and E.K. Fisk. p. 183.

attitudes to business but probably because they reinforced the existing antipathy of a peasant society towards commerce.

As farmers Malays had long periods of free time during the growing and fallow seasons during which they could concentrate on village and family life. As a result social custom and etiquette became highly developed and unstinting hospitality the norm. E.K. Fisk has commented:

These institutions [i.e Malay custom and social organization], many of which perform a valuable social function in their original context, are liable to abuse, and act as deterrents to enterprise. An obvious example is the social obligation, felt seriously by most Malays, for conspicuous expenditure, often on a scale they can ill<sup>24</sup> afford, on certain special occasions such as marriage.

The Malay farmer is highly conservative and resistant to change, an attitude illustrated by the Malay proverb: " Let our children perish rather than our customs." He values formality, courtesy and ceremony and has a natural dignity and pride which affects his attitude towards work in the modern sector. The strength of community ties is one of the factors that stabilizes, or immobilizes, the Malay.<sup>25</sup>

The Malay peninsula is a fruitful, tropical land and so Malays were largely spared the hardships of cold and starvation. However, disease was a problem. The rural population suffered from intestinal parasites, malaria, and other illnesses which sapped their energy. The British built hospitals but they were concentrated in the towns and viewed with considerable suspicion by Malays. Although food was bountiful the diet was often unbalanced.

Dr Mahathir, the current Deputy Prime Minister, has sought to explain the inadequacy of Malay performance in competition with

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24 ibid., p. 184.

25 In 1957 less than an eighth of the indigenous Malay population lived outside the states of their birth. J.C.Caldwell, "The Demographic Background," The Political Economy of Independent Malaya. T.H. Silcock and E.K. Fisk, eds. p. 87.



the Chinese by the effect of these social and geographic factors upon the Malay people.<sup>26</sup> He has suggested that the very fertility of the land almost eliminated the operation of the law of the survival of the fittest, and that this, in conjunction with Malay marriage customs that encouraged inbreeding and pairing off even the most handicapped members of society, led to the perpetuation of all the weakest strains in the Malay race. He has also criticized the early age of marriage amongst Malays which tended to throw the responsibility for child-rearing upon over-indulgent grandparents.<sup>27</sup> To this must be added the instability of Muslim marriages which often led to the children being relinquished to the care of elderly aunts or grandparents where discipline was minimal, and the child was so showered with attention that there was no opportunity for it to be adventurous or to show initiative. (Such explanations recall David McClelland's findings.)<sup>28</sup>

Malay society could not be completely insulated from the changes overtaking the country: the introduction of a monetary economy, the influx of immigrants who were skilled businessmen, and the pressure on land for new development. Unable to cope with these changes, the peasant frequently fell into debt.<sup>29</sup> Islam also contributed to the impoverishment of Malays through its laws of inheritance which resulted in the division of Malay land holdings between relatives so that they became uneconomic

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26 Mahathir bin Mohamad, op. cit., Chapter 3.

27 Judith Djamour has also commented on the over-indulgence of Malay parents towards their children. Judith Djamour, Malay Kinship and Marriage in Singapore. p. 35.

28 See Chapter 2, p. 24-25.

29 This happened in two main ways: first, the 'padikunca' system whereby credit was granted to be repayed in padi at harvest time, at an interest of 60-100 per cent; and the 'jual janji' system where land was offered as security for a debt and when the borrower defaulted the land was 'sold' for the amount of the debt plus interest. S. Husin Ali, Malay Peasant Society and Leadership. p. 81.

in size.<sup>30</sup>

An interesting explanation of Malays' reluctance to work in the modern sector of the economy is put forward by P.J. Wilson.<sup>31</sup> He found Malays classified work into two types: 'kerja', work considered worthwhile, that has an essential dignity and importance - this applies to the traditional agrarian tasks that directly provide for the basic needs of the family; and 'makan ganji', work done to make money, that has no intrinsic value to it. In the situation Wilson was studying, rubber tapping fell into the latter category therefore only the minimum was done to provide for the family's needs and there was no interest in adopting more modern methods to improve the yield. Wilson suggests that it is this attitude that influences Malay response to factory and office work.<sup>32</sup> Wilson continues:

Employment within the village is not thought of as an impersonal relationship bound by a legal contract or subject to sanctions outside of the persons involved in the relationship. It is a social relationship first and foremost, and it is this view of employment that is carried from the village to the towns... The obligation to observe the contract as first priority, especially a contract in which 'makan ganji' rather than 'kerja' is concerned, is unlikely to rank high in the Malay scale of values.<sup>33</sup>

As already stated the Malay places considerable importance on social relations and the key factors in such relations are equality and mutual respect. Rice-production, for instance, was based on a system of mutual help based on mutual respect. The result, Wilson suggests, is that Malays consider work relationships

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30 The independent Government has sought to overcome these causes of poverty by the supply of credit through agricultural cooperatives and through the opening up of large tracts of land to provide farms of an economic size, particularly to the landless.

31 P.J. Wilson, A Malay Village and Malaysia.

32 ibid., p. 97.

33 ibid., p. 97.

as social relationships, and expect them to function the same way.<sup>34</sup> Unfortunately, modern commerce and industry does not work this way: the relationships are fundamentally contractual and entail no social obligations. Since industrial relationships have no parallel in Malay society, the Malay acts in the only way he knows, that is, in the traditional personal way.

As a farmer the Malay is surrounded by his community and generally works for himself and his family. He has a particular dislike of working under foreigners. This was reflected in the Malays' early disinterest in employment in the modern sector of the economy and the pattern of Malay advancement through a largely Malay civil service with entry into business only at the top level.

The tactic of the British Government in Malaya was indirect rule: to preserve the position and status of the Malay aristocracy, and equally the position and status of the Malay peasantry, while itself assuming power and authority. Religion and custom alone remained the preserve of the Sultans and this goes some way to explaining the religious conservatism of the Malays. The position of the aristocracy was maintained in a number of ways including, the maintenance of the pomp of their positions through civil lists, palaces, and periodic durbars; the provision of an elite system of education as will be discussed in the next section; and the creation of the Malayan Administrative Service (MAS) to bring high-ranking Malays into the Civil Service.

A further consequence of this policy was the maintenance of a quiescent Malay peasantry. While Malays showed no inclination to enter the wage economy they were also given no encouragement, indeed they were actively discouraged from doing so. As the pace of development and land alienation increased in the early twentieth century it was feared the Malay peasantry would become landless. This would endanger the political stability of the country and Government policy towards the Malays, consequently Malay reservations were created consisting of tracts of land reserved exclusively for Malays and intended for use for rice cultivation and, the Rice Lands

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34 ibid., pp. 106-107.

Enactment of 1917 and the Malay Reservations Enactment forbade the growing of rubber on such land. These reserves kept the Malay community in isolation from changes taking place in the rest of the country. The Selangor Malay Association described them as,

...land traps, in which Malays are forced to seek a living like sheep allowed to eat only the grass inside the pen, while non-Malays, like wild animals, are given complete freedom to take their will outside.<sup>35</sup>

Thus it was not only their own inclinations but also Government policy that held Malays in a traditional peasant society while all around them the country was changing and developing.

It would be inaccurate to say that there were no Malay businessmen. There are a very small proportion of Malays who are in business. They tend to be concentrated on the East Coast which is predominantly Malay. Oliver Popenoe's study<sup>36</sup> revealed that Malay entrepreneurs do in some ways conform to the characteristic pattern, and the more they do so the more likely they are to be progressive and successful. They seem to have chosen business as a result of the closure of other, preferred, alternatives such as Government service, and they were in some way marginal figures - through English education, marriage to a foreigner, and/or association with non-Malays. Almost two thirds of them had a tradition of business in the family. The more innovative amongst them were particularly 'modern' in outlook and experience, as opposed to traditional: they were better educated, far more likely to speak English, had travelled abroad, were urbanized, read newspapers daily - often two or more - had opinions on the problems of the nation, and they preferred to hire professionals rather than family for management.

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35 Mohd. Yunus Hamidi, Sejarah Pergerakan Politik Melayu Semenanjung. p.4, quoted in W.R. Roff, The Origins of Malay Nationalism. p. 240.

36 Oliver Popenoe, "Malay Entrepreneurs: An Analysis of the Social Backgrounds, Careers and Attitudes of the Leading Malay Businessmen in West Malaysia." PhD London 1970.



Interestingly enough, this group came from stronger religious backgrounds than the population as a whole, and than the less innovative.<sup>37</sup> They also tended to be of a higher socio-economic group than the less innovative, a factor that might have given them the self-confidence required for success. Popenoe's study confirms the idea that if Malays are to succeed in business they need to abandon many of their traditional ways and become 'modern men'.

With the growth of the Government's programme to increase the proportion of Malays in business, more and more Malays are entering the private sector with no previous experience. They lack the formal and the informal network that assists Chinese in business. They often also lack the capital, and technical experience. In such a case a Malay with a preferential licence may join up with a Chinese who actually runs the business. This is often referred to as an "Ali-Baba" arrangement. (The business being registered in the name of the Malay 'Ali', while the Chinese 'Baba' operates it.) If he is entering an established firm, the Malay may have little idea of the demands of a management position. A great deal of reorientation is, therefore, necessary.

Recent changes in the social pattern have begun the process of modernization, a process that the Government is deliberately undertaking. The Malay population is becoming increasingly urban, better educated, healthier, and more self-confident. Yet some of the measures to assist Malays through specialized institutions isolate them from that contact with non-Malays which seems to have been important to the innovative entrepreneurs Popenoe studied, and the changes in education make it unnecessary for them to master English, which again will isolate them from the more advanced forms of technology and management and the international perspective that appears to be an important characteristic of the 'modern man'.

Despite the changes that are taking place in Malaysian society, the majority are still simple farmers and fishermen with

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37 This factor can probably be explained by the fact that religion was virtually the only avenue open to the Malay with leadership potential.

many of the characteristic attitudes and values of peasants towards work, time, religion and rank.

The Malay community wants a share in education, senior posts and affluence and it is motivated to get them in the way with which it is familiar, by Government action. Since Malays have the controlling influence in Parliament this is particularly effective but it does not alter the dilemma of their position: wanting the rewards of modern commercial and industrial life while seeking to preserve traditional attitudes and values that are incompatible with it. This is one of the major problems of management development in Malaysia: to accept that the premises and assumptions of Western enterprise are foreign to Malays, indeed, run counter to their own set of premises, and to find some way of bridging this gap, of modifying the assumptions of the company, and those of Malays so that there can be a marriage of interests.

### The Chinese

Chinese contact with Malaya dates from the Han Dynasty (206BC - 205AD). During these very early years communication was limited to the visits of official envoys, travellers and monks. Their stays were brief and no permanent settlements were established. In the sixteenth century the first small colonies of Chinese appeared servicing Chinese traders, but it was not until the nineteenth century and the discovery of tin that significant numbers of Chinese migrated and it was the presence of the British that provided the security and stability which invited the large scale migration of the early twentieth century.

At the same time events in China were pressing many to the point of desperation. Most Chinese emigrants were from the southern provinces of Kwantung and Fukien. Although traditionally these were amongst the richest provinces, the seventeenth and eighteenth centuries saw them afflicted by floods and famine as never before. The extraordinary population increase that China experienced in the eighteenth century aggravated the already acute problem of



over-population. Besides these natural disasters, the southern provinces were distinctly out of sympathy with the ruling Manchus, and as a result of their provision of supplies to the anti-Manchu pirate Koxinga, they felt the full force of Manchu reprisals. Malaya was close at hand, of similar climate, and had already been visited by traders from these provinces. Yet all these considerations Purcell, who is one of the foremost authorities on the Chinese in Malaya, considers secondary to the natural energy and enterprise of the people of Kwantung and Fukien. "This," he says, "is probably more important than all the other reasons put together."<sup>38</sup>

This early period of settlement was marked by close contact between Chinese and Malays. Since the Manchus forbade emigration those who did emigrate and tried to return were liable to the death penalty, so the Chinese who came during the first half of the nineteenth century looked upon themselves as semi-permanent residents in Malaya. Having left their wives and families behind them they intermarried freely with the Malays. It was only as the male-female ratio evened up in the twentieth century that intermarriage, in fact, social intercourse of any sort between the Chinese and Malays, ceased.

In 1860 the Manchu ban on emigration was disposed of in treaties,<sup>39</sup> and from then most Chinese who came to Malaya did so with the intention of making enough money to retire to China in ease; a more transient community than the early Chinese emigrants.

Chinese immigrants worked exceedingly hard; they had been used to constant struggle and penury in China and so were willing to endure the back-breaking toil of the tin-mines that promised future rewards. They had left China out of economic necessity and entered business also out of necessity. Since capital was scarce, mines were often opened up on a profit-sharing basis where the labourer worked unpaid until the mine began to make money and then, as the term

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38 V. Purcell, The Chinese in Malaya. p. 6.

39 The law was not actually repealed until 1894 but it had ceased to be effective.

implies, was given a share in the profits. By such arrangements the Chinese were able to make maximum use of virtually their sole asset: labour.

Reinforcing these attitudes of hard work, cooperation and frugality was the extended Chinese family. As the upbringing of Malay children encouraged an easy-going approach to life, so that of Chinese children encouraged a selfless, disciplined approach to life. Family bonds were strong and the family unit, extremely stable. The honour and well-being of the family as a whole was always placed before the happiness of the individual, and the child saw himself as only a part of a greater whole the interests of which were at all times uppermost.

Isolated both from their motherland and the host society, the Chinese drew comfort and support from their culture and community. Learning has always been highly prized by the Chinese<sup>40</sup> and they took pains to establish suitable schools for their children. They brought their customs, religions, and festivals and drew a certain security from the great heritage of Chinese culture. This contributed further to their isolation from the rest of Malayan society. They also maintained family links with China by sending money home to their relatives.

Besides their willingness to put up with long hours of the hardest work, the Chinese did have another distinct advantage over the Malays, their familiarity with a monetary economy. They accumulated wealth because, in comparison with the people among who they came to live, they were highly sophisticated in the handling of money.

At the outset they knew not only how to work themselves but also how to make their money work.

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 Their financial skill rested above all on three characteristics of the society in which they were raised: the respectability of the pursuit of riches, relative immunity of surplus wealth from confiscation

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40 It is the scholar who ranks highest in the Confucian social order.

by political superiors, and the legitimacy of careful and interested financial<sup>41</sup> dealings between neighbours and even close kinsmen.

They had a developed set of attitudes and organizational tools to facilitate trade and commerce. A code of honour bound them to keep all agreements and informal social sanctions were applied to those who did not. In a strange country where the individual needed the support and protection of the community this was a powerful penalty. They had learned the advantages of family enterprises - complete honesty and commitment. Mutual help associations of all sorts had been developed, one of the most prominent and certainly most useful in Malaya being the Money Loan Association which provided the sort of seed money needed to launch a new business. Another form of organization they brought was trade guilds; these established such matters as hours and rates of work, and terms of apprenticeship.

The contribution of the Chinese to the development of Malaya was enormous:

The Chinaman has been from the beginning the muscle and sinew of the community, and also, in no small degree, its brains as well. For every one commercial enterprise which owes its success to the initiative of the European in the Peninsula there are hundreds, organised, financed, and managed entirely by Chinamen, and the Federated Malay States owe an incalculable debt to the courage<sup>42</sup>, persistency, and ability of their Chinese citizens.

The one area into which they did not venture was politics. It was taken as an almost unwritten law that they would have nothing to do with it as long as they were left free to pursue their commercial activities. The British on their part refrained from

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41 M. Freedman, "The Handling of Money: A Note on the Background of the Economic Sophistication of the Overseas Chinese," Readings in Malayan Economics. T.H. Silcock, ed. pp. 38 and 42.

42 H. Clifford, "British and Siamese Malaya", op. cit., p. 55-56.

interfering with the Chinese community, and so far as its internal affairs were concerned the Chinese community governed itself, a pattern they were used to from China. This reinforced the influence of the family or clan.

But, the Chinese cannot be considered as a homogeneous community. Within it there are many divisions - between the different dialect groups, between the Straits Chinese who have been settled in Malaya for centuries and the new immigrants, between the English educated and the Chinese educated. To illustrate the range of dialectical groupings, Table 4.9 gives a breakdown of the Chinese population by dialect.

Table 4.9

The Chinese Population of Peninsular Malaysia by Dialect Group, 1970

Dialect Group	Number	%
Hokkien	1,068,803	34
Khek (Hakka)	690,821	22
Cantonese	617,588	20
Teochew	387,048	12
Hainanese	145,758	5
Kwongsai	77,577	2
Hokchiu	57,095	2
Henghwa	16,924	1
Hokchia	9,039	0
Others	<u>51,697</u>	<u>2</u>
TOTAL	3,122,350	100

Source: 1970 Population and Housing Census of Malaysia, Community Groups p. 83.

There is a tendency for Chinese firms to specialize according to their dialect group. Hokkiens dominate the rubber trade; Hakkas and Cantonese, the tin mining industry; Cantonese, the restaurants; Hainanese, the coffee shops; Hockchews, the bicycle trade; Teochews, rice importing and goldsmiths shops; and Hakkas, textile shops and medical halls.<sup>43</sup>

43 Goh Joon Hai, "Some Aspects of the Chinese Business World in Malaya," Ekonomi, III, 1 (December, 1962), pp. 93-94.

There are strong business and social links within each industrial/dialect group with a mutual trust and co-operation between the individuals concerned. Unity of the group is maintained through strict discipline and adherence to a traditional code of behaviour. This makes it extremely difficult for someone from outside the dialect group, let alone a non-Chinese, to break into these industries for they will have none of the supportive business network to assist them and will find it impossible to compete.

The Chinese in Malaysia thus conform very closely to the entrepreneurial pattern discussed in Chapter 2: they are a marginal group in a state of tension within the main stream of Malaysian society and with a strong degree of internal cohesion. They chose commerce as the only route to advancement open to them. Indeed, it was the new arrival from China who tended to be the most active entrepreneurial businessman, those well established in Malaysia and integrated into the rest of society had some of their drive sapped. Having acquired a comfortable standard of living and alternative routes to advancement many Chinese urge their children to train for the professions rather than for business. In the Chinese value system business is not a prestigious occupation. The classic story in Malaysia is of the Chinese iced water seller, or food hawker who has become a millionaire. He still dresses in shorts and vest and lives little differently from his early days. It is this frugality that has enabled him to save and invest his money. Indeed, it is said that only a coolie can become a millionaire. His son is usually at university and has probably lost much of his father's powerful entrepreneurial drive. However, he is gaining technical qualifications in considerable demand in modern Malaysian society.

The Chinese put great emphasis on achievement since in the Malaysian Chinese context a man is what he achieves; financial achievement is the chief criterion for social status. There is no possibility of inherited social status since all the Chinese came as impoverished peasants.

The pattern of Chinese social and commercial life has enabled them to excel in business and to establish a virtual monopoly over certain trades. This goes a long way to explaining



why the Government has given the Malays such strong preferences to enable them to begin to compete with the Chinese. Chinese companies, themselves, face a problem of adapting to the new opportunities in manufacturing where the need for technically qualified professional management and a higher level of capitalization impose new conditions for which the family concern is ill-suited. Overall the Chinese continue to make an enormous contribution to business in Malaysia.

### The Indians

The Indians form a third, though smaller, element in Malaysian society. They have never been so numerous as the Chinese nor have they risen to such economic prominence. Like the Chinese their association with the peninsula dates back a long time. There was a small Indian quarter in old Malacca in the sixteenth century, but the Indian culture and religion had been brought to Malaya even earlier by the Hindu Kingdom of Srivijaya which left its imprint firmly upon Malay culture.

Indians were first brought to Malaya in the modern period as convict labour to build the roads and public buildings of the Straits Settlements. This practice was abandoned before Britain had extended her sphere of influence to the Federated Malay States, but when large supplies of cheap labour were required for the rubber plantations it was to India again that she turned. In Malaya where provision of an adequate labour supply was a chronic problem, and where the variability of the tin and rubber markets brought periodic depression and retrenchment, the convenience of Indian labour was very welcome.

For the most part, Indians in Malaya were desperately poor, living in isolation on the estates, in the meanest conditions where health standards were low and mortality rates, at times, shockingly high<sup>44</sup>. Like the Chinese they came from poverty, but unlike the

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44 The Annual Reports give an idea of just how bad the situation was at times. See for example: Report for 1911 on FMS, p. 12, and Report for 1912 on FMS, p. 23.



Chinese they never worked their way out of it. This was partly because of the Hindu caste system that bound them to the bottom of the social ladder, and partly because wages paid to Indian rubber tappers were amongst the lowest in the Federated Malay States.<sup>45</sup>

Not all Indians in the Malay States were labourers though. A small number of Indians from the middle-class immigrated independently, and they came with some financial backing, a trade and a degree of familiarity with the ways of British rule. Coming from a British-ruled territory they knew well the commercial value of English education. They were, therefore, quick to take advantage of the English schools opened by missionaries and the opportunities both in Government service and in the professions such schooling afforded.

The conservatism of the Indian immigrant displayed itself in his social life and attitudes. The labourer who came for only one to two years turned to his customs and religion as his sole comfort away from home. Likewise, the more affluent Indian relied upon his culture and community for support. He eschewed intermarriage preferring to send back to India for a wife than marry a non-Indian, so creating a tightly-knit, inward-looking community. The notable exception was the Muslim Indian: the faith he shared in common with the Malay helped to bridge the racial gap and so made integration easier.

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45 Comparative Rates of Pay on Rubber Estates for Tamils, Javanese and Chinese (daily wages in cents):

	Perak		Selangor		N Sembilan		Pahang	
	High	Low	High	Low	High	Low	High	Low
Tamil (men)	50	30	50	27	50	28	65	25
Javanese	50	25	50	35	55	26	50	35
Chinese	90	40	90	50	90	52	100	60

Source: Report for 1913 on FMS. p. 13.

The Indian business community, like the Chinese, was specialized largely along caste lines for they stuck to their traditional occupations. The Gujaratis are usually merchants with large business concerns. The Marakkayars were general merchants and petty shopkeepers (being Muslim they intermarried with Malays); Chettiars are bankers and money-lenders; Sikhs and Pathans, policemen and watchmen as well as money-lenders; and Jaffna Tamils, lawyers, doctors, and Government clerks, especially in the railways.<sup>46</sup> Many of their business concerns are run on family lines and recruitment tends to be restricted to family and close friends. This is particularly so in the field of banking and money-lending where security considerations are uppermost. Indeed, in the past they recruited staff from India with well-known family backgrounds, and paid them in Indian currency. All accounts were kept in Tamil and therefore businesses could not employ a non-Tamil speaker.<sup>47</sup>

The Indian and Chinese communities responded to modern economic developments very differently to the Malays. This was partly because they were self-selected and formed the more enterprising part of Chinese and Indian society. Hunter has also suggested that their own level of culture and sophistication was such that they were not overwhelmed by Western concepts and technology but were able to adapt them to their own advantage.<sup>48</sup> The Malays lacking their cultural self-assurance, felt themselves at an acute disadvantage and acquired a sense of inferiority.

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Malaysian society is marked by a very high degree of ethnic and occupational specialization. A specialization based on knowledge and experience and reinforced by social, cultural and organizational factors. The British, who had been responsible for the influx of

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46 U. Mahajani, The Role of Indian Minorities in Burma and Malaya. pp. 98-100.

47 ibid., p. 99-100.

48 G. Hunter, South-East Asia - Race, Culture and Nation. p. 61.

immigrants, tended not to interfere and so this situation became firmly established.

The problem of achieving racial balance, therefore, is a particularly daunting one. The fact that the Malays have virtually no tradition of commerce, and come from a society whose values are different from those of an industrial one, only makes it more difficult and more challenging to companies to find a means of effectively developing Malay managerial talent.

#### THE HISTORICAL DEVELOPMENT OF EDUCATION

A very important factor in the pre-experience development of managers is education and in Malaysia it has had a particularly significant effect. It is therefore appropriate that it be examined in some detail.

When the British arrived in Malaya the only type of formal education was instruction in the Koran. Indeed, Raffles was stirred to propound in his Minute on Education,

...wherever our flag is carried, it should confer the benefits of civilization on those whom it protects,..., in proportion as we extend the field of our own inquiry and information, we should apply it to the advantage of those with whom we are connected, and endeavour to bring among them the light of knowledge and the means of moral and intellectual improvement.<sup>49</sup>

The same year, 1838, he advocated the founding of a college in which would be taught the languages of China, Siam and the Malay Archipelago. It had been established subsequently in India in 1854 that it was the responsibility of the Government to provide a complete system of schooling from lower primary to university. Nonetheless, in Malaya education took second place to economic and political considerations. Prior to 1920 at no time did expenditure on education in the FMS exceed 1.6 per cent of total expenditure. Money was needed to build the railways and roads that would stimulate economic growth and it was only when this was well under way in the

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49 Sir T. Stamford Raffles, "Minute on Education," Appendix in C.E.Wurtzburg, Raffles of the Eastern Isles. p. 627-8.

mid-1920's and 1930's that more was diverted into education.

There was no single comprehensive policy towards education, rather it tended to evolve in a rather haphazard fashion according to economic and political requirements. Education, like so much else in Malaya, followed communal lines and will therefore be dealt with first by looking at the history of the four school systems - Malay, English, Chinese and Tamil - and then by examining the education situation since independence.

### Malay Education

The one area in which British thinking was fairly well defined was Malay education. Here there were two discrete policies: one for the Malay elite and one for the 'raayat', the masses, with two separate schooling systems to take care of each group.

As in the political sphere, in education the British were concerned to protect the position and prestige of the Malay leaders, so ensuring their loyalty. This was to be done by educating them for positions in Government administration. The official policy was articulated by Sir Cecil Smith, Governor of Malaya, in a letter to the Secretary of State for the Colonies, in 1893,

...I wish to refer to the result of the policy regarding the education of the Malays for employment in the administration. This has been kept steadily in view as a cardinal feature in the government of the States, and has met with a considerable measure of success. Throughout the States there is an increasing number of Malays, who, with 'hereditary or customary claims to office,' are being trained and are helping to educate themselves to take an active and responsible share in the Government. The importance of the policy referred to, whether as regards our simple duty towards the Protected States or as regards the expediency of doing all that is feasible to make the natives have the greatest interest in the welfare of their own country, cannot be overrated.<sup>50</sup>

In pursuance of this policy, the Malay College was opened at Kuala Kangsar in 1905. The College was itself unique, in that it

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50 Quoted in F.A. Swettenham, British Malaya. p. 259.

principally accepted children of royal blood, either the sons of Sultans or close relatives and only occasionally the children of lesser Malay leaders. Indeed, it was restricted to Malay nobility until after World War II. Social distinctions were rigidly maintained with royal children classified as Grade I students and welcomed as boarders into the home of the Principal of the school while the children of lesser chiefs were termed Grade III students and assigned to dormitories. E.W. Birch, the Resident of Perak, stated "As this school is exclusively for boys of gentle birth, all the surroundings should be substantial and attractive."<sup>51</sup> The cost per student reflected this comfort: at the Malay College it was about \$290 a year; in an ordinary vernacular school, \$15.<sup>52</sup> The subjects studied, the language of instruction, the emphasis on games, the importance given to character training - these were all inspired by the English Public School. Students were expected to become leaders of their community and were groomed for that role with special arrangements being made for prominent graduates to go on to a term of study in England.

The Malay College also served the interests of the Malays, in that it provided a small elite group of well-educated Malay aristocrats who now make up the political and bureaucratic leadership of the country.

Malay vernacular education was radically different, though its primary concern was the same: the security of the State. In fulfilling this end there were two main dangers to be avoided: over-education and English education. A.N. Kenion expressed the typical British view with regard to the education of Malays in an address to the Federal Council:

The great object of education is to train a man to make his living...You can teach your Malays so that they remain in the padifields and so that they do not lose their skill and craft in fishing and jungle work. Teach them the dignity of manual labour,so

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51 Perak Administrative Report for the Year 1905. p. 12.

52 Chai Hon-Chan, The Development of British Malaya 1896-1909. p. 245.

that they do not all become "Kranis" /clerks/, and I am sure you will not have the trouble<sup>53</sup> which has arisen in India through over-education.

Education had to be "safe", its object was to preserve the status quo, the simple agrarian life.<sup>54</sup> The fostering of docility and obedience, of acceptance of their lot became a primary focus of Malay vernacular education.

The risks inherent in teaching English were frequently expounded upon by Swettenham who did all that he could as Resident in Perak to prevent the spread of English education. In the Annual Report on the State of Perak for 1890 he wrote:

The one danger to be guarded against is to teach English indiscriminately. It could not be well taught except in a few schools, and I do not think it is at all advisable to attempt to give to the children of an agricultural population an indifferent knowledge of a language that to all but the very few would unfit them for the duties of life and make them<sup>55</sup> discontented with anything like manual labour.

The initial reaction of the Malay people to this form of education was suspicion and hostility, seeing the white man's teaching as a threat to their religion and customs. In order to overcome resistance, Malay schools started by using the Koran schools, giving normal classes in the morning and letting the Hadjis give Koranic instruction in the afternoons.<sup>56</sup> They used schools as

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53 K.N. Kenion, Federal Council Proceedings 1915. p. B66.

54 Besides reading, writing and arithmetic, the curriculum included tropical hygiene, gardening, poultry-keeping, and general handiwork.

55 F.A. Swettenham, Report on the State of Perak for 1890. p. 16.

56 The Acting Lieutenant Governor, Penang, wrote to the Colonial Secretary, in September 1871:

"I agree with Mr Skinner in his suggestion that we must commence these Schools as supplementary to the existing system, whereby the child is only required to know by heart a few texts of the Koran. By this means we shall carry the Priests with us

continued



distributing centres for quinine and exerted pressure on the village 'penghulus', or headmen, to persuade people to send their children to school. In 1908, it was made compulsory for Malay boys in the Federated Malay States within one and a half miles of a school to be in attendance there. The very fact that the British were willing to go through the formalities of legislation to make schooling compulsory for Malays indicates the seriousness with which they viewed the subject.

Malay education for girls moved more slowly.<sup>57</sup> Parents were reluctant to let their daughters attend school and tended to withdraw them at puberty to preserve their virtue. The curriculum in these schools provided little of any intellectual worth. Winstedt wrote in 1921:

The curriculum of the girls' schools is no longer dead and uninspiring. Cookery, clay-modelling, paper-cutting, drawn-thread work, and hygiene taught by lady Medical Officers<sup>58</sup> are romantic subjects for the little Malay girl.

Those who attended Malay schools had few prospects open to them; other than the traditional roles they could become school teachers or possibly the most humble clerk. There was no secondary education in the Malay language and further education was confined to Sultan Idris Training College for teachers. If a child wished to proceed with his education the only means was to transfer to an

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and avoid the opposition that would doubtless arise to the establishment of any Education where the Koran was not taught. I have little fear that when these semi-Government schools have been fairly started we shall be able to appoint duly qualified School Masters in the place of these Hadjees, and thus improve the standard of Education." Straits Settlements, Legislative Council Proceedings, 1873. Appendix 34, p. clv.

57 In 1928, only 9 per cent of Malay girls of school age attended vernacular schools compared to 75 per cent of Malay boys of school age. W.A.A. Ormsby-Gore, Report on a Visit to Malaya, Ceylon and Java. p. 44.

58 R.O. Winstedt, Annual Report on Education for 1921. Quoted in R.O. Winstedt, Education in Malaya. p. 30.

English language secondary school. Not only was there the barrier of a new language to be learned but these schools were located in the towns and were fee paying. (Malay education was free.) Consequently, very few Malays received more than a rudimentary primary education.

The Malays were set in their traditional way of life, isolated from all that was dynamic and modern in Malayan society, and stuck at the bottom of the socio-economic scale. It is no wonder that Malay feeling toward vernacular education was occasionally bitter. Mohammed Unus bin Abdullah, one of the Malays in a position to see what was happening, pointed out in a meeting of the Legislative Council:

In the fewest possible words, the Malay boy is told "you have been trained to remain at the bottom, and there you must always remain." Why, I ask, waste so much public money to attain this end when without any vernacular school, and without any special effort, the Malay boy could himself accomplish this feat.<sup>59</sup>

There were warnings that Malay education needed to be improved if the Malays were to play a significant role in the country, as in the Report of the Retrenchment Commission in 1922:

The lack of training facilities, both technical and literary, is appalling and constitutes another important reason for the failure of Malays to take up technical and professional work.<sup>60</sup>

Yet, the British were committed to separate though unequal development of the modern and traditional sectors of Malaya and the result was that until recently the Malays lacked the education to enter the modern sector.

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59 Straits Settlements, Legislative Council Proceedings, 1929. p. B150.

60 "Report of a Committee on Employment of Malays in the Government Service," in Interim Reports of the Retrenchment Commission, 1922, Report No 41, Council Paper No 15 of 1923. Federal Council Proceedings, 1923.

## English Education

The Government initially played little part in English education and was highly sceptical of the wisdom of providing it. Consequently it was left to the missions to take the initiative. However, as the bureaucracy of Government and business expanded the demand for English-educated staff grew and the Government was compelled to give some financial assistance to the mission schools.

Although the Government never actually took over the mission schools they were very much a part of the English-speaking commercial establishment and were geared expressly to serving it. The Annual Report on Education for 1894 stated that the aim of English education was

(to) supply certificated candidates for nearly the whole of the subordinate appointments under Government in the Colony and Native States and for clerical<sup>61</sup> and other appointments in mercantile houses.

As a result, the education provided in such schools was almost an exact replica of that provided by schools in England. While one may criticise this strongly English orientation, they did provide students with the knowledge, the tools and the values of the modern society the British had brought to Malayan shores.

Since it was English schools that served the commercial and Government establishment they got preferential treatment when it came to Government grants. See Table 4.10

Table 4.10  
Comparative Grants Paid to English, Chinese and Tamil  
Aided Schools in 1932

Aided Schools	Total Grants Paid in the FMS	Average Cost Per Head to Gov't Based on Average Attendance
English	\$559,732	\$74.87
Chinese	\$ 81,164	\$ 7.25
Tamil	\$ 62,710	\$ 4.09

Source: FMS, Annual Report for 1932. pp. 46, 47, 51.

61 Quoted in J.S.Nagle, "Educational Needs of the Straits Settlements and Federated Malay States." p. 105.

The English schools provided the only complete system of education, the only one in which, should the student so desire, he could go on to secondary school and university.<sup>62</sup> The graduate of an English school was virtually guaranteed a position with the prestige and income that would catapult him into the upper echelons of Asian society.

However, English schools cannot be assessed simply in terms of the degree to which they served the commercial community or the advantages made available to those who attended them; they must be viewed in the larger context of Malayan society as a whole. Their urban location effectively limited them to the children of people already involved to some degree in the modern sector of the country, and, the population of the cities was predominantly Chinese and Indian. They were in a far better position to make use of the education provided in English schools which in terms of the quality of the teaching, the standards of the buildings and equipment, and the amount of money spent per pupil, was vastly superior to anything else found in Malaya. Unlike the Malays, the Chinese and Indians were little deterred by the Christian character of the schools. English schools also charged relatively high fees and it was the Chinese and Indians who were in the best position to pay these. Despite the considerable problems of attending English schools faced by Malays the Annual Report of the Education Department stated in 1935:

For the past decade Malays have been growing more and more anxious that their boys shall learn English and they have availed themselves eagerly of scholarships and free places.<sup>63</sup>

Nonetheless, Ormsby-Gore estimated in 1928 that 6.6 per cent of Malay boys were being educated in an English school, as compared

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62 There was in fact one Chinese secondary school and the prospect for a tiny proportion of its graduates of going to university in China or Hong Kong, but for the vast majority of Chinese educated students schooling stopped at the end of primary school.

63 F.M.S., Annual Report of the Education Department for 1935. p. 7.

with 17 per cent of Chinese boys and 15 per cent Indian boys.<sup>64</sup>

The effect of English schools was to sharpen racial divisions that already coincided with socio-economic status, and so they reinforced the barriers between urban and rural dwellers, the immigrant and the native communities, the affluent and the poor by in each case discriminating in favour of the former. Yet they did weld together those who attended them into a single social entity; the English-educated form a discrete, and racially integrated, part of Malaysian society.

### Chinese Education

The British Government had no intention of providing Chinese schooling for the children of the Chinese community. "It [was] not proper policy for the Government to undertake the education of the children of the alien temporary population in their own languages."<sup>65</sup> It was held that vernacular education would inhibit the learning of Malay and the assimilation of the Chinese into Malayan society; yet nothing was done to prevent the Chinese establishing their own schools.

The Chinese did open schools and modelled them exactly on those they had known in China. Teachers and textbooks were imported from China, indeed, there were initially no training facilities for Chinese teachers in Malaya so this was essential. In the upsurge of nationalism that followed the Chinese Revolution of 1911, political sentiments made an appearance in the schools. In place of the numerous dialects that had previously been used 'kuo yu', the national language of China was adopted as the medium of instruction. Despite the fact that a strongly China-oriented school system encouraged racial separation and discouraged assimilation, very little was done to bring the Chinese schools under Government control. In 1923, the Government did try and lessen Chinese support for the

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64 W.A.A Ormsby-Gore, op.cit., p. 44.

65 W.H. Treacher, "Annual Report for the Year 1901 on the Federated Malay States by the Resident-General," Reports on the Federated Malay States for 1901. p. 21.

nationalist movement by trying to encourage a return to the dialects as media of instruction by offering grants to Chinese schools which submitted to Government inspection, but it was too little, too late, and many of the schools that had been independent for so long preferred to forego the money and retain their freedom. Indeed in the 1930's the Chinese Central Government sent representatives to inspect the schools and even instituted its own system of grants-in-aid.<sup>66</sup> Initially Chinese schools offered only primary education, but after the war the demand for Chinese secondary education grew rapidly and the number of pupils in Chinese middle schools rose from 5,000 in 1947 to over 40,000 in 1957.

Such schools isolated the Chinese-educated Chinese not only from the Malays and Indians but also from their English-educated brethren. They fostered a feeling of racial exclusiveness, even racial arrogance, on the part of those who attended them and intense suspicion and distrust in those who stood on the outside. The schools became strongholds of Chinese politics and fertile ground for the growth of Communism.<sup>67</sup>

#### Indian Education

Government-sponsored Indian education was initially ruled out under the policy of non-support for all non-Malay vernacular education. However, the shortage of plantation workers constantly threatened to hamper work on the rubber estates, so to try and encourage more Indians to come and settle on the estates it was decided to provide Tamil schools. These were of very low quality. Until the 1930's there were no training facilities for Tamil teachers and so teachers, qualified and unqualified, were brought over from India and installed in a rudimentary shelter called a school. An indication of the lack of Government interest

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66 V. Purcell, The Chinese in Modern Malaya. p. 21.

67 Short states: "Nowhere among the Malayan Chinese was potential support for the MCP /Malayan Communist Party/ greater than in Chinese Schools." A. Short, The Communist Insurrection in Malaya, 1948-1960. p. 428.



is the difference in grants paid to English and Tamil schools given in Table 4.11. As a result of inadequate facilities, the poverty of the Tamil labourers, and the transient population, the pupil wastage rate was high and these schools made a minimal contribution to Malayan education. Indians with any money moved to the towns and cities where they sent their children to English schools.

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Colonial schools did more to divide than unite the races who inhabited Malaya, and they permitted, even encouraged, the growth of communal loyalties because the British Government had not expected that <sup>the</sup> Chinese and Indians would become permanent parts of Malayan society. There was no such thing as a national school system or a common curriculum, but then there was scarcely even the idea of a Malayan nation. The most serious effects <sup>of</sup> Malayan education policy fell upon the Malays who needed rapid advancement, holding them back while providing the Chinese and Indians with the opportunity to advance.

#### CONTEMPORARY EDUCATIONAL DEVELOPMENTS

Independence brought a major change in the way in which education was regarded by Government: it became an item of investment rather than consumption and a major tool for the Government's policies of restructuring society and nation-building. The independent Government has greatly increased expenditure on education and training from \$86.3 million in 1955, to \$575.78 million for 1971-75, and \$1,282,593 million allocated for 1976-80<sup>68</sup>

The post war years leading up to independence had seen a very rapid increase in the demand for education: the number of children in school had risen from 469,990 in 1947 to 1,121,523 in 1957, an increase of 139 per cent.<sup>69</sup> The demand for English

68 All figures refer to Peninsular Malaysia, SMP. p. 70, Table 5-1. TMP. p. 241, Table 12-3.

69 Ministry of Education, Educational Statistics of Malaysia 1938 to 1967. pp. 32-47, Tables 4-19.

education increased most with enrolment growing by 225 per cent, compared to Malay, Chinese and Tamil schools where it grew by 161 per cent, 105 per cent, and 46 per cent respectively.<sup>70</sup> There was seen to be a need to improve the vernacular schools, the quality of which was far behind English schools. Provision of places at secondary level was very limited: in 1947 there had been only 16,549 students enrolled at secondary level, by 1957 this had increased to 105,879 - 67,646 in English schools, 35,478 in Chinese, 2,315 in Malay and 440 in Tamil classes. But the schools could accommodate only 10 per cent of the primary enrolment, and in the case of Malay classes a mere .5 per cent of primary enrolment.<sup>71</sup>

The progress of education since independence has demonstrated the evolution of a system of national schools based on Malay as the only medium of instruction and a rear-guard fight on the part of the Chinese community, in particular, to preserve instruction in the Chinese language and literature. It has also seen a struggle to preserve instruction in English, as the language of business and international scholarship, but, on the whole it has been a losing battle.

In 1956, Tun Abdul Razak, then Minister of Education, proposed the Razak Plan which formed the basis of the Education Ordinance of 1957. This introduced a common syllabus for all schools in the Federation. It allowed for two types of schools - standard in the Malay medium, and standard-type in Chinese, Tamil and English medium. Malay and English were to be compulsory subjects in all primary and secondary schools and Chinese and Tamil were to be taught where the parents of 15 or more children asked for it. In an attempt to discourage Chinese education it offered better conditions and bigger grants to Chinese schools that changed over to teaching in English and by 1962 three-quarters of Chinese secondary schools had accepted this condition. One result of these developments was that

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70 loc.cit.

71 loc.cit. There were no Malay or Tamil secondary schools, but secondary classes were attached to some primary schools.

secondary education in Malay was provided for the first time.

This was taken one step further in the Education Act of 1961 which declared in the preamble:

The education policy of the Federation...is to establish a national system of education which will satisfy the needs of the nation - and promote its cultural, social, economic and political development...and for the progressive development of an educational system in which the national language is the main medium of instruction.<sup>72</sup>

The Ordinance Act established free, universal primary education. In 1965 the examinations restricting entry to secondary school were abolished and nine years universal education provided. Enrolments expanded rapidly, almost quadrupling in secondary schools between 1957-67. Since then they have continued to increase at a very rapid rate, rising by 48 per cent in lower schools and 81 per cent in upper secondary schools between 1971-75.

This rapid expansion resulted in a severe shortage of teachers. The Second Malaysia Plan estimated the shortage of graduate teachers in West Malaysia to be 3,599 in 1970. In 1975 the demand for graduate teachers was estimated to be 9,829, yet output from all the training institutions in the Plan period 1975-80, was only 5,348. Writing in 1961, Silcock claimed,

The situation is being met by allowing large disparities in standards between urban and rural areas, between English-medium and vernacular schools, to continue.<sup>73</sup>

In 1971, a survey found 16,355 primary teachers were underqualified.<sup>74</sup> At the secondary level, there was a wide disparity in levels of achievement between English and Malay medium schools. (See Table 4.11). In Malay-medium schools between 1967-72 11.2 per cent of candidates sitting the Higher School Certificate Examinations

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72 Quoted in The Education Planning and Research Division, Ministry of Education, Education in Malaysia. p. 5.

73 T.H. Silcock, "Economic Potential of Malaya," Readings in Malayan Economics. T.H. Silcock, ed., p. 100.

74 New Straits Times, 8 February 1972.

received a full certificate in Science, and 31.3 per cent in Arts, compared 66.6 per cent in Science and 65.2 per cent in Arts in English-medium schools.

Table 4.11  
Full HSC Certificates, 1967-72

	Science	Arts
<u>Malay-medium assisted schools</u>		
Total number of candidates	1,251	3,758
Total number of full certificates	141	1,176
Total number of full certificates as % of total number of candidates	11.2	31.3
<u>English-medium assisted schools</u>		
Total number of candidates	12,081	9,589
Total number of full certificates	8,047	6,249
Total number of full certificates as % of total number of candidates	66.6	65.2

Source: Chai Hon-Chan, Education and Nation-Building in Plural Societies: The West Malaysian Experience. p. 46.

The Dropout Report of 1973 confirmed these conclusions. English-medium schools were found to be larger, better endowed with physical plant,<sup>75</sup> and had younger, better-qualified teachers; non-teaching expenditure per pupil was higher - three times, on average, than in Malay-medium schools; and the children who attended them came from more affluent families.<sup>75</sup> As a result pupils from English-medium schools achieved a higher level of education and did better on assessment tests.<sup>76</sup> One problem the Report drew attention to was that,

The rapid expansion of education in West Malaysia in one generation creates a situation where larger numbers of school children do not receive the informal pre-school<sup>77</sup> training which literate parents typically provide.

75 Laporan Jawatankuasa Di Atas Kajian Pendapat Mengenai Pelajaran Dan Masyarakat (Lapuran Keciciran) [Dropout Report.] p. 34.

76 ibid., p. 43, Table 32, p. 45, Table 34.

77 ibid., p. 68.

Yet despite the handicaps faced by Malay pupils they were found to be, on the average, more highly motivated to succeed than either Chinese or Indian pupils.<sup>78</sup>

The riots of 1969 resulted in major reassessments in many fields and brought about a significant reorientation in education. This took the form of a "New Educational Policy" which proposed the gradual introduction of the Malay language as the sole medium of instruction. As from January 1970 teaching in Standard One classes would be conducted wholly in Malay, except during English, Chinese or Tamil language sessions, and each year the use of Malay would be extended to a further year until the entire primary, secondary and tertiary school system would be converted to the use of the Malay language. The object of this was to build a common national identity through the schools based on the Malay language and culture. It also had the effect of giving Malay children an advantage over Chinese and Indian children who first had to learn the Malay language before they could progress in their studies. This was in keeping with current Government thinking that the Malays should be given preferential treatment until the Malay community had caught up with the non-Malays. From 1970 a pass in the Malay language paper has been compulsory for attainment of the Malayan Certificate of Education (MCE), a situation that threatened to produce an explosion when in 1972 over 14,000 non-Malay students failed their MCE solely because they failed to pass the Malay paper

The problems of implementing this change have been enormous. It has required the re-training of about twenty thousand teachers and lecturers in the Malay language and the translation of an enormous number of textbooks and reference books.

Despite the Government's policy of introducing Malay as the sole medium of instruction it has begun to realise that English also has a vital role to play. The Third Malaysia Plan states that "measures" will be taken to ensure that English is taught as a strong second language." It goes on to say, "This is important if Malaysia is to keep abreast of scientific and technological developments

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78 ibid., p. 69.



in the world and participate meaningfully in international trade and commerce."<sup>79</sup>

Rural schools that served the bulk of the Malays have been of very poor quality. They were often isolated and had multigrade classes because of the small numbers in any one class. There has now been a move to improve rural roads and bring children together in large centralized schools, and to improve the standard of science and mathematics teaching particularly in the rural areas through the establishment of residential science schools.

Vocational and technical training has lagged behind other developments in the field of education. The International Bank for Reconstruction and Development (IBRD) Report in 1963 mentioned "The need to improve technical education and training, especially in industrial skills, and more advanced agricultural techniques."<sup>80</sup> And the First Malaysia Plan was committed to creating a better balance between general academic education, on the one hand, and vocational, technical and science education, on the other.

There are now a number of secondary vocational schools providing training in motor mechanics, woodworking, building construction, sheetmetal work, welding, electrical installation, maintenance, fitting and machining, radio, television and electronics servicing. In 1969 the Ungku Omar Polytechnic was opened in Ipoh with the aim of training engineering technicians and sub-professional personnel in Accountancy and Business Studies,<sup>81</sup> and the Kolej Tunku Abdul Rahman in Kuala Lumpur offers certificate and diploma courses in business studies, arts and science at the sub-professional level.

Prior to the opening of these two institutions the only post secondary vocational or technical training was given by the Technical College, the College of Agriculture and Mara Institute of Technology. The Technical College was established in 1906 primarily

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79 TMP. p. 397. para. 1362.

80 IBRD, Report on the Economic Aspects of Malaysia. p. 17.

81 Courses are provided in Accountancy, Electrical Engineering, Mechanical Engineering, Civil Engineering and Business Studies.



to meet Government requirements for technical personnel and provided three-year diploma courses in Architecture, Civil Engineering, Civil Survey, Electrical Engineering, Land Surveying, Mechanical Engineering, Quantity Surveying and Town and Country Planning. The College of Agriculture (established in 1931 for Malays only) provided three-year diploma courses for agricultural technicians.<sup>82</sup> However, in 1971, the College of Agriculture and in 1972 the Technical College were upgraded to universities.

Enrolment in upper secondary vocational and technical schools grew from 4,899 in 1970 to 14,338 in 1975, an increase of 193 per cent, and in tertiary level colleges it grew from 4,993 to 16,827, in the same period an increase of 237 per cent.<sup>83</sup> Nonetheless, there are severe shortages at the craftsmen, technical and professional levels and the Third Malaysia Plan gives particular emphasis to overcoming these to meet the needs of commerce and industry. Nine more vocational schools are to be built and a polytechnic constructed in Kuantan.

University education has also made advances. In 1957 a division of the University of Malaya was set up in Kuala Lumpur and in 1961 this became a university in its own right, established as the national university of the Federation of Malaya.

In response to rising demand for tertiary education, four further universities have been established:

- 1) The Universiti Sains Malaysia (the Science University) in Penang in 1969.
- 2) The Universiti Kebangsaan Malaysia (the National University of Malaysia) in 1970<sup>84</sup>.
- 3) The University Pertanian Malaysia (the Agricultural University) in 1971.
- 4) The Universiti Teknologi, (the University of Technology) in 1972.

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82 These courses covered the basic sciences, plant science, animal science, agricultural economics, plant protection, crop and animal husbandry, farm management, extension and research techniques.

83 TMP. Table 22-1, pp. 385-386.

84 The official constitution was promulgated on 1 April 1974.

The Universiti Kebangsaan was established as the logical extension of the New Educational Policy and uses Malay as the main medium of instruction; the vast majority of its students are Malay. One of its main tasks is to develop the Malay language so that it can cope with modern developments in science and technology and so be fully used as the National Language. It both encourages members of staff to write textbooks in the national language and to translate foreign textbooks.

The Universiti Sains provides degree programmes in the Pure Sciences, Applied Sciences, Social Sciences and Humanities. The Universiti Pertanian, which was formerly Serdang Agricultural College, now provides degree courses in agricultural science. The Universiti Teknologi includes faculties of Engineering, Surveying and Architecture.

In the field of economics and business administration there are courses at the University of Malaya, the Universiti Sains and the Universiti Kebangsaan. The University of Malaya offers a degree in Economics and Administration as well as a Diploma in Public Administration and in Accounting. The Universiti Kebangsaan began offering a degree in Economics and Commerce in the Session 1974/75. However, the Malay language policy of the Universiti Kebangsaan presents a number of problems: first, there are virtually no books in Malay in these subjects, and second, the lingua franca of the business community is still usually English or Chinese.

There had been very rapid expansion of university places - enrolments rose from 323 to 4,560 between 1959-67<sup>85</sup> and, with the opening of the new universities, increased from 8,148 to 14,254 between 1970-75,<sup>86</sup> and to 18,064 by 1978.<sup>87</sup> A major problem these universities have to face is a shortage of academic staff often with half the posts vacant, particularly in the fields of economics

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85 Ministry of Education, Educational Statistics of Malaysia 1938 to 1967. p. 69, Table 60.

86 TMP. p. 401, Table 22-7. These figures refer to enrolments for degree courses only.

87 Mid-Term Review of the Third Malaysia Plan. p. 203, Table 14-3.

and business administration where the opportunities in the private sector are attractive (See Table 4.15 below), and even more so among Malays for whom there are now many other opportunities. For the most part academic staff are, therefore, very young and at any time a relatively high proportion may be away on study leave completing higher degrees abroad. The move to introduce Malay as a medium of instruction in all universities first by duplicating all courses in Malay and English put additional strain on staffing and on those not yet fluent enough to deliver a university-level lecture in Malay.

The University of Malay has in the past had to face the problem of racial imbalance in enrolments and a concentration of Malays in the Arts field. Table 4.12 gives a breakdown of the entry into the first year of the University of Malaya during the sixties.

Table 4.12  
Student Enrolment into Year One of the University of Malaya  
by Faculty and Race, 1960-70

	Malay		Non-Malay	
	No.	%	No.	%
1960/61				
Agriculture	1	6	18	94
Arts	66	32	140	68
Engineering	3	5	63	95
Science	7	10	61	90
TOTAL	77	21	282	79
1965/66				
Agriculture	21	45	26	55
Arts	294	45	359	55
Engineering	3	3	98	97
Science	13	7	169	93
Medicine:				
Pre-Med	11	26	31	74
Year 1	4	5	76	95
TOTAL	346	31	759	69
1969/70				
Agriculture	25	26	70	74
Arts	722	59	505	41
Engineering	5	5	109	95
Science	79	26	228	74
Medicine:				
Pre-Med	26	65	14	35
Year 1	24	19	102	81
Economics & Administration	197	64	308	36
TOTAL	1078	45	1336	55

Source: Malaysia, Towards National Harmony. pp. 11-12, Table 1.

Table 4.12 illustrates the imbalance there has been in racial representation at university and the fairly rapid correction of this. Between 1960-70 Malay entry into the University of Malaya increased from 77 to 1078, and their proportion in terms of total entrants, from 21 per cent to 45 per cent. However, they tended to be concentrated in the Arts Faculty: of the incoming year in 1960/61 86 per cent of Malays registered to study Arts, by 1970 this had declined to 70 per cent, but there was no change in the very small proportion of Malays studying Engineering over the decade, and in Science and Medicine the increase was very small.

The very small number of Malay graduates in Science and Technology is illustrated in Table 4.13. Between 1964-70 a total of 119 Malays had graduated from the University of Malaya in these fields. This goes a long way towards explaining the very real difficulty companies in the survey had in recruiting Malay engineers.

Table 4.13

Output of Malay Graduates in Science and Technology  
at the University of Malaya, 1964-70

Faculty	Total number graduated (all ethnic groups)	Malay graduates	
		Number	%
Agriculture	216	39	18.0
Engineering	366	3	0.8
Medicine*	129	12	9.3
Science	1626	65	4.0
TOTAL	2337	119	5.1

\* The Faculty of Medicine was established in 1963, and the first batch of doctors graduated in 1969.

Source: Malaysia, Report of the Committee Appointed by the National Operations Council to Study Campus Life of Students of the University of Malaya. p. 44, Table IX.

The opening of the new universities and Government policy towards the correction of racial imbalance in tertiary education has resulted in a very rapid increase in the number of Malay students enrolled at university. Indeed, Malays are now slightly over-represented in terms of their proportion in the population. In 1975, 57 per cent of all students enrolled for degree courses

were Malay.<sup>88</sup> (see Table 4.14), and by 1978 this had risen to 64 per cent.<sup>89</sup> They were particularly heavily represented at the new universities: in 1975, at the Universiti Pertanian 77 per cent of students were Malay, at the Universiti Teknologi 85 per cent, and at the Universiti Kebangsaan 93 per cent.<sup>90</sup> The racial distribution of students in the various subjects has improved considerably although there is still a tendency for Malays to choose Arts and Humanities and to avoid Science and Medicine.

Table 4.14

Enrolment in University Degree Courses by Race and Subject, 1975

Degree Course	Malay		Non-Malay		Total No.
	No.	%	No.	%	
Arts	1826	74	631	26	2457
Economics	1287	74	444	26	1731
Law	124	59	87	41	211
Humanities	1833	76	579	24	2412
Islamic Studies	486	100	0	0	486
Diploma in Education	240	41	348	59	588
Diploma in Public Admin	15	65	8	35	23
Science	799	26	2295	74	3094
Medicine, Dentistry, Pharmacy	399	39	622	61	1021
Agriculture	273	70	116	30	389
Vetinary Science & Forestry	105	74	37	26	142
Agriculture Business/Engin	179	81	42	19	221
Engineering	361	32	774	68	1135
Architecture	226	65	118	35	344
TOTAL	8153	57	6101	43	14254

Source: Third Malaysia Plan, 1976-80. p. 402-403, Table 22-8.

This dramatic change in the pattern of racial distribution in the universities has come about with the help of a system of preferences that favours Malays. In the 1950's there was a practice

88 If enrolment for diploma and certificate courses and preliminary and pre-university courses is taken into account, Malay enrolment in tertiary education in 1975 would be 65.1 per cent of the total.

89 Mid-Term Review of the Third Malaysia Plan. p. 203, Table 14-3.

90 TMP. p. 401, Table 22-7.

of awarding three scholarships to Malays for every one to a non-Malay. In 1969-70, 88.6 per cent of the Malay students at the University of Malaya were on public scholarships or bursaries, compared with 22.8 per cent of Chinese students, and 20 per cent of Indian students.<sup>91</sup> In order to rectify the remaining imbalances in the fields of Science and Technology the Campus Report recommended in 1971:

First...the University should decide and state clearly that it is university policy to ensure as far as possible that the racial composition of the student population not only in the University as a whole but on a faculty by faculty basis should reflect the racial composition in the country...

Secondly, the University authorities should ensure that faculties with poor Malay representation...should make every conscious effort to obtain the admission of Malay students. It is clear to us that there were more Malay students who had the required qualifications than were admitted. They could have, therefore, been admitted if the University authorities had been clearly directed to provide for a proper racial balance in the different faculties.

Thirdly, in each faculty, students who come from rural areas where the facilities for the study of science are limited, should be given special assistance and tuition...Turning to the criteria for admission, we wish to state first of all that the criteria should not only be of an academic character...

Fourthly, we therefore recommend that the criteria for admission should include other factors besides the H.S.C. results and that the University authorities should give weightage to those from the rural areas...

Fifthly, we recommend that the scholarship awarding authorities should award more scholarships in the sciences to Malay students in order to rectify the present racial imbalance in these faculties.<sup>92</sup>

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91 Chai Hon-Chan, Education and Nation-Building in Plural Societies: The West Malaysian Experience. p. 50.

92 Malaysia, Report of the Committee Appointed by the National Operations Council to Study Campus Life of Students in the University of Malaya. pp. 44-45.



Such preferences are enshrined in Article 153 of the Constitution of Malaysia which states that not only shall Malays be given preferences in the award of scholarships but that provided they have the minimum entry qualifications, preference should be given to them for places in university. In implementing this policy it is difficult to avoid a drop in academic standards,<sup>93</sup> and an increase in the number of non-Malay students with good HSC results who cannot get into local universities. For the affluent, foreign universities have provided an alternative. Of the Malaysian students in tertiary level institutions in the United Kingdom, Australia and New Zealand in 1975, 80 per cent were non-Malays.<sup>94</sup> However, the Government has now decided to impose racial balance quotas on the number of students studying abroad. The emphasis on giving special consideration to rural Malays, who will tend to be more traditional in their outlook, will present special problems to the companies who ultimately employ them. Although higher education in itself tends to be a modernising influence, rural Malays will be closer to the attitudes and values of the village than their urban counterparts, and they will need to adapt to the values of modern commercial life.

The result of the historical Arts bias of the educational system has been severe shortages of professionally and technically qualified staff. See Table 4.15. Despite such shortages, 4 per cent of the unemployed in 1973 were categorized as "professional, technical and related workers: administrative, executive, managerial workers".<sup>95</sup> Clearly the products of the colleges and universities

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93 In order to cope with this problem the University of Malaya provided a one year pre-science course for Malay students with weak HSC results. In 1977 it started a special two-year course for rural Malay students to prepare them for admission to its Science, Medicine, Dentistry and Engineering Faculties. New Straits Times, 15 July 1976.

94 TMP. p. 399, para. 1375.

95 United Nations, Statistical Yearbook for Asia and the Pacific, 1971. p. 255.

Table 4.15

Estimated Manpower Requirements

	1973		Estimated <sup>(i)</sup> Requirements 1976 - 80
	Total Employed	Vacancies (%)	
PROFESSIONAL AND TECHNICAL	145,517	10.4	65,309
Chemists and Physical Scientists	354	20.6	327
Laboratory and Science Technician	3,824	27.8	2,137
Architects and Town Planners	353	22.4	180
Engineers	2,244	22.4	2,764
Engineering Assistants and Technicians	11,824	24.0	5,538
Surveyors	168	19.6	346
Draughtsmen	2,979	9.1	2,041
Agronomists	652	38.0	540
Life Science Technicians	2,070	29.1	1,396
Veterinarians	162	19.8	95
Veterinary Assistants	352	15.6	127
Medical Doctors	1,915	24.0	728
Medical Assistants	2,323	16.4	2,414
Professional Nurses	5,623	19.4	5,297
Dentists	379	20.1	205
Dental Assistants	1,030	10.1	578
Accountants	1,774	19.1	1,971
Lawyers	809	5.2	284
Higher Education Teachers	1,844	50.9	286
Primary and Secondary Teachers	79,527	3.1	19,872
Other Professional and Technical	20,353	16.7	18,183
ADMINISTRATIVE AND MANAGERIAL	22,605	8.6	12,264
Managers	12,535	3.3	10,472
CLERICAL	129,374	7.1	58,755
SALES	54,041	1.7	31,776
SERVICE	64,917	6.3	145,300
AGRICULTURAL	105,742	3.1	142,309
Farm Managers and Supervisors	7,238	3.2	13,701
PRODUCTION	210,331	4.4	190,123

(i) Estimated from output and employment targets of the TMP and adjusted for undercoverage and exclusions.

Source: Third Malaysia Plan, p. 153, Table 8-11.

did not entirely 'fit' the needs of the economy. The Third Malaysian Plan recognised this problem of orienting the educational system to the national manpower needs especially in science and technology and it forms one of the main objectives of the Plan in the field of education.<sup>96</sup> The Government intends progressively to reduce the intake into the liberal Arts and put emphasis on the fields of engineering, science, medicine, agriculture and business studies. It is anticipated that the output of degree holders in these fields will increase from 45.5 per cent of the total in 1975 to 54.4 per cent in 1980.<sup>97</sup>

The small numbers of Malays in the Faculties of Science and Technology are, predictably, reflected in the racial distribution of employment in these fields, despite substantial progress between 1957 and 1973 there are still very few Malay chemists, engineers or doctors. Table 4.15 highlights the small proportion of Malay managers and estate managers. The Government itself found difficulty in recruiting the calibre of staff it required.<sup>98</sup> Considering the bias of Malays towards Government employment and the fact that many Malay scholarship holders are bonded to serve the Government, the difficulties experienced by the business community are clearly going to be even greater.

The problem companies are faced with in recruiting, training and developing their managerial staff reflect the historical evolution of Malaysian society and the educational system, as well as the political and social priorities of the Government.

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96 TMP. p. 391, para. 1333.

97 ibid., p. 399, para. 1370.

98 The TMP states: "Given the shortage of skilled and experienced personnel, the rapid expansion of manpower in the public sector has perforce led to some fall in productivity due to the recruitment of relatively inexperienced staff and lack of proper supervision." ibid., p. 42, para. 156.

## CHAPTER 5

### THE MALAYSIAN ECONOMY <sup>1</sup>

The purpose of this chapter is to examine the economic context in which industry operates, and in particular, those factors which affect the training and development of managers. It will look at the historical development of the economy, the evolution of Government policy towards private enterprise, recent developments within each of the main industrial groups, and the organizational pattern of these groups.

#### REVIEW OF THE HISTORICAL DEVELOPMENT OF THE ECONOMY UP TO INDEPENDENCE

Prior to British intervention the economy of the Malay peninsula consisted mainly of peasant farming and fishing with a very small amount of tin mining carried out by Malays. However, as European interest in the Far East increased, Malaya's key position on the trade routes brought it to European attention and coastal ports

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1 The research on which this thesis is based was restricted to incorporated industry and the sampling was based on the Government's 1969 Financial Survey of Companies. The latter omitted peasant agriculture and fisheries, and very small-scale industry in the form of individual proprietorships and partnerships, banks, insurance companies, airlines and shipping companies. It also excludes the very large number of parastatal organizations established since 1969. Since there are these gaps in the coverage of the study the following review of the economy will not dwell on the missing sectors.

The study was concerned with Peninsular Malaysia and as far as possible this chapter will confine itself to the position there. However, in some cases the official figures are not broken down into Peninsular and East Malaysia, for this reason some of the data applies to Malaysia as a whole. In assessing the data it should be borne in mind that Peninsular Malaysia contains 82 per cent of the population of Malaysia and generates 85 per cent of the GNP. (Rf: TMP. p. 201, Table 10-1.) Note: all dollars refer to Malaysian dollars unless stated to the contrary.

were acquired both to protect the trade route and to act as entrepôts for the produce of the region.

With the extension of European influence to the Straits Settlements the demand for tin increased and the Malays came to an arrangement with Chinese miners to extract the tin.<sup>2</sup> In 1848 the discovery of rich tin deposits in Larut led to a tin rush and Chinese flocked to the region.<sup>3</sup> Fighting broke out between the Chinese clans over control of the tin deposits reducing the region by 1862 to a state of anarchy, so threatening the tin trade.<sup>4</sup> As a result in 1874 Britain intervened to restore order.<sup>5</sup>

### Trade

The initial economic emphasis at the beginning of the period of British rule in the Malay States was thus on trade. The large merchant houses long established in Singapore and Penang, with their well-developed contacts with local producers, on the one hand, and with western markets, on the other, were able to

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2 H.C.Chai, The Development of British Malaya, 1896-1909. p. 98. According to L.K. Wong, "without any known exception, the early Chinese miners came at the invitation of the Malay chiefs." L.K. Wong, The Malayan Tin Industry. p. 21.

3 In 1848 there were 3 Chinese in the district of Larut; in 1862, 20-25,000 Chinese miners; and by 1872, 40,000 Chinese miners had flocked to the district of Larut. Y.H. Yip., The Development of the Tin Mining Industry of Malaya. p. 58.

4 "So complete was the ruin brought about by this most disastrous warfare, that the country became almost depopulated - villages were demolished wholesale, thousands of people were massacred, the destruction of property was enormous, the land laid waste and not only did Larut itself thus suffer but the returns of the value of imports at Penang during 1872 and 1873 showed a decrease of nearly 1,000,000 dollars, owing to the cessation of the importation of tin to that island from Larut." L.Wray, "Some Account of the Tin Miners and Mining Industries of Perak," Perak Museum Notes, no. 3, Taiping 1894, p. 9. Quoted in Y.H. Yip, op. cit., pp. 58-59.

5 See pp. 42-43.

extend their activities to the Malay states concentrating initially on the export of tin and import of manufactured goods. They were well placed to take advantage of the later development of the rubber industry and were responsible for floating many rubber companies.<sup>6</sup> They provided an important link between the financial resources of London and the developing economy of Malaya, and in this way they extended their interests into the production of tin and rubber, and assured themselves a virtual monopoly over the export-import trade that persisted up to about 1920.<sup>7</sup> Even though the Chinese began to make inroads into the export trade after that, British trading companies retained their control over large sectors of the rubber industry.<sup>8</sup>

While the large merchant, or agency, houses controlled the export-import trade, it was the Chinese that collected the produce for export and provided the wholesale and retail outlets for imports. As Puthucheary put it "Chinese capitalists are in the main compradores of European capital."<sup>9</sup> Indians were also active in trade particularly in the import and retail of textiles, drugs and patent medicines.

Some of the agency houses extended their interests into shipping, banking and insurance, and by the end of this period a very few had begun to diversify into manufacturing. They thus played a key role in the development of the commercial sector of the Malayan economy.

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6 J.C. Jackson, Planters and Speculators. p. 245.

7 J.J. Puthucheary, Ownership and Control in the Malayan Economy. p. 24.

8 ibid., p. 25. Puthucheary states, with reference to 1953, "It is fair to estimate that the 12 big agency houses do between a quarter and a third of both the export and the import trade of the country." ibid., p. 50.

9 ibid., p. 123-124.



## Tin

While the protection of trade was one of the main reasons for British intervention, tin was the commodity in the trade of which Britain was particularly interested. One of Malaya's most valuable natural resources has been the rich deposits of tin found particularly in an area along the west coast running parallel to the central mountain range from Kedah in the north to Kuala Linggi in the south. Much of it has been washed down from the granite rocks in the mountains and is found in alluvial deposits on the coastal plains. As a result it is relatively accessible and of high quality which has given Malayan tin a considerable cost advantage over that of other tin producers.

The value of Malayan tin had long been appreciated<sup>10</sup> but the turning point for the industry came as a result of two main factors. First, British intervention which stabilized the internal situation and provided official support and encouragement for the expansion of the tin trade, and second, the growth of demand in Europe and North America.<sup>11</sup> These factors gave considerable impetus to tin mining; by 1883 Malaya had become the world's largest tin producer and by 1895 output of Malayan tin had risen to 55 per cent of the world's production.<sup>12</sup>

Tin had been and remained for some time the monopoly of

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10 In the sixteenth century the Portugese tried to monopolize the tin trade and later the Dutch tried to do likewise by concluding treaties with local Malay chiefs. L.K. Wong, *op. cit.*, p. 3.

11 From the latter part of the 19th century on, the world consumption of tin ore increased rapidly. The most important single use was in the manufacture of tin plate used in canning, oil barrels and roofing. The best kind of tin ore for the manufacture of tin plate was alluvial tin because of its great purity. Tin was used in an increasing number of machine parts in the motor, electrical and mechanical industries for which the demand was steadily growing, and in the manufacture of dyes for the textile industry. L.K. Wong, *op. cit.*, pp. 119 and 212.

12 *ibid.*, p. 53.

the Chinese.<sup>13</sup> They brought a knowledge of mining and smelting technology with them from China and adapted it to local conditions. They used highly labour intensive methods, the equipment used was relatively simple and mining operations could be started with limited capital outlay. In some cases mines were opened on a cooperative, profit-sharing basis. This gave the Chinese the advantage of maximising limited investment resources, keeping overheads to the absolute minimum, enabling flexibility in abandoning mined out sites and moving rapidly to new ones. This pattern of labour intensive methods, low budget operation and almost exclusively Chinese work force has persisted and characterizes contemporary Chinese tin mining in the peninsula.

Initially European companies found it impossible to compete with the Chinese.<sup>14</sup> However, by 1910 many of the richest deposits had been worked out and new techniques were required to cope with the lower grade ore. The introduction of the tin dredge in 1912 met this

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13 Swettenham wrote of the Chinese contribution to the tin industry: "...it was the Chinese who began the work /of opening up the tin mines/, who have continued it ever since, and whose efforts have succeeded in producing more than half of the world's tin supply. Their energy and enterprise made the Malay States what they are today, and it would be impossible to overstate the obligation which the Malay Government and people are under to these hard-working, capable and law-abiding people." F.A. Swettenham, British Malaya. pp. 231-2.

14 "Usually, European mining is done by companies...there is the manager and the sub-manager, the accountant, the engineer, the smelter...Machinery is bought, houses are built, in fact the capital of the company is spent...and then, it is found that the tin raised is infinitesimal in value when compared to the rate of expenditure, and that the longer the work goes on the greater will be the losses. This is usually discovered when the paid up capital is all but exhausted. The company is wound up and the State gets a bad name with investors, and the only people who really enjoy themselves are the neighbouring Chinese miners who buy the mine and the plant for an old song and make several large fortunes out of working on their own ridiculous and primitive methods." F.A.Swettenham, About Perak. p. 34.

need and gave the European companies an advantage that changed the pattern of the tin mining industry. The dredges were large, complex, costly pieces of equipment and it was the European companies alone that had access to the financial,<sup>15</sup> technical and organizational resources to operate them. They required large tracts of land to operate economically and British land policies favoured Europeans.<sup>16</sup> Not only did the Chinese miners lack the technical expertise necessary, they were reluctant to reorganize their enterprises on the joint stock basis necessary to raise the capital involved.

The European companies were generally managed by mining agencies, firms that specialized in the management of tin mines, providing secretarial functions and technical management. Financially, these companies were closely integrated with interlocking ownership and directorships that made it a tightly knit industrial group. All but one of the dredges in Malaya in 1954 were operated by European-owned and controlled tin companies. About half of these were locally incorporated and Yip Yat Hoong calculated foreign ownership as 78 per cent of total shares.<sup>17</sup> Chinese mining concerns, on the other hand, were almost entirely individual ownerships and partnerships and their capital came from relatives, friends or the clan.<sup>18</sup> Their management practices remained traditional and their methods relatively simple - mostly gravel pumping. Nonetheless, they retained more than a one third share

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15 With the introduction of the tin dredge came the joint-stock company and the participation of Western banks to finance the huge investment involved.

16 G.D. Ness, Bureaucracy and Rural Development in Malaysia. p. 32.

17 Yip Yat Hoong, op. cit., p. 352, Table V-3.

18 J.J. Puthucheary, op. cit., p. 84.

in the total production of tin.<sup>19</sup>

The significance of tin in the early development of Malaya was enormous. In the last decades of the nineteenth and the first decades of the twentieth century tin was by far the single most important revenue producer with duty on tin accounting for up to almost half of the total revenue of the Federated Malay States.<sup>20</sup>

Chai Hon-Chan states:

...the success of British rule in Malaya was due almost entirely to a thriving tin industry. From the export duty of tin the Government derived the bulk of its revenue to pay for Civil List and general administrative charges, for an expensive road and railway system, for schools and medical services, and for numerous other public works which made for stable and efficient government<sup>21</sup>

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Production of Tin-in-Concentrates  
in Malaya by European and Chinese Mines

Year	European		Chinese		Dulang Washing <sup>(i)</sup>		Total 000 tons
	000 tons	%	000 tons	% of total	000 tons	% of total	
1930	40.9	63	23.1	36	1.0	1	65.0
1935	26.7	66	13.2	32	0.9	2	40.8
1940	57.7	72	22.0	27	1.0	1	80.7
1945 <sup>(ii)</sup>							3.2
1950	33.9	59	21.2	37	2.5	4	57.6
1955	36.4	60	23.7	39	1.1	2	61.2

(i) Dulang washing is panning for tin in streams

(ii) During the Japanese Occupation, the extraction of tin was disrupted.

Source: Federation of Malaya, Bulletin of Statistics Relating to the Mining Industry, 18 (1950), p. 8, Table 9, and (1956) p.5, Table 6. (Note: There is a slight discrepancy between the 1950 and 1956 Bulletin statistics. The 1950 Bulletin has been used for all figures in this table except those for 1955.)

20 FMS, Manual of Statistics Relating to the Federated Malay States, 1924. p. 270 and p. 276.

21 Chai Hon-Chan, The Development of British Malaya. p. 163.

## Rubber

The development of the rubber industry in Malaya was the product of a combination of official encouragement, British entrepreneurship, suitable physical conditions, and a rapid rise in world demand brought about by the coincidental rise of the motor car industry.

Early British efforts in agriculture had met with little success. The first planters were amateurs for whom agriculture was a part-time activity<sup>22</sup> and it inevitably suffered from ignorance and neglect.<sup>23</sup> The professionalization of farming began in the 1870's and 1880's with the arrival of coffee planters from Ceylon.<sup>24</sup> The introduction of coffee-planting prepared the way for the future development of rubber in that it brought about the extension of large-scale agriculture and the proprietary estate began to give way to ownership by companies.<sup>25</sup>

In 1877 Brazilian rubber seeds were brought to Singapore Botanic Gardens from Kew Gardens in London. Plants and seeds were distributed to Government officers in the Malay States and handed out to planters. As the price of coffee fell and that of rubber rose the first pioneer plantings were made. In 1905-1908 rubber prices soared and the planting community began to switch to rubber on a large scale.<sup>26</sup> By 1908, rubber was the main crop of the plantation industry in Malaya.

Since the communications network was concentrated in the tin bearing states of Selangor, Perak and Negri Sembilan, it was

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22 J.C. Jackson, op.cit., p. 91.

23 ibid., p. 126.

24 ibid., p. 91.

25 loc.cit.

26 Rubber increased from 38,000 acres in 1905, to 100,000 acres in 1906, and by 1926 2,250,000 acres were planted with rubber - more than half the total world acreage. Dun J Li, British Malaya, An Economic Analysis. p. 60.

here that rubber planting tended first to be concentrated.

The cultivation of rubber raised two main problems: the first, was the problem of capital; the second, of labour. The problem of a labour force to work the plantations was a serious one for rubber is a highly labour-intensive industry. The solution found was to import Tamil labour from India.

Financing was a problem since rubber trees take seven years to come into production and the methods used in Malaya favour fairly large estates. Considerable investment was required and the returns were slow. London was the best source of such investment capital and the private joint-stock company met this need.

The agency houses in the Straits Settlements channelled such funds into the planting industry and in the process acquired increasing financial and management interests themselves. A number of agency houses took on the role of supervising the management of the estates of European-owned rubber companies and marketed the produce as well. As managing agents they were responsible for the recruitment, training and supervision of managers and labourers for the estates. Allen and Donnithorne give an excellent description of the rationale of the managing agency:

The managing agency system is in essence a method of industrial and commercial organisation designed to reduce the risks of foreign investment in countries where business expertise and managerial skills are scarce. It is based upon a division of function between the firm in the metropolitan country which owns the business properties and the firm which manages them in the colonial territories. Under this system relatively small concerns can engage experienced managing agents to administer their estates or factories, and investors are encouraged to subscribe capital for a diversity of companies in specialized undertakings abroad. Thus the scarce managerial resources are mobilised in the services of numerous proprietary companies, and specialisation in investment is combined with a co-operative use of the expertise available in the country of operation.<sup>29</sup>

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29 G.C. Allen and A. Donnithorne, Western Enterprise in Indonesia and Malaya. p. 52.



These agency houses linked together the commercial, mining and agricultural interests in Malaya with the technical and managerial knowhow and financial resources of Britain. The success of the managing agency is testified to by the fact that it is still the most important form of management in the plantation industry in Malaysia.

The large amounts of capital required to open up an estate and Government preference for European firms ensured that the estate side of the rubber industry was European-dominated.<sup>28</sup> The Chinese initially preferred crops that required little investment and gave an immediate return on that investment.<sup>29</sup> With the growing success of rubber, the Government actively discouraged the old Chinese style of cultivation,<sup>30</sup> and many Chinese moved into rubber. Nonetheless, the reluctance of the Chinese to float public companies,<sup>31</sup> and their reliance on private finance limited the size of their estates.

The Government gave official encouragement to the planting industry and in particular to the European planters who were regarded as "the backbone of the country...deserving of the utmost encouragement which Government can give them."<sup>32</sup> In 1904 a scheme of Government loans to bona fide planters was introduced, the vast majority of these went to Europeans.<sup>33</sup>

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28 Writing with reference to 1953, Puthuchery states, "The 1.6 million acres owned by European companies are mostly in large units: 92% is in estates of more than 1,000 acres. Asian-owned estates are generally small. Only 16% of Chinese-owned estates and 13% of Indian-owned estates are more than 1,000 acres." J. Puthuchery, op. cit., p. 26.

29 J.C. Jackson, op. cit., p. 89.

30 ibid., p. 229.

31 In 1953, 95 per cent of Asian-owned estate rubber was owned by individuals, families, partnerships, or private limited companies. Federation of Malaya, Rubber Statistics Handbook, 1953.p. 38, Table 11.

32 Annual Report of Lower Perak, 1906. p. 6, quoted in J.J. Jackson, op. cit., p. 234.

33 J.J. Jackson, op. cit., p. 237.

The Tamil Immigration Fund was established by the Government to provide free passages for Tamil labourers to come to Malaya to work on the rubber estates. Transport and communication facilities were provided in the form of roads and railways and in Selangor all land with rail or road frontage was reserved for estates,<sup>34</sup> the vast majority of which was European-owned.

Despite, possibly because of, its advantages the estate sector does not appear to have been quite as well managed as one might have expected. One commentator observed:

On the eve of the Second World War, Malaya's rubber industry still comprised far too many individual units of uneconomic size and continued to support at ruinous expense an absurdly large number of superfluous directors. Too few estates had replaced their obsolete trees with higher yielding stock; and many were in none too good a position to compete profitably with Asiatic<sup>35</sup> small holders, whether inside or outside the country.

### Manufacturing

During the period of British rule the Malayan economy developed along typical colonial lines with primary commodities being developed to supply industry in the colonial power, and local manufacturing growing up, only as was needed to serve the two main export industries. In fact, there was little industry stimulated by tin and rubber other than a light engineering industry to supply equipment.<sup>36</sup> Besides this there was the manufacture of foodstuffs and tobacco, handicrafts, the processing of commodities such as timber, rice and fish, and miscellaneous manufactures such as bricks, soap and newspapers.<sup>37</sup>

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34 loc.cit.

35 V. Thompson, Postmortem on Malaya. p. 98.

36 J.T. Thoburn, "Exports and Economic Growth in West Malaysia," Oxford Economic Papers, XXV, 1 (1973), p. 98-100.

37 IBRD, The Economic Development of Malaya. pp. 418-419.

The sector was small and static: it employed 7 per cent of the working population in 1947, and 6 per cent in 1957.<sup>38</sup> The majority of enterprises were very small: IBRD estimated in 1955 that the average firm had 20 employees, the majority less than 10.<sup>39</sup> While European capital was concentrated in the mines, plantations and trading houses, it was Chinese capital that dominated the manufacturing sector.<sup>40</sup> In the Federation in 1955, 80-90 per cent of industrial employers and 75 per cent of wage earners were Chinese.

The problem the manufacturing industry faced were a small domestic market, competition from the lucrative tin and rubber industries for investment capital, and official disinterest. It was not until the beginning of the Second World War that official policy towards manufacturing changed and then in response to the need for defence materials. However, in the period immediately prior to the Japanese occupation, ship-building was "the only important new industry born of the war".<sup>42</sup> This Virginia Thompson puts down to 1) "the difficulty of building up industrial centres overnight"; 2) "the traditional distaste of British manufacturers for developing rivals within the imperial frame"; and 3) "the reluctance of colonial Businessmen to expand output on a scale that would be unprofitable to them after the war".<sup>43</sup>

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38 Federation of Malaya, 1957 Population Census. No. 14, p. 31.

39 IBRD, The Economic Development of Malaya. p. 422.

40 Manufacturing was dominated by the Chinese, with the exceptions of smelting, which was a European preserve, and the manufacturing activities of the two agency houses, Borneo Company and Sime Darby. J.J. Puthucheary, op.cit., pp. xviii-xix, pp. 55-56.

41 IBRD, The Economic Development of Malaya. p. 422.

42 V.Thompson, op.cit., p. 117.

43 ibid., p. 113.

### The Traditional Sector

While the modern sector of the economy flourished, the traditional sector languished. While revenue was poured into roads, railways, waterworks and modern cities that served the foreign commercial establishment, the rural sector was all but ignored. Not only were the Malays unwilling to provide labour for the mines and plantations but they were unwilling to change their traditional practices to provide the agricultural counterpart of that economy. Consequently, the country never attained self sufficiency in food and Malaya was a net importer of rice throughout most of the century. Fish alone appeared on the market and was widely distributed throughout Malaya. To the Malayan peasant, farming or fishing was a way of life not a commercial undertaking.

The British administration, unable to co-opt the Malay peasantry into the modern economy, became increasingly reluctant to disturb their agrarian life-style and so made a policy of preserving it, and although the Chinese were ready and willing to go into rice cultivation, and the British would have gladly seen it become an economic concern,<sup>44</sup> it was feared that the competition would be fatal to Malay enterprise. So all land suitable for the growing of padi was set aside as Malay Reservations and to ensure that they would not be seduced into growing the easier and more remunerative rubber it was legislated that padi land should be used for growing rice and rice alone. Haynes, Secretary for Agriculture, wrote in a Memorandum on Rice Cultivation:

Our trusteeship for the Malay people demands that we administer the country on lines consistent with their welfare and happiness, not only for today, but for

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44 Clifford wrote in despair in his report on Pahang in 1897: "So indolent,....,are the people of this State, and so wedded are they to their old antiquated methods of cultivation, that I cannot but think that if Pahang is ever to produce rice in sufficient quantities for its requirements, the planning must be entrusted to immigrants from other countries." H. Clifford, "Annual Report by the British Resident of Pahang for the Year 1897," Reports on FMS for 1897. p. 61.

the future ages. That end will be attained rather by building up a sturdy and thrifty peasantry living on the lands they own and living by the food they grow, than by causing them to forsake the life of their fathers for the glamour of the new ways which put money in their pockets today but leave them empty tomorrow, and to abandon their rice-fields for new crops which they cannot themselves utilise and the market for which depends on outside world conditions beyond their orbit.<sup>45</sup>

Such policies bound the Malay to a subsistence economy at a period when the rest of the country was rapidly developing.

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The product of this period of development in Malaya was the creation of a second, modern economy alongside the indigenous, peasant economy. One was efficient, rapidly growing and highly profitable. It was linked to the world economy but as a supplier of raw materials to the industrialised nations, not as an industrial power itself, and consequently it was vulnerable to the vagaries of commodity prices. It was heavily reliant on two main exports - tin and rubber, which during 1948-56 together made up 83 per cent of the value of total exports.<sup>46</sup> It had been built almost entirely on imported capital and, therefore, was in the hands of foreigners and immigrants. Both groups were interested in transferring their profits back to their homelands and this meant a steady drain of the wealth created by the new economy out of the country.<sup>47</sup>

Not only was a second economy established alongside the first, but the two had almost no contact with each other. They were

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45 A.S. Haynes, "Memorandum on Rice Cultivation," in FMS, Federal Council Proceedings, 1933. Appendix No. 28, p. C293.

46 United Nations, "Export Instability in the Primary Exporting Countries," Readings in Malayan Economics. T.H. Silcock, ed., p. 110.

47 In 1957, the level of remittance of profits by foreign companies was equivalent to 6.3 per cent of national income. J.G. Butler, "The Contribution of Exports to Growth: A Study of Economic Policies in Malaysia." p. 122.



physically separate: the modern sector concentrated in the towns and on the west coast, the traditional in the north and east; the modern almost entirely immigrant, the peasant sector, almost entirely indigenous. Within the modern sector the races were again divided: tin being the preserve of the Chinese and rubber tapping that of the Tamils. The verdict of one who knew Malaya well was that "The British produced in Malaya a plural society with no corporate soul:" it was "a glorified commercial undertaking rather than a State."<sup>48</sup> Despite, or indeed because of, these social problems that were to be so important in the future, the economy thrived. The IBRD mission that visited Malaya in 1955 reported:

By Asian standards, the Malayan economy has reached a relatively advanced stage, not only in the level of per capita income, but also in structure: it is a more varied and complex economy than is characteristic of most underdeveloped countries. Power, transport, communications and other basic facilities are reasonably well developed, a considerable foundation of secondary industry has been established; there is a substantial nucleus of skills and enterprise; standards of public administration are high; and institutional patterns and habits of commerce and finance are correspondingly advanced. Industrial, commercial, professional and governmental activities outside the fields of primary industry now probably account for nearly half the national income; they, as well as primary raw material and food production, can be expected to continue to expand. Accordingly, further economic development will undoubtedly follow a broader and more varied<sup>49</sup> pattern than prevailed until fairly recent times.

#### GOVERNMENT ECONOMIC POLICY SINCE INDEPENDENCE

Inherent in the economic situation bequeathed by the British to Malaysia were a host of socio-economic problems that had a deciding influence of the direction of the independent Government's

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48 V. Purcell, Malaya - Communist or Free?. p. 12 and p. 39.

49 IBRD, The Economic Development of Malaya. p. 20.



economic policy. The Government's response to these problems can be divided into two stages - pre-1969 and post-1969.

The basic strategy of the Government during the first stage has been termed "capitalist, conservative and open."<sup>50</sup> The Government adopted a policy of development through private enterprise with limited Government interference, freedom to repatriate capital and to remit profits, guarantees against expropriation, and the continued provision of a supportive infrastructure. That is, it continued the same basic approach as the British administration. One commentator accounts for this as follows:

.../Malaya/ achieved independence in a fairly smooth and friendly manner, in conditions in which the main distraction was a communist insurrection mounted mainly by the Chinese with aims conditioned not by Malaya but by the general pattern of South-East Asia. Part of the political motive power behind the Alliance is anti-colonialism and a desire to maintain Malaya's independent status. But because of the recent successful anti-communist war, and the fact that the Alliance leaders are mainly Malay aristocrats working with Chinese businessmen, its anti-colonialism is distinctly more right-wing, and more sympathetic to the West, than that of its powerful neighbours, Indonesia and India.<sup>51</sup>

A major plank of the Government's early economic policy was development of the country's two main revenue earners - tin and rubber. The IBRD mission that visited Malaya in 1955 was convinced of the long-term importance of the rubber industry and considered replanting with high yielding plant material "to be the country's highest and most urgent development priority",<sup>52</sup> and that a major

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50 T.H. Silcock, "General Review of Economic Policy," The Political Economy of Independent Malaya. T.H. Silcock and E.K. Fisk, eds., p. 251.

51 T.H. Silcock, "Communal and Party Structure", The Political Economy of Independent Malaya. T.H. Silcock and E.K. Fisk, eds., p. 24.

52 IBRD, The Economic Development of Malaya. p. 30.

deterioration in the rubber industry "could only mean something near eventual disaster for the Malayan economy."<sup>53</sup> The First Five-Year Plan, 1956-60, gave high priority to the replanting of rubber producers, both smallholders and estates, and to prospecting for, and the development of, new deposits of minerals.

By the Second Five Year Plan, 1961-1965, there was considerable concern over the future of rubber. While on the one hand the Plan stated, "There is every reason for confidence that rubber will continue to compete in world markets,"<sup>54</sup> it also stressed the danger of dependence on rubber.<sup>55</sup> This reassessment was reflected in the main objectives of the Plan which included that of widening

...the variety of Malayan production, emphasising the development of other suitable agricultural products in addition to rubber, and giving every reasonable encouragement to industrial expansion which in the long-term offers perhaps the greatest promise for sustained development and diversification of the Federation economy.<sup>56</sup>

One of the main innovations of the independent Government was its commitment to industrialization. It was hoped that through the introduction of manufacturing industries it would be possible to diminish the country's reliance on the export of primary products, provide employment for the country's very rapidly growing population, and provide the impetus for rapid economic growth.

The First Malaysia Plan, 1966-1970 (FMP) articulated Government policy in the industrial field thus:

As in the past, responsibility for the manufacturing operations themselves will be left to the private sector. The Government's role will be to maintain a favourable investment climate; to provide industrial

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53 ibid., p. 49.

54 Second Five Year Plan, 1961-1965. p. 15.

55 loc.cit.

56 ibid., p. 16.

estates and transport, power and communication facilities; and to grant tax and other inducements.<sup>57</sup>

The main direct Government action was taken with regard to the traditional sector of the economy. After years of neglect and resulting poverty, the Government made a special commitment to improve the lot of the rural population, the vast majority of whom were Malay. It particularly concentrated on raising the output per family of peasant farmers, fishermen and foresters by providing more land, irrigation supplies, improved seed grain, and cooperative marketing and credit facilities. It was also committed to improving basic social services in the rural areas especially in health and education. However, its programs made slow progress partly through a lack of skilled managerial staff, and partly because of the relatively small scale on which it was carried out compared to the size of the need.

The result of these policies was that the dynamic modern sector grew at an even faster pace than before and the gap between it and the traditional sector grew ever wider. Regional disparities increased as did social disparities. The Chinese and, to a lesser extent the Indians, had the capital and business experience to invest in the growing economy and so they derived the greatest benefits.<sup>58</sup> European and American investment increased and so the position of foreign interests in the economy grew stronger. Since generally the Chinese and Indians had received a better education, and a far higher proportion of them had studied in English schools than Malays, they were brought in to European companies as managers. Malays did not have the capital, the experience, or the education to take advantage

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57 FMP. p. 9, para. 26.

58 "Independent Malaya actually opened up for them /the Chinese/ more and better avenues for the acquisition of wealth," stated Dr Mahathir, currently Deputy Prime Minister, in his polemic against Government policy written in 1970 just after the '69 riots. Mahathir bin Mohamad, op.cit., p. 42.

of the growth of the economy and thus racial inequalities grew ever larger.

As a result there was a complete reassessment of the Government's economic policies and a significant change in priorities and methods. These were articulated in the New Economic Policy (NEP) first put forward in the Second Malaysia Plan (SMP). The NEP shifted the main focus of Government policy from economic growth, to the attainment of its social objectives. Economic growth is still considered of vital importance but as a means to the attainment of the Government's social goals rather than as an end in itself. It is this major shift in official policy that forms the backdrop to the study and one of the most important factors influencing management development in Malaysia. The period of this study coincides with the SMP, 1971-1975. The situation studied in 1971 was both a product of the colonial and pre-1969 policies and strongly influenced by the changes in Government policy taking place at the time; by 1975, the full effects of the NEP were being felt.

The NEP has two main aims: (1) "to eradicate poverty among all Malaysians," and (2) "to restructure Malaysian society so that the identification of race with economic function and geographic location is reduced and eventually eliminated": both of these objectives to be realized "through the rapid expansion of the economy over time."<sup>59</sup> As part of the second objective, the Government is committed to "raise the share of the Malays and other indigenous people in the ownership of productive wealth including land, fixed assets and equity capital. The target is that by 1990, they will own at least 30% of equity capital with 40% being owned by other Malaysians,"<sup>60</sup> and 30 per cent by foreign investors. In 1970 in Peninsular Malaysia foreign ownership of share capital of limited companies was 63.3 per cent of the total, with other Malaysians holding 34.3 per cent, and Malays and Malay interests, 2.4 per cent; by 1975 the comparable figures were

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59 TMP. p. 7, para. 27.

60 ibid., p. 49, para. 183(5).

estimated to be 54.9 per cent, 37.3 per cent and 7.8 per cent.<sup>61</sup>

The restructuring target with regard to management is that Malays should form 30 per cent of the managerial staff at all levels and in all categories of staff.<sup>62</sup> Again attainment is to come through growth.<sup>63</sup> However, the historical imbalances in management are slow to overcome. For instance, in 1970 Malays were severely under-represented amongst administrative and managerial workers, and sales workers in the secondary sector, while Chinese were substantially over-represented in these fields,<sup>64</sup> in 1976, the Government reported "In Peninsular Malaysia the employment of Malays in the manufacturing sector increased significantly during the SMP period although the increase took place at the lower levels of the occupational hierarchy."<sup>65</sup>

Private industry tends to be naturally reluctant to relinquish control over its enterprises and the Government has developed a number of ways to encourage compliance. Foreign companies have needed to seek Government cooperation in order to obtain work permits for their expatriate staff, import licences for equipment and the like. There has therefore been a ready means of applying Government pressure on a limited but effective scale. Companies wishing to apply for the various tax concessions that went with pioneer status were required to conform to very specific Government conditions. They included a stipulation that Malaysians must have 51 per cent of equity holdings. They also include a

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61 TMP. p. 87, Table 4-17.

62 The TMP refers to the restructuring of employment patterns to reflect the racial composition of the country, which would suggest a higher target of around 50 per cent. Since there seems to have been no clear restatement of the target as 50 per cent it shall be assumed that the lower target is still operational.

63 TMP. p. 30, para. 107.

64 See ibid., pp. 82-83, Table 4-15.

65 ibid., p. 316, para. 1040.

personnel policy designed to foster the development of Malaysian management:

All approved projects are required to employ Malaysians at all levels. Foreign personnel are allowed entry for employment where there are no qualified Malaysians available to do the job. In such cases, the company has to formulate a proper training programme to train Malaysians within a reasonable period of time with the view to eventually replacing such foreign personnel. However, to enable foreign investors to look after their investment and interests, a certain number of key posts are allowed which can be permanently held by foreign personnel. This number depends on the size of the investment involved.<sup>66</sup>

The regulations sometimes also state that a specified per cent of the output must be exported, and that 50 per cent of the jobs at all grades must be reserved for Malays.<sup>67</sup>

All new manufacturing companies have been required to seek approval for their operations since 1 January 1972 and the Ministry of Trade and Industry has been empowered to impose equity conditions on them in line with the NEP objectives. In 1974 the Government introduced regulations to control takeovers and mergers of companies which would only be allowed if they led to a more balanced Malaysian ownership and control, greater economic benefits to Malaysians in terms of employment, growth, exports and training.<sup>68</sup> A Foreign Investment Committee was set up to implement the new regulations.

In 1975 the Government provided itself with a much more comprehensive form of control in the Industrial Coordination Act (ICA). This Act required the licensing of all manufacturing establishments for the purpose of ensuring the orderly development of manufacturing activities in Malaysia. It also provided

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66 Jamil Jan, "Malaysia's Experience with Multinational Corporations," Malaysia and the Multinational Corporations. S. Chee and S.M.Khoo, eds., p. 80.

67 loc.cit.

68 Wong Sulong, "Malaysia announces wide-ranging takeover controls," Financial Times, 21 February 1974.



that,

The Minister, in issuing a licence, may impose such conditions as he may think fit and such conditions may be varied either on the application<sup>69</sup> of the manufacturers or on the Minister's own motion.

At the time no mechanism was provided for appeal against the Minister's decision, an aspect of the Act that particularly aggrieved the business community. Elaborating on this in an address to an investment seminar in 1975, the Minister of Trade and Industry stated:

As the policy of Malaysian and Bumiputra participation is also relevant in the area of employment, training of workers, distribution of products and the utilisation of professional services, appropriate conditions<sup>70</sup> will be imposed relating to these factors.

This suggested that the Government could, and might insist on immediate compliance with racial balance targets in order for a firm to be granted a licence to operate. It also meant that companies' training activities could be examined. The ICA affected both the foreign business community, and the Chinese and Indian firms which until then had managed to operate without close Government scrutiny. It is thus a major tool whereby Government policy can be enforced.

A second important change in the exercise of Government control was the Petroleum Development Act (PDA) of 1974 and its Amendment (PDAA) of 1975. The most significant feature of this Act was its introduction of the concept of management shares. This was to be a special class of shares which would only be issued to the Government's petroleum corporation, Petronas. These would be sold to Petronas at the price of ordinary shares but would entitle the holder to five hundred votes for each management share on "any resolution

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69 Industrial Coordination Act. Section 4(4).

70 Address by the Minister of Trade and Industry entitled "Industrial Development Opportunities for Investment" at the Investment Seminar in Kuala Lumpur on 28 October, 1975.

relating to the appointment or dismissal of a director or any member of the staff of the relevant company."<sup>71</sup> For a very small investment the Government would acquire effective control of the petroleum companies which appeared to many companies to be akin to nationalization. The PDAA extended the authority of the Act to include the marketing and distribution of petroleum and its products, thus bringing the entire petro-chemical industry in Malaysia under its umbrella. Since then the concept of management shares has been withdrawn and the ICA has been amended to include an Advisory Council. However, at the time of the survey these were matters for considerable concern throughout the business community. Indeed, the ICA remains a very sore point particularly with the Chinese business community.

In order to achieve the targets it set for itself in the NEP the Government decided to break with previous policy and become directly involved in industry. For this purpose it set up a number of parastatal bodies, the principal one being PERNAS, the state trading corporation. Through the activities of PERNAS, and the other parastatal bodies, companies have been set up often as joint ventures, for the purpose of providing opportunities for Malays to enter business.<sup>72</sup> While this is a large and important area of management development it unfortunately lies outside the scope of this study.

Despite the sharp controls the Government has placed on the private sector it continues to rely heavily on foreign investment. The Third Malaysia Plan states:

The Government will continue to ensure that foreign investment is attracted into the country for the significant contributions it can make to income and employment creation. It seeks, in addition, the skills and technology which accompany foreign investment. This is an important adjunct to Malaysia's own efforts in the development and modernization of the economy. The widening access to international markets that foreign entrepreneurship provides for the country's exports goods is

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71 Petroleum Development (Amendment) Act, 1975, Section 3.

72 See p. 62.

another important<sup>73</sup> contribution that Malaysia will continue to value.

Under the TMP it is expected that the private sector will be the main source of gross capital formation, whereas under the SMP it was the Government that was the principal source. The investment target of the TMP is \$22.9 billion in real terms (1970 prices) and \$44.2 billion in current prices, which amounts to an increase of 49.3 per cent; of this 40.3 per cent or \$9.2 billion is expected to come from the public sector and the 59.7 per cent or \$13.7 billion from the private sector.

The apparent Government hostility to foreign investment which marked 1974-75,<sup>74</sup> and the sudden imposition of tight Government control over the private sector had a profoundly demoralizing effect, an effect that was particularly felt in 1975-76, in the aftermath of the ICA and PDA. One result was that real private investment declined by 25.0 per cent in 1975. In 1976 the official attitude became more conciliatory.

This trend has continued and has expressed itself in such concrete measures as the abandonment of the concept of management shares, the institution of an Advisory Council to oversee the working of the ICA, and the moderate approach taken in the implementation of the ICA.

This change in attitude is tacit recognition of the crucial role the private sector is expected to play in the achievement of the economic, and closely linked to that, the social targets of the TMP. The attainment of the rapid growth anticipated by the TMP presupposes

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73 TMP. p. 89, para. 264.

74 An example of this hostility is the statement made by an officer of the Penang Development Corporation: "We of Southeast Asia are familiar with the MNC of old - the East India Co., the Dutch Co., the merchant adventurers; and we are also aware of the times when activities of the MNC's included plundering, pirating, cheating, espionage - all of which were considered legitimate and fair game. The MNC's have nowadays merely taken on new and subtle forms." Anwar Fazal, in Malaysia and the Multinational Corporations. S. Chee and S.M. Khoo, eds., p. 101.

the existence of both internal and external factors conducive to it, neither of which appeared to exist in 1975, although since then both the internal investment climate and the conditions of world trade have improved. If the rate of growth even approximates to the targets it will involve the rapid expansion of the managerial cadre and an enormous effort to develop a managerial cadre to cope with the needs of the private sector.

The emphasis the Government has placed on racial balance in management has made compliance with these targets a matter of urgency. Yet educational standards have tended to decline and the rapid social changes taking place in the Malay community mean that many potential candidates may be the first generation to have left the traditional life of the village. This has implications for companies' recruitment and selection policies, as well as the training provided for new recruits. The pressure to correct racial balance at all levels of management has meant that many companies have felt obliged to implement a programme of accelerated promotion for Malays, which has in turn brought a host of problems related to the development of such managers and repercussions on the morale of existing staff.

The emphasis on manufacturing industry has created a new set of management requirements for technically and professionally trained staff - engineers, chemists, technicians, and the like. The Government looks to manufacturing industry, as a leading growth sector, to play a major role in correcting racial balance in management, yet it is in science and technology that there is a shortage of trained Malays.

One of the main problems of the Government's NEP is that it entails two conflicting objectives. On the one hand there is the Government's social objective to bring the Malays up to the educational, social and economic standard of other Malaysians and integrate them into the modern economy of the country in a very short space of time: on the other, there is the economic imperative of rapid economic growth out of which the social objective is to be achieved. However, pressure for the attainment of the former tends

to retard the latter, and vice versa. It is impossible completely to restructure the social and economic order of the country without disrupting and slowing down the rate of growth of the economy, but if the economy is given free reign and social factors are not paramount the fact that the modern sector is growing at a faster rate than the traditional will mean that the gap between the two will grow ever wider. Prior to 1969 it was the economic objective that was given precedence; since 1969 it has been the social objective. The Government has had to conduct a careful balancing act in order to achieve its objective while minimising the necessary dislocation of the economy.

#### BASIC DIMENSIONS OF THE ECONOMY

Malaysia is a relatively prosperous country. Income per capita rose by 40 per cent in the sixties,<sup>75</sup> by 1975 it had reached \$1304, and by 1978 \$1,644 (at 1970 prices).<sup>76</sup> The country is comparatively rich in resources - both physical and manpower - and this has enabled it to achieve a growth rate in GDP in real terms of 7.4 per cent per annum between 1971-75, the period of this study,<sup>77</sup> rising to 8.7 per cent per annum in 1976-78.<sup>78</sup>

Malaysia's balance of payments is regularly in surplus, (See Table 5.1) and the Malaysian currency has remained remarkably stable. The country accumulated \$1.9 billion in external reserves over 1971-75, giving the dollar 164.9 per cent backing in 1975, and providing reserves to sustain six months of retained imports.<sup>79</sup> Nor

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75 TMP. p. 3, para. 11.

76 Mid-Term Review of the Third Malaysia Plan 1976-1980. p.1, para. 2.

77 TMP. p. 53, para. 195.

78 Mid-Term Review of the Third Malaysia Plan 1976-1980. p.1 para 1.

79 TMP. p. 23. para. 77.

TABLE 5.1

MALAYSIA: BALANCE OF PAYMENTS, 1970 - 78  
(\$ million)

TMP Figures	Mid-term Review of TMP Figures						Cumulative Total 1975-78
	1970	1971	1972	1973	1974	1975	
							Cumulative Total 1970-75
Goods & Services							
Receipts	5,602	5,473	5,291	7,994	11,051	10,165	39,974
Payments	5,397	5,665	5,832	7,597	11,702	10,386	41,182
Net position	+205	-192	-541	+397	-651	-221	-1,208
Transfers (net)							
Private	-199	-188	-176	-185	-175	-160	-884
Government	+19	+51	+19	+34	+35	+35	+174
Balance on Current Account	+25	-329	-698	+246	-791	-346	-1,918
Long-term Capital (net)							
Public	+21	+398	+692	+120	+276	+827	+2,313
Private	+292	+291	+493	+480	+834	+525	+2,623
Basic Balance	+338	+360	+487	+846	+319	+1,006	+3,018
Errors & Omissions including short-term capital	-270	-157	-98	-270	+133	-835	-1,227
Overall Surplus (+) or Deficit (-)	+68	+203	+389	+576	+452	+171	+1,791

Sources: Third Malaysia Plan 1976-1980. p. 23, Table 2-5

Mid-Term Review of the Third Malaysia Plan 1976-1980. p. 11, Table 1-5.



is the economy unduly burdened by external public debt, which represented 11 per cent of GNP in 1975,<sup>80</sup> with debt servicing taking up only 3.4 per cent of external earnings.<sup>81</sup>

Malaysia has suffered far less from inflation than some developed countries. Between 1963-70 consumer prices in the OECD countries rose by roughly 30 per cent, in the USA by 25 per cent, in the UK by 35 per cent, and in Peninsular Malaysia by 6 per cent.<sup>82</sup> However, in the seventies the effect of inflation in the developed countries began to be felt in Malaysia and as a result, from the second half of 1972 domestic prices began to rise sharply and this trend accelerated in 1973.<sup>83</sup> By 1975 the rate of inflation had been brought under control and the consumer price index was up by only 4.5 per cent;<sup>84</sup> in 1976-78 it was lower still at 4.1 per cent per annum.<sup>85</sup>

Despite the overall rate of growth of the economy during 1971-75, there were considerable fluctuations. 1971 was a year of mild recession which was followed in 1973, by a boom year with commodity prices rising sharply. By the end of 1973 the tide began

80 ibid., p. 24, para. 81

81 ibid., p. 25, para. 82

82 R Chander, "Price Stability and Inflation in Malaysia," Malaysian Economic Development and Policies. S.Chee and S.M. Khoo, eds. p. 112.

83 The consumer price index for Peninsular Malaysia, based on 1967 = 100, rose on average 1.6 per cent in 1971, 3.2 per cent in 1972, 10.5 per cent in 1973 and 17.4 per cent in 1974. Yet this still compare very favourably with the rate of inflation in 1973 in other countries in the region with Indonesia experiencing a rise of 27 per cent, the Philippines 12 per cent, Singapore 25 per cent and Thailand 15-16 per cent. TMP. p. 129, Table 7-3. S.Y. Lin, "The Inflation Syndrome and Its Implications for Policy," Malaysian Economic Development and Policies. S.Chee and S.M. Khoo, eds., p. 92.

84 TMP. p. 129, Table 7-3.

85 Mid-Term Review of the Third Malaysia Plan 1976-1980. p. 21, para. 58.

to turn in the developed economies, particularly in the aftermath of the oil crisis, and commodity prices were beginning to fall. In Malaysia, the first half of 1974 saw a surge of investment<sup>86</sup> but by the end of the year production and sales were down and by 1975 the full impact of the world recession was being felt. This pattern needs to be borne in mind in assessing the data on management development in the following chapters since it applies to the two years 1971 and 1975 when companies were affected by recession and is, therefore, likely to understate the picture.

Turning now to the composition of the economy, Table 5.2, presents a breakdown of GDP in Malaysia as a whole by sector of origin. Agriculture is clearly the dominant sector although its relatively low growth rate means that it is slowly being superseded by the more dynamic manufacturing sector. Mining which was once the largest revenue earner in the economy has been declining as tin is exhausted, but, petroleum has now taken over as the main source of growth in the industry and accounts for the 11 per cent growth rate in 1976-78. Manufacturing is a sector of increasing importance expanding at a rate well above that of overall GDP. The large service sector increased from 43.7 per cent of GDP in 1971 to 46.6 per cent in 1975.

One of the chief characteristics of the Malaysian economy is its openness.<sup>87</sup> It is an economy based on the export of primary commodities, reinforced by policies that have encouraged active foreign participation with few controls on foreign exchange.<sup>88</sup> Exports continue to provide the impetus for growth, accounting for 41 per cent of GDP at market prices between 1970-75.<sup>89</sup> Although manufactured goods have been claiming an ever larger share of export

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86 Private investment increased by 22.3 per cent between 1973-74. TMP. p. 15, para. 58.

87 See W. Kasper, Malaysia, A Study in Successful Economic Development. p. 63.

88 ibid., p. 51.

89 TMP. p. 19, para. 68.

Table 5.2

## Gross Domestic Product by Sector of Origin, Malaysia, 1970-75

	1970	1971	1972	1973	1974	1975	% composition 1971	1975	Average annual growth rate (%) 1971-75
	\$ million in 1970 prices								
Agriculture	3,432	3,612	3,720	4,241	4,518	4,563	31.2	29.8	5.9
Mining & Quarrying	613	663	701	666	619	612	5.7	4.0	0
Manufacturing	1,307	1,436	1,610	1,904	2,175	2,197	12.4	14.3	10.9
Construction	481	544	569	631	677	711	4.7	4.6	8.1
Electricity, Water & Sanitary Services	245	260	301	339	372	401	2.2	2.6	10.4
Transport, Storage & Communications	606	637	764	901	1,036	1,098	5.5	7.2	12.6
Wholesale & Retail Trade	1,423	1,496	1,586	1,824	2,006	2,086	12.9	13.6	7.9
Ownership of Dwellings, Banking, Insurance & Real Estate	836	890	928	1,008	1,063	1,109	7.7	7.2	5.8
Public Administration & Defence	794	866	979	1,018	1,090	1,199	7.5	7.8	8.6
Other Services	874	918	1,001	1,081	1,189	1,237	7.9	8.1	7.2
Statistical Discrepancy	+97	+267	+190	+254	+52	+102	2.3	.7	-
Gross Domestic Product at Factor Cost	10,708	11,589	12,349	13,867	14,797	15,315	100.0	100.0	7.4

Source: Third Malaysia Plan p.12, Table 2-1.

earnings, primary commodities continue to be the mainstay of the economy. Table 5.3 illustrates the main problem of such dominance: wild fluctuations in commodity prices, and consequently export income.

In employment terms agriculture is the dominant sector absorbing just under half of the employed labour force in 1975, declining slightly in 1978. (See Table 5.4) Although the absolute number of people employed in agriculture has increased, proportionately there has been a decrease from 50.3 per cent of the employed labour force in 1970 to 46.2 per cent in 1975, to 43.9 per cent for Malaysia as a whole in 1978. Manufacturing employs over 10 per cent of the labour force and its share is growing rapidly, and the tertiary sector - utilities, transport, commerce and services - employ more than one third.<sup>91</sup>

In the future it is predicted that the economy will grow at the high level of 8.1 per cent of GDP per annum (at factor cost in 1970 prices), during 1979-90<sup>90</sup> with the fastest growing sector being manufacturing which is expected to continue growing at over 12 per cent per annum<sup>92</sup> and private investment by 10 per cent per annum.<sup>93</sup>

### Agriculture

Agriculture, including forestry and fisheries, is the most important sector of the Malaysian economy accounting for 29.8 per cent of GDP in 1975, contributing 45.5 per cent of foreign exchange earnings, and employing 43.9 per cent of the total work force.<sup>94</sup> However, it is growing more slowly than any other sector and by

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90 Mid-Term Review of the Third Malaysia Plan 1976-1980. p. 22, para. 61.

91 loc.cit.

92 TMP. p. 54, para. 196.

93 ibid., p. 40, para. 146.

94 ibid., p. 285, para. 886.

Table 5.3

Malaysia's Export Performance, 1970-75

	Value in \$ million					% Composition		Average Annual Growth Rate (%) 1971-75	
	1970	1971	1972	1973	1974	1975	1971		1975
Rubber	1,734	1,460	1,298	2,507	2,887	2,016	29.1	22.2	3.2
Tin	1,013	906	924	897	1,515	1,217	18.1	13.4	3.7
Sawlogs	643	641	590	987	1,032	632	12.8	7.0	-0.3
Sawn Timber	201	192	275	561	437	363	3.8	4.0	12.6
Palm Oil	263	380	363	467	1,086	1,268	7.6	14.0	37.0
Palm Kernel Oil	-	4	30	56	165	107	0.1	1.2	127.4
Crude & Partly Refined Petroleum	203	390	223	270	674	853	7.8	9.4	33.3
Petroleum Products	156	106	95	101	149	123	2.1	1.4	-4.6
Copper	-	-	-	-	-	18	-	0.2	-
Pepper	59	66	61	69	106	109	1.3	1.2	13.1
Canned Pineapple	43	41	41	39	51	52	0.8	0.6	3.9
Manufactures	392	425	594	968	1,431	1,912	8.5	21.0	37.3
Other	466	406	360	450	656	419	8.1	4.6	-2.1
TOTAL GROSS EXPORTS	5,163	5,017	4,854	7,372	10,189	9,089	100.0	100.0	12.0

Source: Third Malaysia Plan, p.20-21, Table 2-4.

Table 5.4

Employment by Sector, Peninsular Malaysia, 1970 - 1978

Sector	1970		1975		1978 (i)	
	No. '000	%	No. '000	%	No. '000	%
Agriculture Forestry & Fishing	1,406.0	50.3	1,534.3	46.2	1,972.5	43.9
Mining and Quarrying	85.3	3.0	83.7	2.5	90.2	2.0
Manufacturing	263.9	9.4	362.8	10.9	587.3	13.1
Construction	77.6	2.8	97.4	2.9	196.5	4.4
Utilities	16.6	0.6	21.4	0.7	27.7	0.6
Transport Storage & Communications	119.4	4.3	161.0	4.9	207.9	4.6
Commerce	350.9	12.6	459.8	13.9	602.6	13.4
Services	474.0	17.0	596.8	18.0	808.9	18.0
Total	2,793.7	100.0	3,317.2	100.0	4,493.6	100.0

(i) Figures apply to Malaysia as a whole, not just Peninsular Malaysia.

Sources: Third Malaysia Plan, p.142 Table 8-2.

Mid Term Review of Third Malaysia Plan, p.64, Table 4-5.



1978 its share had declined slightly to 25.0 per cent of GDP and 44.0 per cent of employment.<sup>95</sup> Despite this it is expected that by 1990 it will still be the second largest sector in terms of contribution to GDP<sup>96</sup> and the largest in terms of employment.<sup>97</sup>

Table 5.5 gives a breakdown of agriculture in terms of land use. Rubber is the dominant crop, followed by oil palm and padi. The sector comprises a large number of peasant cultivators who grow padi and some who also grow cash crops such as rubber, estates specialising in cash crops largely for export, and more recently, large Government land development schemes often run on a cooperative basis.<sup>98</sup> It is the estate sector that is the concern of this study and upon which this description will concentrate. This sector is dominated by two perennial crops - rubber and oil palm, although other crops such as coconuts, and more recently, cocoa are also found. Being perennial, rubber and oil palm involve long term investment, and are relatively inflexible in responding to changes in supply and demand. Both crops are highly labour intensive.

Table 5.5

Agricultural Land Use, Peninsular Malaysia, 1975

Crop	Estimated Area under Crop	
	Acres	%
Rubber	4,188	51.1
Oil Palm	1,496	18.3
Coconut	576	7.0
Padi	1,471	18.0
Other Crops	459	5.6
Total	8,190	100.0

Source: Malaysia, Annual Bulletin of Statistics, 1976.  
p.5

95 Mid-Term Review of Third Malaysia Plan. p. 125, para. 299.

96 TMP. p. 58, Table 4-4.

97 ibid., p. 68, Table 4-10.

98 Over one million acres of land were opened up by the Government during 1971-1975 and a further 647,000 acres during 1976-78. TMP. p. 288, para. 900; Mid-Term Review of Third Malaysia Plan. p. 131, para. 327.

## Rubber

Malaysia is the world's largest producer of natural rubber, Peninsular Malaysia accounting for over 40 per cent of world production. Rubber is the single most important crop in Malaysia responsible for 30 per cent of all value-added in the agricultural sector in 1970-75<sup>99</sup> and 51 per cent of major agricultural land in the peninsula.

The two principal problems facing the industry are the competition of synthetics and fluctuations in the world rubber price. Synthetic rubber became a serious threat to natural rubber when in the 1960's stereo-regular rubbers were developed that were virtually a perfect substitute for natural rubber, and for specialised uses, superior to rubber. It was feared that synthetics would force the world rubber price down to a point below which it would be uneconomic to produce natural rubber. However stereo-regular rubbers are a by-product of petroleum and the oil crisis of 1973 radically changed the situation by boosting the base price of synthetics and giving natural rubber a competitive edge. This means that while stereo-regular rubbers are still a serious source of competition they no longer present a mortal threat to the industry.

The effect of the competition of synthetics has been a marked improvement in the efficiency and productivity of rubber estates. This has focussed on four main areas: research into the development of improved plant material; the reduction of labour costs by experimenting with longer cuts, less frequent tapping and the use of yield stimulants that considerably prolong the flow of latex; the improvement and standardization of the quality of the end product with the introduction of standard Malaysian Rubber (SMR); and finally management efficiency of estates has been improved as estate management has become increasingly professional and the area under one manager progressively increased. The result has been that

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99 TMP. p. 113, para. 344.

productivity has increased from 500 pounds per acre in 1956<sup>100</sup> to 1,136 pounds per acre in 1975<sup>101</sup> and over 1,500 pounds per acre on estates with high yielding plant material.

### Oil Palm

Oil palm has experienced dramatic growth since the Second World War. By 1966 Peninsular Malaysia had become the world's leading producer of palm oil, a position that she has continued to maintain. The decline in rubber prices in the 1960's made oil palm more attractive: in 1962 the big plantation companies began to switch over and the Government began planting it on its land development projects. Between 1970-75 the area planted with oil palm increased from 667,000 acres to 1,496,000 acres<sup>102</sup> and production rose almost three-fold from 395,952 tons to 1,118,839 tons.<sup>103</sup> This trend has continued with acreage rising to 1.7 million acres in 1978.<sup>104</sup>

Oil palm is more than twice as profitable as rubber or coconut and starts to bear fruit in three years compared to the minimum of five years for rubber. It then yields continuously until the height of the palm makes harvesting uneconomic. However, it cannot suffer neglect: oil palm fruit must be harvested; its mineral requirements are more substantial than rubber, indeed fertilizer is the single largest cost on an oil palm estate; and most important, the fruit must be processed within twenty-four hours and a processing factory requires very large capital investment. As a result oil palm is ideally grown on an estate, or a well-organised co-operative with at least 2000 acres, and optimally 5000 acres, to support a factory.

Oil palm is an industry that demands efficiency, first because of the capital cost and technology involved in its processing, and the necessity of getting the fruit to the factory

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100 Rubber Statistics Handbook, 1969. p. 170.

101 Malaysia, Annual Bulletin of Statistics, 1976. p. 8.

102 ibid., p. 5.

103 ibid., p. 6.

104 Mid-Term Review of Third Malaysia Plan. p. 128, para. 306.

as quickly as possible, and second because it is in competition with many other edible oils and fats, which are virtually interchangeable, in particular soya bean oil. With the growth in the use of edible oil, the price of palm oil is likely to come down in future and therefore increasingly high levels of efficiency will be required of the oil palm industry.

### Mining

#### Tin

Tin was the most important mineral in terms of export value and employment in 1975: the value of tin exports was \$1,217 million, or 58 per cent of mineral exports, compared to \$853 million or 41 per cent for crude and partly refined petroleum, and \$18 million or 1 per cent for copper (See Table 5.3) and tin employed 98 per cent of the mining industry's labour force in Peninsular Malaysia.<sup>105</sup> However, tin has gradually declined from its earlier position of pre-eminence as known deposits have been worked out. In 1971, the value of tin exports amounted to 18 per cent of total gross exports, but this had fallen to 13 per cent by 1975, and 12 per cent by 1978. Nonetheless, Malaysia produced 33 per cent of world tin exports in 1976.<sup>106</sup>

The two main methods of tin extraction are still dredging and gravel pump mining which together account for more than 80 per cent of production. In contrast to the period immediately before and after the Second World War, gravel pump mining is now the largest producer accounting for more than 53 per cent of total production in 1975.<sup>107</sup> The gravel pump mines tend to be small and very numerous compared to the larger more capital intensive dredge mines: in 1976, there were 51 dredges in operation compared to 724 gravel pump mines.<sup>108</sup>

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105 Department of Statistics, Annual Bulletin of Statistics, 1976. p. 80, Table 10.5.

106 Far Eastern Economic Review, September 10 1976.

107 TMP. p. 324, para. 1077.

108 Department of Statistics, Annual Bulletin of Statistics, 1976. p.20.

The main problems of the industry are the exhaustion of known tin deposits, the competition of substitutes such as aluminium, and the instability of world prices. The exhaustion of tin reserves is such that despite record prices in 1977-78 tin production declined substantially from 1975-76.<sup>109</sup> Prospecting is taking place for new tin deposits and it appears likely that alluvial tin may be found in Perak and Selangor, off-shore in the Straits of Malacca, and primary sources of tin may be discovered in the Main range of mountains.

The demand for tin is threatened by the development of canning methods that reduce or even eliminate the need for tin, and by research into tin-free steel. The price of tin is highly variable ranging, for instance, from \$10,576 per ton in 1971, \$15,975 in 1975, to \$27,826 in 1978.<sup>110</sup> To try and stabilise prices export controls have been brought into force, but, the combination of controls and the fluctuations in price make it extremely difficult for the marginal mines to survive and the Government was forced to introduce a "hardship quota pool" in 1975 so that miners with too restricted a quota to operate economically could apply to the pool for an additional allocation.

The working out of tin deposits has had an important effect on the management needs of the industry for as the large deposits have been exhausted it has become increasingly uneconomic to use dredges and the low cost gravel-pump methods have become suitable and have regained their prominence. This has meant a shift from high technology European controlled operations to low technology Chinese ones and consequently a different type and level of management expertise. Dredges do still extract a significant proportion of the country's tin and they require skilled mining engineers, but, dredging companies are shrinking in size and are likely to be reluctant to invest in management development, indeed in present circumstances it may be an unnecessary and unwise investment.

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109 Mid-Term Review of Third Malaysia Plan. p. 9, Table 1-4.

110 TMP. p. 20, Table 2-4. Mid-Term Review of Third Malaysia Plan. p. 9, Table 1-4 (Mid-Term Review figures used for 1975).

## Petroleum

Petroleum is the basis of a new and rapidly growing industry. In 1971 crude and partly refined petroleum made up 8 per cent of the value of exports, in 1975 9 per cent despite a sharp drop in volume of exports, and in 1978 crude petroleum alone made up 14 per cent of exports.<sup>111</sup> However, it is only the downstream refining and marketing operations that take place in Peninsular Malaysia; in 1971-75 production was confined to Sabah and Sarawak which are outside the scope of this study, although since then wells off the east coast of Peninsular Malaysia have come on stream.

## Iron, Bauxite and Copper

Iron ore, which in 1960 accounted for almost 29 per cent of the total value of mineral production and employed 18 per cent of the labour force in the mining industry,<sup>112</sup> has since then declined fairly steadily in importance. Two of the largest iron mines were closed down in 1970 and production has fallen from its peak of 7.2 million tons in 1963, to 4.4 million tons in 1970, and 348,000 tons in 1975.<sup>113</sup>

Bauxite production which had grown from 451,958 tons in 1960 to a peak of 1,121,318 tons in 1970, fell to 703,600 tons in 1975 and 625,000 tons in 1978.<sup>114</sup>

Copper mining began in Sabah in 1975 and is therefore still in its infancy. Although there is prospecting in Peninsular Malaysia, in 1975 copper mining was carried out only in East Malaysia and so is outside the scope of this study.

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111 TMP. pp. 20-21, Table 2-4; Mid-Term Review of Third Malaysia Plan. p. 9, Table 14.

112 Yip Yat Hoong, "The Mining Industry", Malaysia, A Survey. Wang Gungwu, ed., p. 305.

113 SMP. p. 170, para. 538; TMP p. 324, para. 1077.

114 SMP. p. 171, para. 539; Mid-Term Review of Third Malaysia Plan. p. 159, para. 427.



## Manufacturing

The development of manufacturing industry in Malaysia can be roughly divided into three stages: first, in the 1950's manufacturing geared to the processing of the country's main export commodities - tin and rubber, and the light engineering stimulated by this; then in the sixties, industry aimed at import substitution; and third, in the seventies, the development of manufacturing for export. It was in the sixties that large scale industry began to grow rapidly with the encouragement of Government incentives and tariff protection. Between 1965-70 the contribution of the manufacturing sector to GDP grew at an average annual rate of growth of 10 per cent.<sup>115</sup> Manufacturing based on import substitution continued into the period of the SMP accounting for about 30 per cent in the growth of value added during 1971-75, but is expected to decline to about 12 per cent during the TMP.<sup>116</sup> However, the main impetus for growth in the manufacturing sector during 1971-75 came from the expansion of export-oriented manufacturing which grew from \$591 million in 1970 to \$2.1 billion in 1975, accounting for 61.2 per cent of the growth of value added in the manufacturing sector.<sup>117</sup>

Under the TMP it is expected that export-oriented manufacturing will be the main source of growth accounting for about one-half of the growth in value added during 1976-1980. At the same time the domestic market is expanding as private disposable income grows. By 1990 the manufacturing sector is expected to become the largest sector in the economy, growing from 12.2 per cent of GDP in 1970 to a target of 26.2 per cent in 1990,<sup>118</sup> and contributing about 26 per cent of total new employment or 776,000 jobs over 1970-90.<sup>119</sup>

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115 SMP. p. 31, Table 2-5.

116 TMP. p. 119, para. 361.

117 ibid., p. 14, para. 52.

118 ibid., p. 58, Table 4-4.

119 ibid., p. 67, para. 223.

The overall composition of manufacturing industry is presented in Table 5.6. It can be seen that in spite of the growth of new industry in recent years, the older industries - food products, beverages, tobacco, rubber processing and wood products - still made up 57 per cent of the gross value of output in the manufacturing industry in 1973, and they also accounted for 44 per cent of all establishments, 47 per cent of value added and 41 per cent of employment. However, the development of the electrical industry has added an important new source of employment. For the most part, the long-established industries are labour intensive and are often small cottage industries. The newer areas of manufacturing - chemicals and chemical products, petroleum and petroleum products, non-metallic mineral products, iron and steel, non-ferrous metals, electrical machinery and transport equipment - are usually capital intensive.

The development of manufacturing has tended to follow the lines of existing industry because the manpower and physical infrastructure are concentrated there. Peninsular Malaysia accounts for 95.0 per cent of manufacturing output in Malaysia.<sup>120</sup>

In Peninsular Malaysia in 1970, 57 per cent of manufacturing output, other than in primary processing, originated from Selangor, mainly in the urbanized Klang Valley. A further 37% originated from the more developed States on the West Coast - Penang, Perak, Negri Sembilan and Johor - with the remaining States producing only 5 per cent of manufacturing output.<sup>121</sup>

This high degree of concentration the Government is trying to overcome with its Locational Incentive Schemes.

The basic pattern of a small number of large companies and a large number of very small establishments remains. The Financial Survey of Companies, which provided the sampling frame for this study, found in 1968 that 78.2 per cent of the companies covered had

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120 Mid-Term Review of Third Malaysia Plan. p. 146, para. 371.

121 TMP. p. 205, para. 627.

Table 5.6  
Manufacturing Industries, Peninsular Malaysia, 1973

Industry	No. of Establish-ments	Gross Value of Output \$'000	Value Added \$'000	No. of (i) Employees	Value Added per Employee \$'000
Food	3,053	1,902,518	365,003	43,475	8.4
Beverages	73	121,631	61,206	3,170	19.3
Tobacco	168	343,602	130,418	9,058	14.4
Textiles	240	291,876	104,222	22,742	4.6
Clothing	216	104,935	29,684	10,810	2.7
Leather	222	30,210	8,864	2,848	3.1
Wood, Wood & Cork Products (except furniture)	1,044	824,858	304,241	41,819	7.3
Furniture	863	67,933	19,282	6,586	2.9
Paper, Paper Products	152	62,794	17,971	4,007	4.5
Printing	475	237,964	114,551	14,782	7.7
Industrial Chemicals	54	183,793	61,304	2,881	21.3
Other Chemical Products	283	218,955	98,382	7,328	13.4
Petroleum Refining	4	232,566	49,628	492	100.9
Misc Petroleum & Coal Products	6	4,630	2,248	118	19.1
Rubber Products	561	1,149,376	222,451	25,076	8.9
Plastic Products	299	132,713	44,488	9,245	4.8
Pottery, China & Earthenware	49	10,963	4,669	1,141	4.1
Glass & Glass Products	34	26,593	11,786	1,538	7.7
Non-Metallic Mineral Products	332	207,022	104,192	11,180	9.3
Iron & Steel Basic Industries	189	225,868	76,149	6,463	11.8
Non-Ferrous Metal Basic Industries	9	21,166	9,742	701	13.9
Metal Products (except machinery)	734	196,927	84,183	13,821	6.1
Electrical Machinery & Apparatus	1,574	731,041	285,097	24,524	11.6
Machines (except electrical)	147	54,091	20,908	2,721	7.7
Transport Equipment	173	234,004	62,201	8,807	7.1
Professional, Scientific Optical & Photographic Equipment	26	23,102	9,924	1,714	5.8
Other Manufacturing Industries	121	24,048	7,691	1,914	4.0
<b>TOTAL</b>	<b>11,101</b>	<b>7,665,174</b>	<b>2,312,109</b>	<b>297,961</b>	<b>7.8</b>

(i) Industries full-time and part-time employees as well as unpaid workers.

Source: Malaysia, Annual Bulletin of Statistics, 1976. Table 4.2.

less than \$1 million annual turnover, but that they accounted for only 10 per cent of the value of sales and other revenue.<sup>122</sup> Because they were so small these companies were eliminated from the study, indeed the Department of Statistics itself no longer includes them in the Financial Survey. Of the companies covered, 77.9 per cent were in the smallest size group with \$1-5 million annual turnover in 1969; by 1974 this proportion had fallen slightly to 69.3 per cent.<sup>123</sup>

There has been a tendency for new manufacturing activities to be capital intensive. The pattern of Government incentives encouraged this by giving tax exemption on the basis of capital expenditure, as has the availability of low interest capital and the shortage of managers with the consequent desire to make the best use of the limited number available and maximise their effectiveness.

The expansion of manufacturing took place without coordination or supervision and as a result there had been a proliferation of enterprises in certain industries.<sup>124</sup> (The stated purpose of the ICA was to overcome these very difficulties.) The result has been that some plants are running under capacity and competition is very fierce. David Lim found underutilization of capital in a wide range of industries.<sup>125</sup> Indeed 61 per cent of the companies, in his survey reported that their utilisation of capital was lower than desired.<sup>126</sup> The main cause of this they attributed to lack of demand owing to foreign competition and/or a surfeit of

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122 Department of Statistics, Report of the Financial Survey of Limited Companies, Malaysia 1968. p. 1.

123 Department of Statistics, Report of the Financial Survey of Limited Companies, Malaysia 1974. p. 1., Table A

124 V. Kanapathy cites the example of the car assembly industry which in 1970 had six assembly plants, producing twenty one brands of cards, and eighty models, for an annual market of around eighteen thousand cars. "Foreign Investment in Malaysia: Experience and Prospects," UMBC Economic Review, VI, 2 (1970).

125 D. Lim, Capital Utilization in West Malaysian Manufacturing. p. 17d.

126 ibid., p. 49.

local producers.<sup>127</sup> Under-utilisation of capital was more severe amongst Malaysian-owned establishments than foreign-owned or controlled establishments, and more severe amongst unincorporated than incorporated establishments.<sup>128</sup> This suggests that the experienced professional managers in foreign, incorporated firms achieved a higher level of efficiency than the patrimonial form of management that characterizes unincorporated local companies.

Despite the overall progress made during 1971-75, 1975 itself was a particularly difficult year. Manufacturing output stagnated, indeed in the first half of 1975 manufacturing output actually declined by 4.3 per cent measured on an annual basis.<sup>129</sup> Many industries were barely able to maintain 1974 sales levels, while for others sales turnover actually declined by between 10-30 per cent.<sup>130</sup> Over half of the firms in the sector were reported to be operating at capacities 20-40 per cent below maximum, and some at or even below break even level.<sup>131</sup> Not only did manufacturing lose its position as the leading growth area in 1975 but employment growth in the sector stagnated.<sup>132</sup> However, in 1976 manufacturing recovered and in 1976-78 was once again the fastest growing sector of the economy contributing 19 per cent to GDP in 1978.<sup>133</sup> The difficulties experienced in 1975 will obviously effect the attitude of manufacturing companies to management development in that year, the second year of the study.

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127 *ibid.*, pp. 50-51.

128 *ibid.*, pp. 19-20.

129 MIDF, 16th Annual Report and Accounts for Year Ended 31 March 1976. p. 40.

130 *ibid.*, p. 43.

131 *loc.cit.*

132 *ibid.*, p. 44.

133 Mid-Term Review of Third Malaysia Plan. p. 3, Table 1.1.

## Trade and Commerce

### Exports

The economy of Malaysia was built historically on exports and it continues to be largely an export-oriented economy. Those commodities in which the country has an advantage - such as rubber, tin, timber, palm oil and more recently low sulphur petroleum are exported; and food, manufactured goods, and capital goods, imported. The size of the export trade is considerable: Malaysia is responsible for 46 per cent of world exports of natural rubber and has been described as "the most important international rubber market in the world";<sup>134</sup> she is responsible for 65 per cent of world exports in palm oil and 33 per cent of tin exports.<sup>135</sup> Malaysia's main trading partners lie in the Asian and Pacific region, which accounted for 56 per cent of her imports and 48 per cent of exports in 1972,<sup>136</sup> and it is here that her natural advantage lies.

### Internal Trade

The internal trade of Peninsular Malaysia is made up of a great number of small units and a very few large general wholesalers. Tables 5.7 and 5.8 provide the basic dimensions of the retail and wholesale trade as it existed in 1968. In the retail trade, although there were nearly 60,000 establishments, the average size was very small indeed with only 0.7 per cent having more than \$500,000 annual turnover in 1968 and employment averaging out at 2.3 employees per establishment. Just under half of employment was made up of owners, with family helpers the main additional source of labour. Over 90 per cent of establishments were owned by individual proprietors while private limited companies formed fewer than 1 per cent. The great

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134 A. Davenport, "Modernising Malaysia's Market," Far Eastern Economic Review, 10 September 1976, p. 46.

135 loc.cit.

136 United Nations, Statistical Yearbook for Asia and the Pacific, 1974. p. 272, Table 80.



Table 5.7

Retail Establishments<sup>(i)</sup> Peninsular Malaysia, 1968

<u>Size of Turnover</u>	<u>No of Establishments</u>	<u>%</u>
Less than \$100,000	55,346	92.6
\$100,000 - \$250,000	3,044	5.1
\$250,000 - \$500,000	910	1.5
Over \$500,00	437	0.7
Total	59,737	100.0

<u>Employment<sup>(ii)</sup></u>	<u>No of Employees</u>	<u>%</u>
Paid Employees	28,461	20.6
Owners	61,321	44.3
Family Helpers	48,659	35.1
Total	138,441	100.0

<u>Ownership</u>	<u>No of Establishments</u>	<u>%</u>
Individual Proprietor	55,476	92.9
Partnership	3,640	6.1
Other (principally private limited companies)	621	1.0
Total	59,737	100.0

(i) The United Nations definition of 'establishment' is used: "ideally, an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location."

(ii) Includes both part-time and full-time employees.

Source: Malaysia, Department of Statistics, Survey of Distributive Trades West Malaysia, 1968. Tables 9, 14, 18.

Table 5.8

Wholesale Establishments, Peninsular Malaysia, 1968

<u>Size of Turnover</u>	<u>No. of Establishments</u> (i)	<u>%</u>
Less than \$1 million	8,153	87.3
\$1 million - \$5 million	1,046	11.2
Over \$5 million	144	1.5
Total	9,342	100.0
<u>Employment</u> (ii)	<u>No. of Employees</u>	<u>%</u>
Paid Employees	39,904	70.6
Owners	11,467	20.3
Family Helpers	5,158	9.1
Total	56,528	100.0
<u>Ownership</u>	<u>No. of Establishments</u>	<u>%</u>
Individual Proprietor	5,622	60.2
Partnership	2,761	29.6
Other (principally private limited companies)	959	10.3
Total	9,342	100.0

(i) The United Nations definition of 'establishment' is used: "ideally, an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location".

(ii) Includes both part-time and full-time employees.

Source: Malaysia, Department of Statistics, Survey of Distributive Trades, West Malaysia 1968. Tables 20, 25, 29.

bulk of the retail trade thus lies outside the scope of this study.

The very small proportion of the retail trade that falls within the study is still quite sizeable. Table 5.9 presents data for the companies with more than \$1 million annual turnover. The retail trade is largely in the hands of Malaysian owned firms - 87 per cent of companies being Malaysian and only 13 per cent foreign controlled or foreign branches, however that 13 per cent were responsible for 24 per cent of annual turnover. In sharp contrast to the small companies these firms have on average 43 employees, but again the foreign controlled firms and foreign branches tend to be larger, averaging 70 employees to the local companies 39.

The wholesale trade also consisted predominantly of small individual proprietorships and partnerships, although there was a number of slightly larger concerns - in 1968 12.7 per cent of the total had over \$1 million annual turnover. Roughly 10 per cent of establishments were limited companies but this small proportion was responsible for 44 per cent of turnover in the wholesale trade.

The Financial Survey provides a basic outline of the section of the wholesale trade that lies within the study. This is presented in Table 5.9, although it should be noted that this table refers to Malaysia as a whole not just Peninsular Malaysia. While almost three quarters of the companies are locally owned, there are 196 foreign controlled firms or branches of foreign firms in the wholesale trade and these companies are responsible for almost half the total annual revenue in the wholesale trade. They are also, on average, larger than their locally owned counterparts averaging 77 to their 42 employees, and they generate more revenue per employee than the locally controlled companies - \$275,835 compared to \$200,087.

Table 5.10 gives more detail about the main sections of the wholesale industry and data are presented for those establishments with more than \$1 million turnover. The principal category consists of large general wholesalers with a total annual turnover in 1968 of over \$1 billion. Over half of these fall into the 'other' ownership category - that is they are public or private limited companies - and these accounted for 76.8 per cent of the turnover in the category,

Table 5.9

Wholesale and Retail Companies, Malaysia, 1974

	<u>Wholesale</u>		<u>Retail</u>	
	No. of Companies	%	No. of Companies	%
<u>Ownership</u>				
Locally Controlled	538	73.3	426	86.9
Foreign Controlled	127	17.3	51	10.4
Malaysian Branches of Companies Incorporated Abroad	69	9.4	13	2.7
Total	734	100	490	100
<u>Revenue</u>	\$'000	%	\$'000	%
Locally Controlled	4,475,744	51.7	1,911,129	76.4
Foreign Controlled	2,998,570	34.6	485,653	19.4
Malaysian Branches of Companies Incorporated Abroad	1,185,014	13.7	103,880	4.2
Total	8,659,328	100	2,500,662	100
	No. of Employees	%	No. of Employees	%
<u>Employment</u>				
Locally Controlled	22,369	59.6	16,595	78.7
Foreign Controlled	10,614	28.3	3,737	17.7
Malaysian Branches of Companies Incorporated Abroad	4,553	12.1	749	3.6
Total	37,536	100	21,081	100

NB. These figures apply only to limited companies with more than \$1 million annual turnover in 1974.

Source: Department of Statistics, Report of the Financial Survey of Limited Companies, Malaysia 1974. pp. 13-16, Tables 1, 1.1, 1.2, 1.3 and pp. 74-77, Tables 15, 15.1, 15.2, 15.3.

Table 5.10

## The Wholesale Trade: by Major Business Groups and Ownership, Peninsular Malaysia, 1968

Businesses with over \$1 million total turnover in 1968	Type of Ownership						Total No. of Estab.	Turnover \$'000
	Individual Proprietor No. of Estab.	Partnership No. of Estab.	Turnover \$'000	No. of Estab.	Other (Principally Private Ltd Co's) No. of Estab.	Turnover \$'000		
<u>Household and Personal Goods</u>								
Rice, other grains, flour	303	172	266,909	50	207,804	525	670,377	
Other foods	268	283	212,709	57	181,058	609	515,958	
Tobacco, cigarettes	149	111	94,602	24	87,212	284	233,101	
Clothing, textiles	92	195	149,381	29	43,481	316	243,549	
<u>Business, Industrial, Agricultural Goods</u>								
Vehicle parts & accessories	196	193	71,728	81	82,006	470	181,190	
Business & industrial machinery	54	49	14,144	71	92,861	176	116,572	
Building materials (other than lumber & timber)	395	220	94,882	112	204,309	728	374,041	
Rubber	1,581	385	248,571	83	360,326	2,048	855,678	
Livestock & other agricultural products	367	85	71,794	6	12,479	458	188,642	
Misc. Business industrial & agricultural goods	225	45	35,773	21	45,218	291	112,717	
<u>Large General Wholesalers</u>	36	97	202,399	164	827,023	297	1,077,023	

Source: Malaysia, Department of Statistics, Survey of Distributive Trades, West Malaysia, 1968. Table 29.

almost certainly they are the large agency houses. The pattern in the rubber trade is noteworthy because of the many small individual proprietors involved - they made up 77.2 per cent of all businesses yet they were responsible for only 28.8 per cent of turnover. The rubber trade was the second largest business category in terms of turnover with over \$855 million annual turnover in 1968. It can be seen from this how important the rubber trade is in Malaysia both in terms of the size of the trade and the numerous establishments dependent upon it. Although Table 5.10 only gives a partial picture of the wholesale trade the general pattern can be described of the very prominent position of large general wholesalers, on the one hand, and on the other, the large network of establishments handling household and personal goods, as well as business, industrial and agricultural goods. Many of these data are unfortunately rather dated, but the general patterns are likely to be substantially the same as recorded in these surveys.

#### OWNERSHIP AND MANAGEMENT OF THE CORPORATE SECTOR

The ownership and management of the corporate sector of the economy is a product of the pattern of economic development already discussed, with Europeans and Chinese playing the dominant role and the Government becoming increasingly active on behalf of the Malay community. In Peninsular Malaysia foreign interests owned 63.3 per cent of share capital of limited companies in 1971, while Malay interests owned a mere 2.4 per cent, and 'other Malaysians' (largely Chinese) owned 34.3 per cent. The Government's efforts to redistribute ownership to give Malays a larger share had reduced the inequality slightly by 1975 bringing the foreign share down to 54.9 per cent, the Malay share up to 7.8 per cent, and increasing the 'other Malaysian' share to 37.3 per cent.

Foreign ownership has been most heavily concentrated in the modern agricultural sector, mining, manufacturing and trade. (See Table 5.11). In all but the manufacturing industry foreign companies have been long established in the country and prior to independence their management was predominantly, if not exclusively, European.



Table 5.11

## Ownership and Participation (i) in Key Sectors, Peninsular Malaysia 1972/73

Sector	(percentage share in each sector)				
	Malay	Chinese	Indian	Others (ii)	Foreign
Modern Agriculture (iii) (planted acreage, 1973)					
Rubber and oil palm	21.0	26.3	2.6	7.9	42.2
Coconut and tea	0	19.9	10.8	0.4	68.9
Industry (value of fixed assets, 1972)					
Mining	0.7	35.2	0.1	9.5	54.5
Manufacturing	6.9	32.5	0.8	14.0	45.8
Construction	2.4	85.6	1.4	3.8	6.8
Trade (turnover value, 1972)					
Wholesale	0.8	55.0	2.7	0.6	40.9
Retail	3.6	75.6	6.5	0.2	14.1
Transport (value of fixed assets, 1972)					
Taxi	40.6	39.7	18.0	1.7	0
Bus	18.0	54.3	1.6	16.5	9.6
Haulage	15.3	70.6	5.2	5.8	3.1
Professional establishments (iv) (annual revenue, 1973)	5.3	51.0	11.4	18.4	13.9

(i) In corporate and non-corporate sectors. Establishments are categorized on the basis of majority ownership. Government ownership is added to the Malay category as most of it is held in trust by public enterprises and agencies. In rubber and oil palm, Government ownership, excluding FELDA, is 0.9% and manufacturing, 5.0%.

(ii) Includes other Malaysians as well as establishments where no particular group owns more than 50% of the assets.

(iii) Includes FELDA which had a planted acreage of 526,900 of which 96.2% was classified as Malay-owned.

(iv) Private establishments only. It includes doctors, dentists, lawyers, accountants, architects, engineers, surveyors and veterinary surgeons.

However, with independence they were required to Malaysianize their management cadre, except for a very few 'key posts' which could be reserved for Europeans. Since at that period there was not the strong insistence on racial balance there has been since the NEP, the natural choice tended to be Chinese and Indian Malaysians who had education and business orientation. Having Malaysianized in this way foreign companies have had little room for manoeuvre in attaining racial balance targets other than through growth, and as has been shown, the plantation and mining companies are not expanding. Although none of the post 1969 companies were covered in the survey they will have had an easier task in that they will have been recruiting a managerial staff from scratch in the full knowledge that it must reflect the racial composition of the population.

Chinese ownership is particularly concentrated in the construction, retail and haulage industries, the wholesale and bus industries, and in professional establishments. It is in these areas that they have built up a position of prominence over a considerable period of time and have achieved a virtual monopoly: in the construction industry, for instance, they owned 85.6 per cent of fixed assets in 1972, and in the retail trade they owned 75.6 per cent in terms of value of turnover. However, it is in precisely these industries that the Government is seeking to expand Malay participation through official preferences.

Indians are too few in number to monopolise any one industry but they tend to be overrepresented in the ownership of taxis, the professions and coconut and tea plantations.

### Tin Mining

In the early nineteen seventies, foreign interests still dominated ownership in the tin mining industry, owning 70 per cent of share capital in 1970, and 63 per cent in 1973.<sup>137</sup>

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137 TMP. p. 326, para. 1087.

The second largest shareholding group is the Chinese who owned 29 per cent in 1970 and 36 per cent in 1973.<sup>138</sup> Since then the Government has bought a substantial share of the industry. The tin dredging industry is still under the management of three large mining agencies and a number of smaller mining agencies, which are linked together to form a tightly knit and powerful group.<sup>139</sup>

In the past mining engineers were frequently expatriates and, despite the country's Malaysianisation programme, the shortage of suitably trained Malaysians to take over, and the importance of this industry to the country, led the Government to take a very flexible approach to the Malaysianisation of management in tin mining.

Gravel pump mining accounted for 54 per cent of production in 1975 and the vast majority of these mines were small, Chinese-owned ones. Puthuchery came to the conclusion that Chinese mines are largely separately owned units as opposed to the centrally managed groups in the European mining industry and there is no reason to suppose that this is not still the case. Management appears to be limited to the mine owner and the 'kepala' or headman who supervises the labourers.

The Government has been keen to encourage Malay participation in the tin mining industry. While it has taken action to ensure Malay interests a share in the ownership of equity of the large dredging companies, it has also been encouraging Malays to enter the gravel-pump mining side of the industry through preferences in the granting of mining rights. However, this has yet to make a significant impact on the industry: in 1970, only 26 mines were owned

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138 loc.cit.

139 In a study conducted in 1974, Lim and Anderson found the major companies in the mining industry to have more interlocking directorships than those in any other industry. Lim Mah Hui and M. Anderson, "Concentration of Wealth and Power in the Top Corporations in Malaysia," Paper presented at the Third Convention, Malaysian Economic Association, 1976, p. 19, Table 8.

by Malays, in 1975, 38 tin mines out of a total of 961 were owned by Malays, and by 1978, this had risen to 42.<sup>140</sup>

### Agriculture

Rubber and oil palm, like tin, can be divided into large scale and small scale activities. In 1975, 1,391,900 acres of rubber were under estates and 2,796,200 acres under smallholdings;<sup>141</sup> while in oil palm 57 per cent of total acreage was under estates which produced 74 per cent of production, the rest coming from land development schemes.<sup>142</sup> Table 5.12 gives a breakdown of the ownership of rubber estates as of 1969. The great majority of estates are now owned by Malaysians who show a marked preference for ownership through partnerships, and a strong disinclination towards public companies. Amongst non-Malaysian estates, which include Singaporean ones likely to be similar in pattern to the Malaysian, 46 per cent are public companies.

Table 5.12  
Rubber Estates by Citizenship and Ownership, Peninsular Malaysia, 1969

	Public Co.	Private Co.	Partner- Ship	Others (i)	Total
<b>Malaysian:</b>					
No. of Estates	46	370	755	330	1,501
%	3	25	50	22	100
<b>Non-Malaysian:</b>					
No. of Estates	276	129	108	84	597
%	46	22	18	14	100
<b>Total:</b>					
No. of Estates	322	499	863	414	2,098
%	15	24	41	20	100

(i) Includes individual proprietorships, ownership by Government and co-operatives

Source: Malaysia, Rubber Statistics Handbook, 1969. p. 12, Table 2-4.

140 TMP. p. 326, para. 1087; Mid-Term Review of Third Malaysia Plan. p. 160, para. 433. The 1975 figure is taken from the Mid-Term Review.

141 Department of Statistics, Annual Bulletin of Statistics, Malaysia 1976. p. 7, Table 2.3.

The non-Malaysian estates tend to be considerably larger than the Malaysian ones, 48 per cent being 100 acres or more in size compared to only 11 per cent of Malaysian estates. (See Table 5.13). Of all estates over 100 acres 63 per cent are owned by non-Malaysians. Therefore, although the size of the non-Malaysian estate sector is relatively small in terms of numbers it is large in terms of acreage and public incorporation places the emphasis of this group firmly on professional management.

Table 5.13  
Rubber Estates by Planted Acreage and Citizenship  
Peninsular Malaysia, 1969

Size Group (Acreage planted with Rubber)	Number of Estates		
	Malaysian	Non-Malaysian	Total
0-499	1,163	225	1,388
500-999	172	85	257
1000-1999	109	133	242
2000-2999	28	59	87
3000-4999	21	53	74
5000 and over	8	42	50
TOTAL	1,501	579	2,098

Source: Malaysia, Rubber Statistics Handbook, 1969. p. 14, Table 2-6

Most of the European owned estates and some of the Singaporean and Malaysian owned estates are managed by agency houses which are responsible for the recruitment, training and supervision of the managers on the estates under their charge. With the growing pressure for greater efficiency the managing agencies have also played an important role in the development of the industry.

### Manufacturing

In manufacturing there is again a local element consisting of a large number of small units many of which are individual proprietorships or partnerships, and a small, but growing, number of large companies that are foreign-owned. In 1971 foreign companies accounted for 15 per cent of the total number of manufacturing

establishments in Peninsular Malaysia, 58 per cent of the value added and 35 per cent of full-time employees.<sup>143</sup> The development of manufacturing industry since independence has brought a new group of foreign companies into Malaysia - the multinational corporations which have brought with them a sophisticated level of technology and a distinctively Western approach to management and management development. A number of agency houses have also recently begun manufacturing products previously imported. The pattern of ownership amongst foreign companies is tending to alter as new foreign firms are compelled to enter joint ventures with a local partner and to Malaysianize their ownership. It has also been changed by the entry of the Government into manufacturing largely through PERNAS which has gone into joint ventures with an ever-growing number of firms including manufacturing establishments. As of 1972/73, Government ownership in the manufacturing industry had reached 5 per cent. (See Table 5.11.)

Smaller establishments have tended to be Chinese-owned and managed and to concentrate on a relatively simple technology. However, there has been a gradual move towards more large scale and more sophisticated types of manufacturing amongst Chinese companies in recent years and consequently a growing need for more sophisticated management.

### Service Industries

In trade and commerce foreign agency houses have retained a position of prominence. Foreign companies owned 40.9 per cent of the wholesale trade in 1972/73. (See Table 5.11). The Chinese are responsible for the export of much smallholder produce and have retained a very strong position in the retail trade. As has been shown, they usually operate as individual proprietorships or partnerships, yet there is a network of establishments often united

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143 D. Lim, "Foreign Investment and Economic Development in Malaysia," Malaysia and the Multinational Corporations. S. Chee and S.M. Khoo, eds., p. 82 ftn.



by clan or dialect ensuring that it is as tightly knit as the more formal links of the agency house. The Chinese establishments and the agency houses operate in a symbiotic relationship, with the agency houses providing credit to the Chinese wholesaler and enabling him to provide credit to the retailer. Direct Government involvement has begun to change this industry too, with PERNAS taking over the China trade.

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Malaysia has a dynamic and rapidly growing economy, which is going through a period of change, diversifying into new manufacturing industries, spreading ownership and management of industry to include Malays, and adapting to the changes brought about by increased Government involvement in and control over the direction of development. It has a large and prominent foreign sector consisting of the long-established agency houses engaged in tin, agriculture, trade and commerce, and a growing number of firms - many of them multinationals and relatively new arrivals, engaged in the manufacturing industry. It has also a substantial Chinese business community engaged particularly in construction, trade and commerce, haulage and mining, and to an increasing extent, manufacturing. However a sizeable number of these Chinese establishments are outside the corporate sector.

The period of the study, 1971-1975, coincides with that of the SMP and the implementation of the NEP. The changes brought about by the intervention of the Government in the economic arena led to a loss of confidence by the business community and a reduction in investment. This coincided with a period of world recession which was responsible for substantial cutbacks in Malaysian production, "dampening business sentiment and outlook especially in respect to the addition of new capacity."<sup>144</sup>

Despite the problems of 1975 Malaysia seems set on a further period of rapid growth, with highly ambitious targets set by

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144 MIDF, 16th Annual Report and Accounts for the Year Ended 31st March 1976. p. 40.

the TMP. ECAFE noted in 1970 that there was no shortage of capital for industrial development in Malaysia, but that the constraint on growth was rather a shortage of managerial and technical expertise, skilled labour and institutional facilities.<sup>145</sup> The TMP estimates:

...the demand for professional, technical and related workers at both the professional and subprofessional levels will grow by 5.5% per annum...the requirement for engineers is anticipated to expand by 8.0% per annum; agronomists and related agricultural specialists, 6.3% and engineering assistants 6.8%...rapid increases in demand will also be experienced in administration and management, particularly in business.<sup>146</sup>

There was an increase in the number of administrative and managerial staff of 14.6 per cent in 1971-1975, and the Government estimates that there will be an increase of 48.8 per cent between 1976 and 1990.<sup>147</sup> This means that there will be an enormous need for management training and development.

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145 ECAFE, Asian Industrial Development Council, Asian Industrial Development News, 5 (1970), p. 62. See also H. Hughes, "Australians as Investors: Australian Investment in Singapore and Malaysian Manufacturing Industries," Australian Economic Papers, 6, 8 (1967), p. 67 and E.L. Wheelwright, Industrialization in Malaysia. p. 120.

146 TMP. p. 70, para. 223.

147 ibid., p. 71, Table 4-12.

## CHAPTER 6

### METHODOLOGY

The research for this study was based on the private sector of Peninsular Malaysia. It was restricted to Peninsular Malaysia because this is the part of Malaysia that has experienced the greatest commercial and industrial development and therefore, where management development is most relevant. It contains 85 per cent of the population and accounts for 95 per cent of manufacturing output. It was also to this part of the country that the Malaysian Government requested that the original survey be addressed.

In choosing the methodology for the study it was decided that neither a complete statistical survey of the private sector nor an in-depth study of a very few companies was suitable although both methods had their advantages. The statistical survey while providing important factual data about recruitment and training practices would not touch on the most vital element of all - the attitude and thinking of senior management in the companies towards management development. While the case study approach would overcome this difficulty and provide valuable insights into the thinking of management, the way in which management development was actually implemented, and the particular problems of the Malaysian context, it lacked the breadth and representativeness of the survey approach. It was therefore decided to try and combine both approaches: to draw a representative sample of companies large enough to give an accurate picture of the business community but not so large as to be impossible to visit individually, and then to conduct both a statistical survey of this sample and to interview the chief executive of each company in the sample.

One of the first tasks in the study was to choose a satisfactory statistical base from which to draw the sample of companies. There were two possible alternatives: 1) the employment

figures provided by the 1969 Survey of Manufacturing Industries<sup>1</sup>, and 2) the turnover figures of the 1969 Financial Survey of Limited Companies.<sup>2</sup> After careful consideration and with the advice of the Chief Statistician and his colleagues it was decided to choose the Financial Survey of Limited Companies. The Survey of Manufacturing Industries only covered manufacturing, plantations, construction and mining and excluded the service industries. Secondly, it related to establishments,<sup>3</sup> rather than companies, and it is at the company level that policy with regard to management development would tend to be decided.

The Financial Survey, on the other hand, did relate to companies and was broken down according to size, in terms of annual turnover, ownership and industry. Given the relevance of all three factors to the level of management development this was very useful. However, it did not cover banks, insurance companies, nominee companies, shipping and airline companies and non-profit-making organisations. Although the Financial Survey is conducted annually, the latest figures available were for 1969, therefore, the sample that was drawn and used both in 1972 and in 1976 was based on a 1969 base and this meant that the newer companies, in particular the parastatal companies which have recently appeared on the Malaysian industrial scene, were not included. While the Financial Survey excluded individual proprietorships and partnerships, the incorporated sector which it did cover accounted for 84 per cent of gross sales, 79 per cent of wages and 72 per cent of employment.

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1 Malaysia, Department of Statistics, Survey of Manufacturing Industries, West Malaysia, 1969.

2 Malaysia, Department of Statistics, Report on the Financial Survey of Limited Companies, Malaysia 1969

3 The Survey of Manufacturing Industries uses the U.N. definition of establishment: "ideally an economic unit which engages, under a single ownership or control i.e. under a single entity, in one or predominantly one kind of economic activity at a single physical location."

The 5056 companies included in the Survey in 1968 included all incorporated businesses down to the smallest; in fact in 1968, 78 per cent of companies had a turnover of less than \$1 million yet this 78 per cent accounted for only 10 per cent of the total revenue of all companies in the Survey.<sup>4</sup> Since in such very small companies there is not likely to be more than one or two managers, management development is less relevant. It was therefore decided to omit companies with less than \$1 million turnover in 1969 and limit the study to the 1083 larger companies.

On the basis of the same assumption, that is, that the relevance of management development is related to the size of the company, the sample was weighted so that a larger proportion of the big companies was included.

The universe was categorised in terms of:

- a) turnover, using the following size groups:
  - SG 4        \$50 million turnover
  - SG 3        \$20 - \$50 million turnover
  - SG 2        \$ 5 - \$20 million turnover
  - SG 1        \$ 1 - \$ 5 million turnover
- b) industry, using the industrial classification of the Department of Statistics;<sup>5</sup> where the company is engaged in several activities, the industrial category into which it falls is determined by the principal activity of the company based on its revenue for the reference year;
- c) control,<sup>6</sup> that is,

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4    Malaysia, Department of Statistics, Report on the Financial Survey of Limited Companies, 1968. p. 1.

5    Malaysia, Department of Statistics, Industrial Classification.

6    These categories are the ones used by the Department of Statistics in its Financial Survey of Limited Companies. It states that "In most cases 'locally controlled' companies can be regarded as those in which 50% or more of the voting stock is held by residents. 'Foreign controlled' companies are those in which over 50% of voting stock is held by non-residents." Department of Statistics, Report on the Financial Survey of Limited Companies, Malaysia 1968. p. 1.



- i) limited companies incorporated in Malaysia and locally controlled,
- ii) limited companies incorporated in Malaysia but foreign controlled, and
- iii) Malaysian branches of companies incorporated abroad

Sampling was done in the following proportions:

100% of the \$50 million and above size group

50% of the \$20 - 50 million size group

10% of the \$ 5- -20 million size group

5% of the \$ 1 - 5 million size group

It was at this stage that a number of problems arose. The print-out of the largest size group which might have been expected to contain some of the most prominent companies in Malaysia, in fact, contained only a handful of them. The 100 per cent sample produced only 28 companies, one of which had closed down, 4 were rubber dealers with virtually no management structure, and 4 were subsidiaries of other companies in the group.

The use of turnover as a size criterion in a study of management development was not ideal but in the Malaysian context where such activities as rubber trading are characterised by a high turnover and a very small management this was particularly true. It was going to be very difficult to find much comparability between the rubber trading firm with one manager and 10 employees and the petroleum firm with 120 managers and 900 employees though their turnovers might fall in the same size category. In an attempt to find a more suitable measure of size, every alternative source of statistics was re-examined. None proved to be suitable.

A second difficulty was that many firms were represented several times over by their various subsidiary companies. Since the subject of the study was management development policies and



practices, and the parent company usually determines policy for the group, considering each subsidiary separately would only result in duplication. The presence of subsidiaries in the universe also had the effect of placing some of the more prominent companies in the lower size groups since the turnover of each subsidiary was taken separately rather than as part of the group.

In order to attempt to obtain a representative picture of the business community it was decided to get a complete print-out of all companies with more than \$5 million turnover (turnover figures were not available for the smallest size category) and to group subsidiaries under their parent companies. Turnover figures for the group were aggregated in order to get a realistic picture of size. In the course of this exercise it was also decided to group plantations and mines under their respective managing agencies. Although this could not be justified in terms of legal relationship it was considered that, since the managing agency was effectively responsible for the recruitment and development of managers for its clients, for the purposes of this study it could be treated in the same way as a parent company with subsidiaries.

Having gone through this regrouping exercise for the top three size categories the sample was drawn again. It then assumed the form below:

Table 6.1  
The Sample, 1972

Size Group	No. in Universe	Per Cent Sampled	No. in Sample
SG4 (\$50 million +)	31	100%	31
SG3 (\$20 - 50 million)	41	50%	21
SG2 (\$ 5 - 20 million)	167	10%	16
SG1 (\$ 1 - 5 million)	844	5%	41
TOTAL	1083	10%	109

Given the importance of the racial balance issue in Malaysia, it was desirable to pay special attention to the development of management skills among Malays. Account was taken of this in the design of the interview schedule and in the conduct of the interviews themselves. Indeed, it was partly due to this concern

for the management needs of bumiputras that a cut-off point as low as \$1 million turnover was chosen. Despite this not one Malay company occurred up in the sample.<sup>7</sup>

The data for the main sample was collected in two ways: the chief executive, and where applicable the training manager, of each company was interviewed to gain a picture of the overall practice of management development and to get an impression of the company's attitude towards it. Each company was asked to complete three questionnaires giving concrete figures related to employment, recruitment, training, and future training requirements. While numbers trained is in no way equivalent to managers developed, it was assumed that there was likely to be a relationship between the two and that the interviews would provide much of the missing data. The chief executive of each company in the sample was written to personally requesting an interview and the completion of the main questionnaire. This was followed up by a letter from the Special Economic Adviser to the Prime Minister asking for the company's co-operation in the study. (See Appendix B).

The interviews varied greatly in length, according to the size and complexity of the company from one hour, to three or four visits of 2-3 hours each. An interview schedule (See Appendix C) was used to provide a clear framework for the interview while leaving it sufficiently open-ended for respondents to move freely to those areas which concerned them most. The interview was intended to yield information about the overall approach of the company to management development. Special regard was given to forward planning and how far there was a conscious policy for development. Recruitment

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- 7 There appear to be a number of explanations for this:
- a) In 1969, there were very few Malay companies and most of those that there were fell below the \$1 million cut off point;
  - b) those that generated more than \$1 million turnover in 1968 were very small in number and so the chances of their being selected in a random sample were small; and
  - c) quite a number of Malay companies have been formed since the 1969 Survey and so would not be included in the universe.

policies were discussed, trends in the use of various sources, and an assessment of experience with them. Career and succession planning were also considered. Because management development is largely achieved on the job rather than by formal training, attention was paid to whether firms were setting clear objectives against which managers' performance could be assessed, weaknesses corrected, and training needs identified. Companies were also asked how they decided to give a man a particular kind of training and how, if at all, it was evaluated. Time was spent discussing the firms' experience with various training methods - on the job training, in-company courses, external courses, etc - and the strengths and weaknesses of the several training institutions were discussed.

At the end of each interview respondents were asked what they thought the priorities were for improving management training facilities in their own firms and in Malaysia, paying particular attention to racial balance.

The main questionnaire was designed to yield information of a quantitative nature about the size of staff, number of managers, and their ethnic group, source of recruitment of managerial personnel and the numbers of managers trained by different methods (See Appendix D). These data were requested for the last complete year, that is, for 1971. The questionnaire includes a definition of a manager as an executive above the grade of foreman or supervisor who contributes to the decision-making process, exercise some control over the use of resources and in some way directs the activity of others. It was stated that management trainees should be included in this category.

At the time of the interview for subsequent completion, two further questionnaires were left, one of which asked for the numbers sent on various management courses, an assessment of future demand, and an evaluation of the courses used, and a second in which companies were asked to indicate their demand for courses at senior, middle and junior levels, of varying duration and on a variety of topics, in such areas as production, finance, personnel and marketing (See Appendix D).

A brief word should be said here about bias and the subjective nature of the interview. The original survey was conducted at the request of the Malaysian Government and the letter from the Special Economic Adviser to the Prime Minister reinforced the official nature of the study. While ensuring companies' response, this also put them on their guard. An interview inevitably involves interpersonal relations and the fact that the researcher was a young European woman meant that different groups responded quite differently. For the most part European executives were courteous and friendly and as the interview progressed in some cases relaxed enough to discuss their views and anxieties in a very frank and open way. Some of the older established European companies were fairly conservative and rather sceptical of such a 'young upstart' from a business school. Most of the Chinese companies were highly suspicious though some found the whole exercise quite hilarious and indeed as will be seen later, discussing management development in a small Chinese shophouse was a little ludicrous. The interviews were all conducted in English, however, in a few cases the chief executive in a Chinese firm did not speak English, and in these cases the chief clerk, or a trusted friend, was brought in to provide the translation. Nonetheless, communication was not always complete.

The study received remarkable co-operation achieving a 93 per cent response rate. Many senior executives, in all sizes of company gave up a considerable amount of their time to be interviewed. Several informal discussion meetings with groups of businessmen - Malay, Chinese and European - were also held at which useful insights were gained into the problems under consideration.

As part of the study the main pre- and post-experience training institutions were visited and discussions were held with the head of the institution or in the case of the universities the head of the Department of Economics and Business Administration, and often with his staff. The purpose of these interviews was to find out what facilities were available, what problems they faced and how they saw the direction of their future development.

In July and August 1976 a follow-up to this first study was conducted. By then some of the original companies had gone out of

business and there were others that did not respond. The sample that resulted was as follows:

Table 6.2  
The Sample, 1976

Size	No. in Sample	Non-Respondents 1972	Total 1972	Non-Respondents or Ceased Operating 1976	Total 1976
SG4 (\$50 million+)	31	2	29	1	28
SG3 (\$20-50 million)	21	0	21	2	19
SG2 (\$5-20 million)	16	0	16	3	13
SG1 (\$1-5 million)	41	9	32	9	23
TOTAL	109	11	98	15	83

Since time was a severe constraint on this occasion it was not possible to visit every company as in 1972<sup>8</sup>, and so a rather fuller questionnaire was designed that was sent to all companies in the original sample, (See Appendix E). This asked for quantitative data about the employment, recruitment and training of managers in 1975, along lines identical to the 1972 questionnaire so that the material would be comparable. It also included questions relating to the practice of management development within the company and the use of training facilities outside the company. A 50 per cent random sample of the companies in the original sample was then taken and once again the chief executive was written to personally and an interview requested. The initial letter was followed up by an official letter from the Special Economic Adviser to the Prime Minister as before, requesting support and cooperation for the study. (See Appendix B).

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8 This partly accounts for the lower response rate achieved in 1976.



## CHAPTER 7

### MANAGEMENT DEVELOPMENT POLICIES AND PRACTICES

The aim of this chapter is to look at the overall approach - the policies and attitudes - companies took to the development of their management cadres. This was examined from two angles: first, their policies and practices as described in the interviews; and second, the actual numbers of managers recruited and trained in different ways. The first contains a large subjective element but deals with the central aspects of management development; the second provides actual numerical data but can only deal with the more obvious characteristics of a training programme.

In interpreting the statistical data the year of the original data base has to be born in mind. This was 1969 and by 1975 the sample represented, very roughly, only 2 per cent of the companies of the defined universe.<sup>1</sup> Some companies had ceased operation, while a few had outgrown their size group. Inflation had also affected turnover, although not the relative positions of the companies. Because the follow-up was designed to go back to the original companies rather than redrawing the sample, and because the main focus of the study is policies and practices rather than a statistical survey, no adjustments have been made for these changes.

The study covers the corporate sector which accounts for an estimated 30 per cent of GNP.<sup>2</sup> While it ignores companies

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1 The latest available Financial Survey is for 1974. Unlike the 1969 Survey, this Survey included banks, insurance companies, nominee companies, shipping and airline companies and non-profit organizations. Unfortunately, the published figures do not differentiate between Peninsular and East Malaysia. However, if companies falling into the category "banks and financial institutions" are omitted 3360 companies are included in the Survey. Since the great majority of these will lie in Peninsular Malaysia, and growth between 1974 and 1975 will have expanded this number, 3360 has been used as a rough estimate of the size of the universe in 1975.

2 TMP. p. 183, para. 566.



with less than \$1 million annual turnover which represent around 69 per cent of the total number of companies, those that it covers account for about 93 per cent of the total revenue, 76 per cent of the total value of fixed assets, 78 per cent of employment and 78 per cent of total assets of the corporate sector in Malaysia.<sup>3</sup>

#### BASIC DIMENSIONS OF THE SAMPLE

First the basic dimensions of the situation under consideration will be examined. Table 7.1 presents the employment figures of the sample and the directions of change between 1971-75. Despite the undesirability of using turnover as the size criterion in a study of management development, there was a relationship between turnover and size of employment, with SG4 companies having an average of 3,296 employees in 1971 compared to SG3 with 1,533, SG2 with 330, and SG1 with 127. Nonetheless, there were great variations within each size group which will become clearer when the industrial and ownership groupings are examined. The rate of growth in employment over the five year period 1971-75 is interesting: the largest companies grew at a very low rate - 4 per cent - which suggests that they may have reached an optimum size. The Malaysian market is relatively small and may not be able to support companies beyond a certain size. On the other hand the companies in SG1 have grown very rapidly, though admittedly from a small base, and those in SG3 have also expanded their employment markedly. Companies in SG2 show a very different picture and have actually declined in terms of employment. Many of them were particularly hard hit by the recession of 1974-75, while others were affected by the Government's preferences to Malay firms. While SG2 seems to be most affected by such factors, there was in fact a high casualty rate amongst companies in SG1. Nine of the 32 companies in SG1 that responded in 1971 were untraceable in 1975 and it can be assumed that a high proportion had gone out of business.

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3 Department of Statistics, Report of the Financial Survey of Limited Companies, Malaysia 1974. p. xiv.

Table 7.1

Employment by Size Group

	SG4	SG3	SG2	SG1	Total
No. of companies in universe					
- based on 1969 Financial Survey	31	41	167	844	1,083 (i)
- based on 1974 Financial Survey	n.a.	n.a.	n.a.	n.a.	est. 3,360
No. of companies in sample (excluding non-respondents)					
- 1971	29	21	16	32	98
- 1975	28	19	13	23	83
Total no. of employees					
- 1971	95,572	32,187	5,272	5,205	138,236
- 1975	94,318	36,189	2,257	4,233	136,997
Average number of employees per company:					
- 1971	3,296	1,533	330	127	1,411
- 1975	3,369	1,905	174	184	1,651
% Increase in Employment (ii)					
1971-75	4%	18%	-4%	26%	8%

(i) See footnote 1.

(ii) Only those companies who responded on both occasions are used for this calculation.

The rate of growth of the managerial cadre has tended to exceed that of employment overall. (See Table 7.2.). Between 1971-75 the number of managers in the sample increased at a rate of 32 per cent, compared to an increase of only 8 per cent in employment. The 1971-75 rate of growth is overall slightly higher than that during 1966-71, and in SG1, in particular, markedly so. SG3 shows a very rapid rate of growth in management employment as it did in overall employment, while SG2 once again has the lowest rate of growth. Companies were asked to estimate their future growth in management employment and in all size groups, except SG2, a sharp drop in the rate of growth was anticipated. Unless companies manage to maintain a rate of growth similar to that between 1971-75, a rate considerably aided by the boom years of 1973-74, the Government's target of an increase in administrative and managerial workers in Peninsular Malaysia between 1975-90 of 121 per cent<sup>4</sup> will not be achieved. This figure includes both the public and private sectors and the establishment of new companies as well as the growth of existing ones. Nonetheless, it appears highly ambitious. Companies growth figures 1975-80 are considerably underestimated (except for SG2) for when, in 1972, companies were asked to estimate the size of their management, their estimates showed a marked conservatism probably reflecting the climate of uncertainty in 1972, and the same may be the case with the 1975 estimates.<sup>5</sup>

In addition to the effect of size, it was also possible to study the effect of two other variables on the sample - industry and ownership. The Financial Survey categorised all companies according to industry and types of ownership - whether local, foreign or a subsidiary of a foreign company. This was a useful distinction but

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4 TMP. p. 83, Table 4-15.

5 Harbison and Myers have commented: "A rather simple method of estimating future requirements is to ask existing establishments to specify them. This will provide an informed judgement of short-term requirements but it is quite unreliable for long-run estimates." F. Harbison and C. A. Myers, Education, Manpower and Economic Growth. p. 195.

Table 7.2

Managerial Employment by Size Group

	SG4	SG3	SG2	SG1	Total
Total no. of managers:					
- 1966	1,565	444	72	97	2,178
- 1971	1,993	740	132	132	2,997
- 1975	2,346	1,041	132	155	3,674
Average number of managers per company:					
- 1971	69	35	8	4	31
- 1975	84	55	10	7	44
% increase in managerial cadre:					
(i)					
- 1966-71	20%	57%	24%	27%	28%
- 1971-75	28%	43%	19%	44%	32%
- estimated growth 1971-76 (ii)					
projected in 1976	11%	10%	25%	19%	12%
(ii)					
- estimated growth 1975-80 (ii)					
projected in 1976	8%	11%	36%	30%	11%

(i) Only those companies who responded on both occasions are used for this calculation.

(ii) Some companies were unable to predict what their management staff would be; these figures are based only on those companies that did complete this part of the questionnaire.

tended to obscure the fairly clear-cut lines between companies with expatriates in top management, and those with an entirely Chinese management. One thinks of 'local' as referring to firms owned and run by Malaysians, while it included many firms in which top management was almost entirely expatriate.<sup>6</sup> The recent emphasis on 'localizing' equity has obscured the distinction even further. 'Foreign', which one would expect to refer to firms run by Europeans and Americans, included a number of Singaporean and Hong Kong firms whose style of management is much more similar to that of the Malaysian Chinese business community.

Since it was management policies and practices that were under investigation and it was assumed that management style bears a close relationship to the orientation of top management, it was decided to regroup by 'business community'. The Chinese companies which comprise the largest part of the 'local' group form a distinct business community with a characteristic management style. Another distinct group within the Malaysian business scene consists of firms with Europeans in top management, most of which were classified either as 'foreign' or 'subsidiary'. A third identifiable community is that of the large multinational companies. Although they, like the European group have expatriates in top management, they tend to have a distinct company culture and management style that sets them apart. The European group consists largely of long-established companies involved in the older industries of tin, rubber and trading. There were a very few companies in the sample that did not fit into this set of categories; they include several Indian companies and have been classified as miscellaneous.

With the recent emphasis on the development of the manufacturing industry in Malaysia and the tendency for established companies to diversify into manufacturing there has been a blurring

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6 "Expatriate" is used here in the rather loose way it tends to be used in common speech in Malaysia i.e to refer to people of European extraction, including Americans and Australians, but not to Singaporeans or Hong Kong Chinese.



of the industrial distinctions. The Department of Statistics categorizes companies according to their principal industry and this is the category used here, however, it must be borne in mind that, for example, a company whose main activity is trading may also be involved in some manufacturing.

Table 7.3 breaks down the employment and management figures of the companies in each size group by industry and business community. The largest companies are predominantly European or multinational, while the smallest companies are characteristically Chinese. If it is recalled that only a 10 per cent sample of SG2 and 5 per cent sample of SG1 was taken, the immense size of the Chinese business community becomes apparent. Another obvious feature is the number of companies of all sizes involved in the service industry, comprising over half the total companies. Although smaller than companies in other industries in terms of employment and management, they grew at a faster rate on both counts, employment increasing by 27 per cent between 1971-75 and management by 53 per cent, compared to 25 and 29 per cent respectively in manufacturing and only 3 and 10 per cent in the extractive industry. It is interesting that in all industries and all business communities the number of managers is increasing at a considerably faster rate than the number of employees. It is also noteworthy that the largest manufacturing firms grew relatively slowly, increasing in employment by 17 per cent between 1971-75 compared to the manufacturing firms in SG3 and SG1 which grew by 40 per cent and 54 per cent respectively. The extractive companies in the sample are very large employers both in terms of general employment and managerial employment but they are growing very slowly indeed and the largest companies are virtually static.

Breaking down the size group figures in this way sheds light on the decline of companies in SG2. The companies affected seem to be manufacturing concerns. While the Chinese companies show an actual decline in their management suggesting that they bore the brunt of the difficulties, European companies increased only very slightly in terms of employment.



Table 7.3

Employment and Management by Size Group, Industry and Business Community

	No. of Companies		Total No. of Employees		(i) % Incr. in Employment 1971-75	Average No. of Empl. per Co.		Total No. of Managers		(i) % Incr. in Managers 1971-75	Average No. of Managers per Co.	
	'71	'75	1971	1975		1971	1975	1971	1975		1971	1975
<b>SG4:</b>												
Industry:												
Extractive	6	5	82,372	77,427	(.5%)	13,729	15,485	973	837	3%	162	167
Manufacturing	6	6	5,000	5,857	17%	833	976	434	529	22%	72	88
Service	17	17	8,200	11,034	35%	482	649	586	980	67%	34	58
Business Community:												
Chinese	5	5	766	1,036	35%	153	207	79	101	28%	16	20
European	12	11	80,366	78,005	4%	6,697	7,091	1,110	1,235	30%	93	112
Multinational	11	11	14,427	15,253	6%	1,312	1,387	801	1,007	26%	73	92
Miscellaneous	1	1	13	24	85%	13	24	3	3	0	3	3
<b>SG3:</b>												
Industry:												
Extractive	5	4	22,306	23,373	10%	4,461	5,843	244	318	36%	49	80
Manufacturing	4	4	3,624	5,081	40%	906	1,270	155	218	41%	39	55
Service	12	11	6,257	7,735	24%	521	703	341	505	49%	28	46
Business Community:												
Chinese	8	6	5,083	4,312	8%	635	719	101	127	44%	13	21
European	10	10	24,734	28,956	17%	2,473	2,896	510	745	46%	51	75
Multinational	2	2	665	754	13%	333	377	67	90	34%	34	45
Miscellaneous	1	1	1,705	1,458	-14%	1,705	1,458	62	79	27%	62	79
<b>SG2:</b>												
Industry:												
Extractive	0	0	-	-	-	-	-	-	-	-	-	-
Manufacturing	5	4	1,657	1,415	-9%	331	354	55	56	27%	11	14
Service	11	9	3,615	842	6%	329	94	77	76	13%	6	8
Business Community:												
Chinese	10	9	1,771	1,404	20%	177	156	72	67	-4%	7	7
European	2	2	314	328	4%	157	164	12	17	42%	6	9
Multinational	1	1	197	418	112%	197	418	7	22	214%	7	22
Miscellaneous	1	1	90	107	19%	90	107	9	12	33%	9	12
<b>SG1:</b>												
Industry:												
Extractive	5	3	1,469	989	4%	294	330	19	17	31%	4	6
Manufacturing	11	8	1,633	2,261	54%	148	283	49	69	57%	4	9
Service	16	12	2,103	983	3%	131	82	64	69	30%	4	6
Business Community:												
Chinese	28	19	4,660	3,673	27%	166	193	105	109	35%	4	4
European	3	3	330	425	29%	110	142	25	44	76%	8	15
Multinational	0	0	-	-	-	-	-	-	-	-	-	-
Miscellaneous	1	1	215	135	-37%	215	135	2	2	0	2	2
<b>Total Industry</b>												
Extractive	16	12	106,147	101,789	3%	6,634	8,482	1,236	1,172	10%	77	98
Manufacturing	26	22	11,914	14,614	25%	458	664	693	872	29%	27	40
Service	56	49	20,175	20,594	27%	360	420	1,068	1,630	53%	19	33
<b>Total Business Community</b>												
Chinese	51	39	12,280	10,425	12%	241	267	357	404	27%	7	10
European	27	26	105,744	107,714	7%	3,916	4,143	1,657	2,041	36%	61	79
Multinational	14	14	15,289	16,425	7%	1,092	1,173	875	1,119	28%	63	80
Miscellaneous	4	4	2,023	1,724	-15%	506	431	76	96	26%	19	24

(i) Only companies who replied on both occasions are included in this calculation.

The summary figures for the business communities draw attention to the very different scales on which European and Chinese companies operate. In 1975 the average European company in the sample had 4,143 employees and 79 managers and the average Chinese company only 267 employees and 10 managers. However, there was a higher proportion of managers to labour in the Chinese companies - 1:27 compared to 1:52 in the European companies, and a particularly high ratio of 1:15 in the multinational companies. This last figure suggests a particularly high degree of capital intensiveness, whilst the figure for the European companies is influenced by the presence of the larger extractive companies in this group. The extractive industry is by far the most labour intensive, with a ratio of 87 employees per manager, compared to 22 in the service industry and 17 in manufacturing - the sector in which one would expect to find the greatest capital intensity.

In discussing management development in Malaysia it is essential to bear in mind these enormous differences in scale, rates of growth, and management/labour ratios between the various industries and business communities.

#### PATTERNS OF MANAGEMENT DEVELOPMENT

In order to assess the scale on which companies are developing their managerial cadres, the normative model discussed in Chapter 2 was used, although very flexibly. Four criteria were chosen which, it was hypothesized, would be minimally affected by size, industry and ownership. These were: the company's overall approach or attitude to management development; its method of appraisal; its training programme; and its on the job training methods. Companies were rated on a scale of 1 to 3 for each criterion. This was relatively crude but it was the greatest degree of discrimination that could be made, given the very great differences in the level of sophistication of the companies concerned. Table 7.4 summarizes the various ratings. By adding the four ratings given to a company a score is arrived at that represents the level of management development in the company.

Table 7.4  
Definition of Management Development Ratings

Aspects of a Management Development Programme	Ratings		
	3 (high)	2	1 (low)
Approach	<ul style="list-style-type: none"> <li>- is aware of the importance of developing managerial resources</li> <li>- can articulate a company policy of management development</li> <li>- estimates future manpower needs and recruits and develops managers to meet those needs</li> </ul>	<ul style="list-style-type: none"> <li>- can articulate a training policy but lacks the wholistic concept of management development</li> <li>- does only the rudimentary amount forward manpower planning</li> </ul>	<ul style="list-style-type: none"> <li>- is not aware of the possibility let alone the importance of developing managerial resources</li> <li>- does not estimate future manpower needs</li> </ul>
Appraisal	<ul style="list-style-type: none"> <li>- at regular intervals appraises the performance of its managers against pre-established objectives and provides feedback to the manager for correction and improvement of performance</li> </ul>	<ul style="list-style-type: none"> <li>- sets no performance objectives for its managers</li> <li>- appraises managerial performance but provides no feedback to the manager himself</li> </ul>	<ul style="list-style-type: none"> <li>- sets no performance objectives</li> <li>- does not appraise managers' performance</li> </ul>
Training Programme	<ul style="list-style-type: none"> <li>- regularly assesses the training requirement of each manager</li> <li>- plans training experiences accordingly</li> </ul>	<ul style="list-style-type: none"> <li>- has no means of systematically assessing training needs</li> <li>- training is poorly planned and inadequately integrated into career development</li> </ul>	<ul style="list-style-type: none"> <li>- no assessment of training needs</li> <li>- no planned training experiences</li> </ul>
On the Job Training	<ul style="list-style-type: none"> <li>- analyses the skill requirements of each job</li> <li>- arranges a series of planned learning experiences designed to result in mastery of these skills</li> </ul>	<ul style="list-style-type: none"> <li>- no analysis of skill requirements</li> <li>- minimal planning of learning experiences</li> </ul>	<ul style="list-style-type: none"> <li>- no analysis of skill requirements</li> <li>- unplanned learning usually by watching others do the task</li> </ul>

Figure 7.1 Percentage Distribution of Scores on Management Development

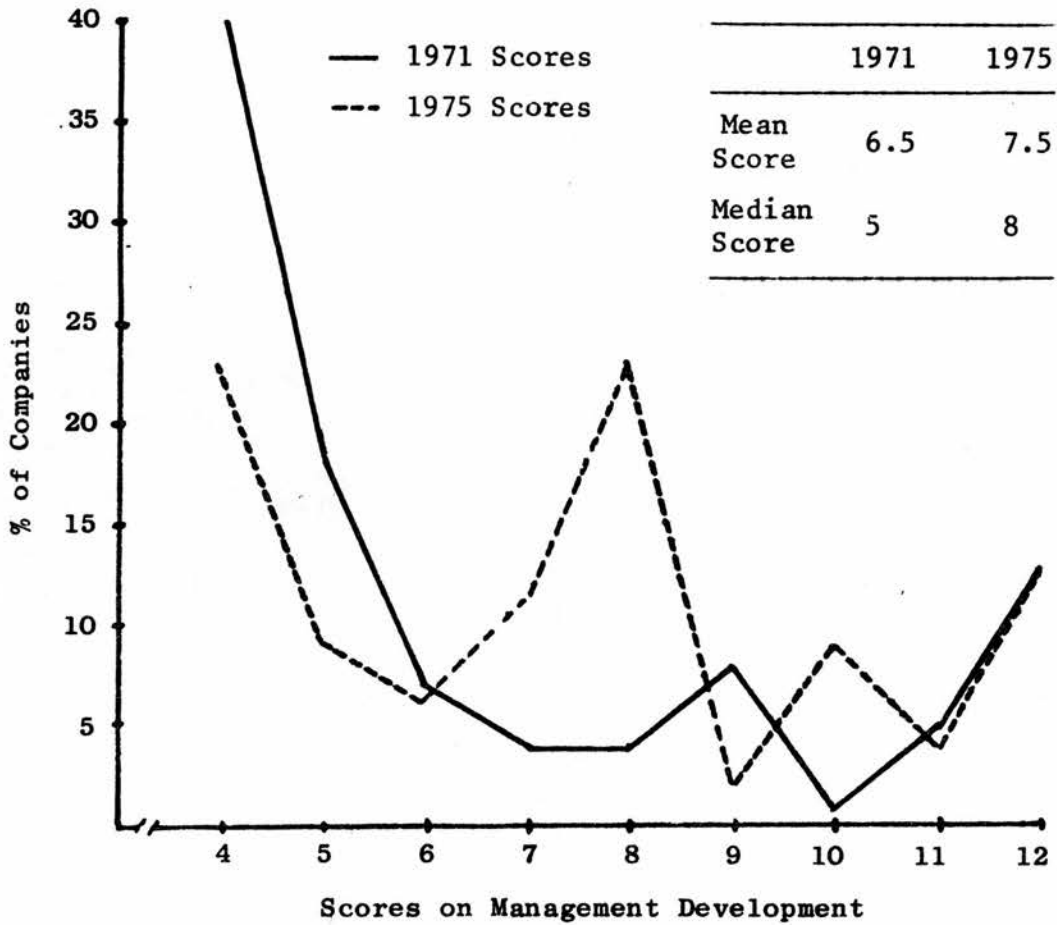


Figure 7.1 presents the totals in graphical form for both 1971 and 1975. It should be borne in mind that the 1975 picture is based only upon 50 per cent of the original sample. While there is a clear improvement in the practice of management development between 1971 and 1975, nonetheless, the degree of improvement is not very great: the mean score has only increased from 6.5 to 7.5 although the median has increased from 5 to 8. However, these totals are influenced by the fact that slightly under 50 per cent of the companies in SG1 and 2 were reinterviewed since many of them had either gone out of business or did not respond. As a result the degree of improvement shown in Figure 7.1 is slightly overstated. Figures 7.2 to 7.5 present this data by size group.

In the largest companies there was movement towards the centre of the range (Figure 7.2); that is, more companies were involved in developing their managerial staff, but fewer were doing it well. In fact, the median score for companies in SG4 went down from 9 in 1971 to 8 in 1975. Nonetheless these are still the companies doing most. Generally, they can articulate a clear management development policy and most of the chief executives appeared to take the task very seriously. Indeed, in just under half of the companies there was a training manager specifically responsible for management development. There is also regular appraisal of managers' performance often using standardized appraisal forms stressing relatively objective criteria. Training appears to have become less well planned and integrated into career development but some companies were taking steps to revitalize their training programmes.

Figure 7.3 presents the distribution of totals in SG3. Improvement amongst these companies has been negligible: the median score has moved from 7 in 1971 to 7.5 in 1975. This is likely to be related to the unfavourable investment climate at the time, and yet it is surprising given the very rapid growth in the managerial cadres of companies in this size group. Management development in this group often consists of brief periods of training organized on an ad hoc basis. There is usually a system of regular management appraisal but in most cases this is confidential rather than being used to help and guide managers in the improvement of their performance.

Figure 7.2 Percentage Distribution of Scores on Management Development - SG4

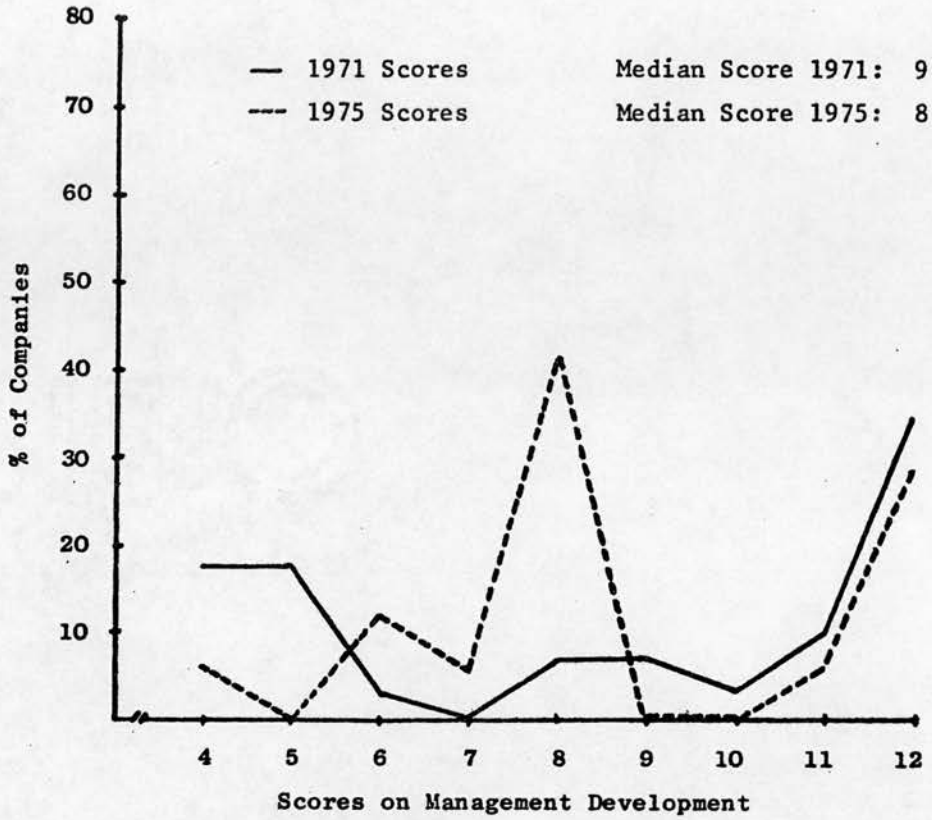


Figure 7.3 Percentage Distribution of Scores on Management Development - SG3

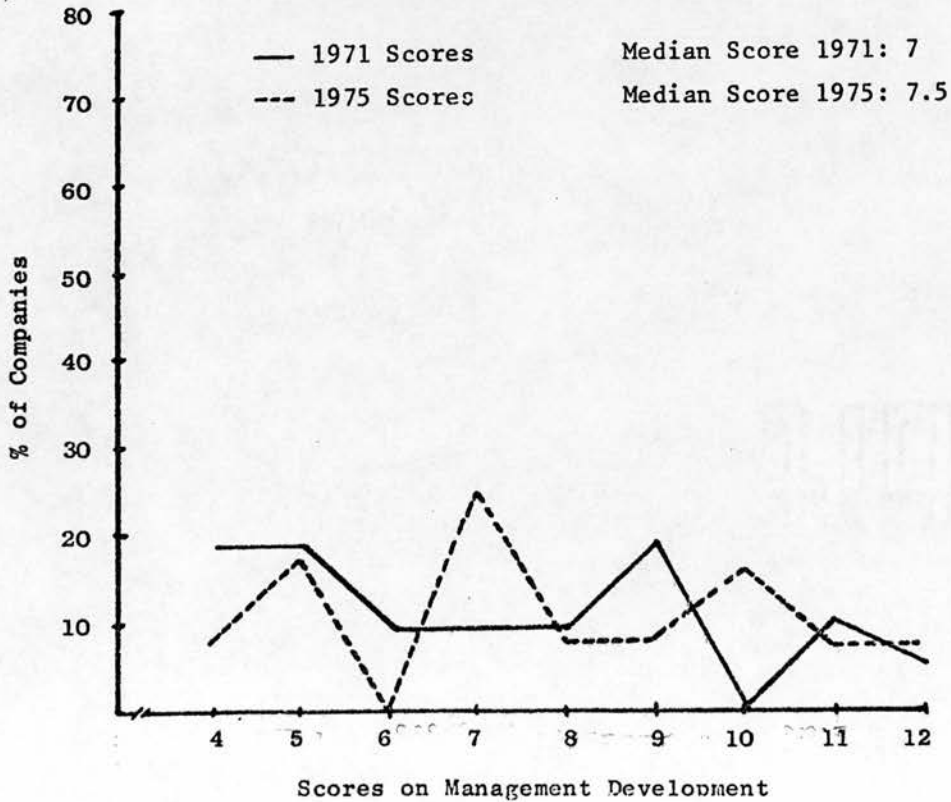




Figure 7.4 Percentage Distribution of Scores on Management Development - SG2

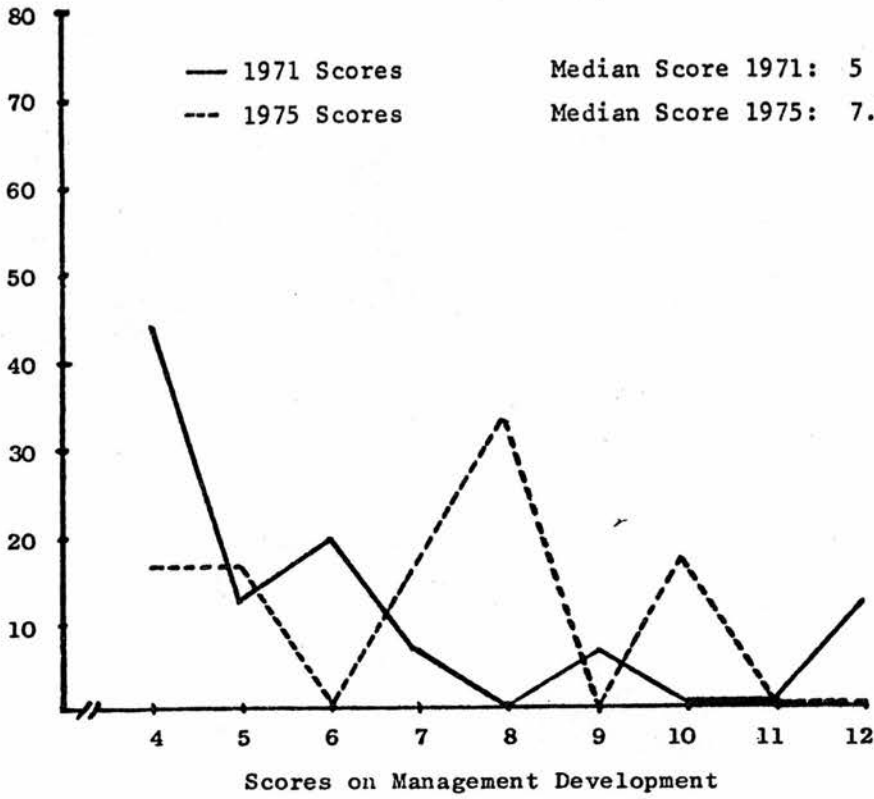
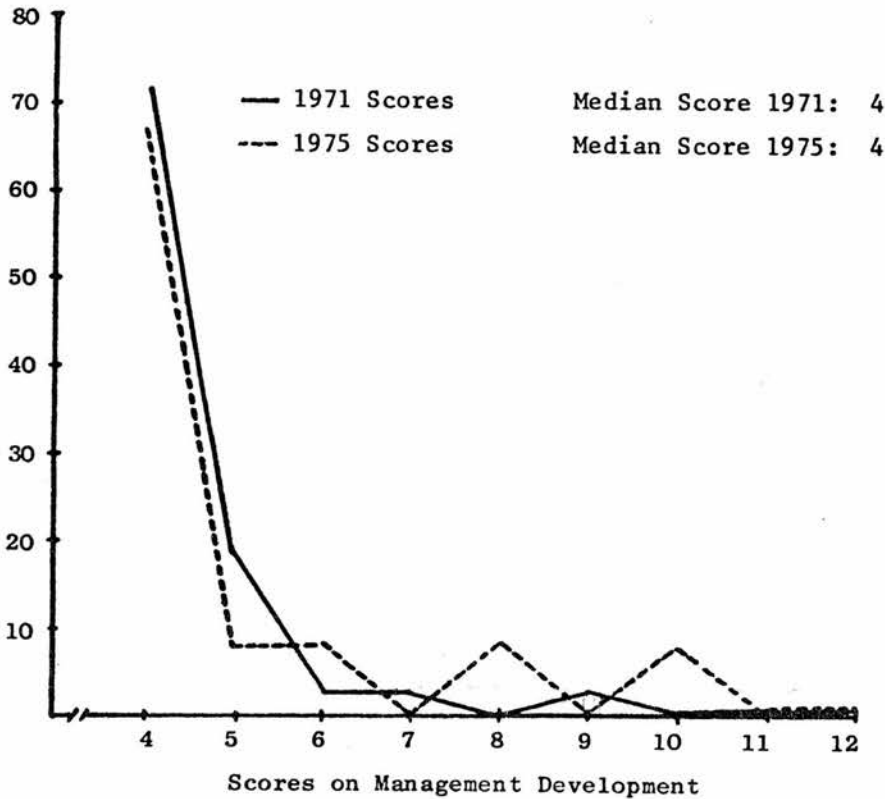


Figure 7.5 Percentage Distribution of Scores on Management Development - SG1



Companies in SG2 are the one group showing considerable improvement (Figure 7.4) - a rather contradictory picture given the drop in employment in this size group. The median score has gone up from 5 in 1971 to 7.5 in 1975. This is not to say that the overall level is high: reference to Table 7.4 will show that a total of 7.5 indicates only the beginnings of a management development programme. Nonetheless, there was marked interest in training particularly in the small manufacturing companies.

Among companies in SG1 there were a number of casualties of the recession. However, the bulk of companies in SG1 were substantially unchanged, being small entrepreneurial establishments, frequently family businesses, minimally concerned with management development in the usual sense of the word. Their emphasis is rather on a sound education for their children who will probably become the future managers of the company.

These graphs provide a general picture of the practice of management development. More specific information is gained through a close study of the components of a management development programme. Since patterns of management development tend to be determined as much by industry and business community as size, these factors will be considered together.

#### APPROACHES TO MANAGEMENT DEVELOPMENT

In the course of the interviews various component parts of a possible management development model were explored; the first of these was the overall approach and attitude of the company to management development.

Twenty three of the twenty five companies in SG4 were either European or multinational. Most of them had been in Malaysia for some time and some of the agency houses dated from the end of the nineteenth century. The need to Malaysianize the management cadre had forced these companies to concern themselves with management development, and some of them readily admitted that prior to Malaysianization virtually no thought had been given to the matter so that many of the old agency houses and management agents, management was almost entirely expatriate up until the mid-50's, and in some

cases the mid-60's. However, in both the important planting and the mining industries Malaysianization agreements were concluded with the Government allowing for a relatively slow run down of expatriate management.<sup>7</sup> This was particularly the case in the tin mining industry which could argue with good reason that there were very few Malaysian mining engineers. An aspect of the Malaysianization agreements was the companies' provision of scholarships to prepare suitable Malaysian management recruits. Trading firms on the other hand have had to Malaysianize rapidly. As one company chairman explained, when they did this they went to the largest, best educated, most sophisticated reservoir of potential managers - Singapore, which between 1963 and 1965 was part of Malaysia. The result was that they Malaysianized almost entirely with Chinese Malaysian managers and this has now created fresh problems with the recent insistence on racial balance in management.

The multinational companies spend by far the most time, attention and money on management development. In many of them it is a line management responsibility and forms part of an international policy of management development in the company. However, many of them took it beyond the stage of mere policy: of all the chief executives interviewed it was those from multinational companies

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7 Silcock, explaining this, wrote in 1963: "It must be appreciated that the rubber and tin industries in Malaya were built up under a colonial regime, and their directors and shareholders might well react nervously to any interference. The government is well aware that excessive dependence on one or two export crops makes the economy very vulnerable; but it is unwilling to act vigorously to overcome this vulnerability, and believes that minor interference, if it led to capital flight could do more harm than good. The agency houses, which control so much of Malaya's rubber, tin and trade, are therefore subjected to very little pressure to build up effective local management or control." T.H. Silcock "Communal and Party Structure," The Political Economy of Independent Malaya. T.H. Silcock and E.K. Fisk, eds., p. 25.

Since the NEP this has changed, however, it accounts for the continued presence of a relatively high proportion of European managers in the tin and rubber industries.

that showed the most concern for and had given the most thought to, the development of their managerial staff. They clearly considered it a vital factor in the overall success of their company and this was reflected in every aspect of their management development programmes. Careful manpower planning is practised - in the case of senior managers as much as 10-15 years ahead - and the manager undergoes a programme of development tailored to his needs and career potential. However, not all multinational companies plan so carefully; the scale of the operation appears to have some bearing on the company's approach. A number have small subsidiaries in Malaysia and in these the international company's management development philosophy may not be fully implemented. While all can draw on the considerable expertise available at head office, in a few cases this was not used. Indeed, it was interesting to see how much influence a particularly enthusiastic chairman or training manager had: in a number of cases the reduction in a company's management development activities appeared to be closely related to the departure of a particular person.

The extractive companies - tin, rubber or oil palm - had a very similar approach to management development. They sought to recruit a man with the most suitable qualifications for the job, during the first few years required him to pass professional examinations - the dredgemaster's certificate or the Incorporated Society of Planters (ISP) Examinations for instance - and once that initial period of training was over, the development of the manager was left largely to experience. The rubber industry had annual technical conferences organized by the RRIM, (attended by both Chinese and European planters), conferences that clearly made a very important contribution to keeping the industry up to date. However, there appeared to be very little attention given to the development of managerial skills in these industries, despite the large numbers of managers involved, and the tremendous pressures to improve efficiency. Indeed, in both industries there has been a drop in the number of managers employed per acre, or per mine, increasing the degree of responsibility of each manager. The reason for the

apparent lack of management development in the planning industry was that experience was considered to be the most important factor in making a manager in such a highly labour intensive industry. However, one suspects that these industries are also strongly affected by the natural conservatism of long established successful industries and are reluctant to change to new ways that may not seem immediately applicable. They have tended to be paternalistic, in the most positive, as well as in a rather negative way, and in the very isolated conditions under which managers work in this mixture of experience and paternalism, reinforced periodically with a conference on the most up to date developments in the industry, has proven reasonably successful.

The manufacturing industry divided itself into two parts, the Chinese companies largely in the older, more labour intensive industries, and the European and multinational companies usually in the newer, more capital intensive ones. The latter group tended to be particularly concerned with the technical development of its management. While new manufacturing concerns can bring in expatriates to help establish a factory they are required to phase out all foreign experts except for 'key posts' within the first few years. There is therefore a great deal of emphasis on the rapid development of local managers with the technical skills required. Even in the more established manufacturing concerns there was a natural bias towards technical training. However, some of the multinational companies had reached the stage where they could also turn their attention to the development of management skills. The success of their approach is indicated by one researcher's finding that in the Malaysian manufacturing industry size of operation as measured by number of employees has "a favourable impact on efficiency as measured by capital utilization...probably because large establishments enjoy technological and management economies of scale."<sup>8</sup>

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8 D.Lim, "Capital Utilization in West Malaysian Manufacturing".  
p.34.



The wholesale trade was very well represented in the sample and reflected the picture presented in Table 5.8: there were general wholesalers - usually agency houses - car dealers, and a very large number of small Chinese rubber traders - and here small refers only to the size of the management and not to turnover. In this industry there seemed to be a general consensus between European and Chinese firms in their attitudes to management development: namely, that it was of little importance, an ability to sell could not be taught, experience was the most important factor and managers learnt as they went along. There is fierce competition in the wholesale and retail trade and profit margins are often very small, as a result training tends to be considered a luxury that can be dispensed with. (The only exception is product knowledge and both Chinese and European companies send their staff to visit principals where it is necessary to learn about new products.) The result of this sort of attitude is the situation one firm found itself in wishing to adopt a more progressive approach and diversify into new fields but finding the old staff unadaptable, they were forced to bring in new staff with a fresh outlook.

By far the greatest proportion of Chinese companies were in the service industry, as traders and middlemen. In such companies there is no investment appraisal or forward planning, and they work with virtually no capital making their money by buying on credit. They sell the goods, use the money so gained for the period of credit, often doubling it and more, and then repay the initial debt. They make money particularly out of the fluctuations in price of certain commodities, and as speculators and gamblers take each opportunity as it comes. Since a Chinese businessman can only make money if he has a good credit rating his relationships within his community are extremely important. It was for these reasons that experience was considered to be the key element in the development of a manager - to acquire a 'feel' for the market, and to establish one's credentials within the community. Because little capital is required to do business a Chinese company tends to be very flexible and may become involved in all sorts of different activities. Chinese companies were said to be able to operate where European companies could not because they dispensed with all the frills



especially in terms of highly paid, highly trained managers. Formal management development not only seems to be irrelevant to such companies, it seems to run counter to their business interests.

An aspect of the Chinese business community that affects its attitude towards management development is its conservatism and introversion. It is subdivided into closely knit, often clan-based, industrial groups. This has been a form of protection in a country in which in the past they were not deemed to be entitled to a permanent place. In the present the Government's policy of discrimination in favour of the Malays, operates against those who are not Malays, and the Chinese with their dominant position in the low technology service and manufacturing sectors are a prime target. This threat makes their closely knit industrial groupings even more important for they are almost the sole means of protection the Chinese have. Despite the flexibility of Chinese companies in business these groupings tend to have a powerful conservative influence on the management style or philosophy of Chinese companies, since they need the trust and co-operation of their fellow companies in order to operate in an increasingly difficult environment and a change of management philosophy would threaten that.

Rubber traders, seemed to epitomize the conservative Chinese approach to management, believing in no form of management development other than long experience of the trade. Forward planning was ruled out they said, by the unpredictability of the market and the uncertainties of the political situation in Malaysia. They form a closely knit, business enclave almost all of whom are Chinese, and the great majority are Hokkien. It is an enclave bound by tradition with a dislike for strange, new methods. As one trader said, "No one ever talks about management things", and to do so would be to incur the distrust of the community. He described how he had learnt the trade as a child spending half a day at school and the other half of the day in the shop working. During the vacations his father introduced him to other rubber dealers and on leaving school he entered the business.

Over half the Chinese companies in the sample were family firms and this strongly affected their management style, authority

tending to be centralized in the senior family member. A Chinese businessman explained, "Business means making money and making money means decision-making." It is thus the crux of business activity and cannot be delegated; the fact that the welfare of the family is at stake reinforces this. On the other hand, it was sometimes felt by the younger generation that this degree of centralization stood in the way of change and adaptation.

Studies of the Chinese firm carried out in Hong Kong and Singapore have also found it is characteristically autocratically managed with a very high degree of centralization of decision-making and consequently very little consultation with junior managers.<sup>9</sup> Status differences are strongly emphasized and deference shown accordingly. "Chinese subordinates are said to pass responsibility up the line...to bow quickly to authority...studiously to avoid conflict...rarely to assume initiative."<sup>10</sup> This situation cannot be conducive to the development of management skills and the Chinese company does not give much thought to management development.

This leads to a further characteristic of Chinese companies: they tend to lose their most promising managers. When a company employs non-family members as managers, generally without executive authority, the most enterprising young managers will seek to train themselves and as soon as they have learned as much as possible, they will set up on their own. Chinese were said to prefer being their own bosses. As a result those who stay are likely to be the less dynamic, less able, individuals whose example only serves to reinforce the chief executive's resistance to delegation. It also explains the complaint of Chinese firms that, "if you train them they will leave". Where the Chinese company succeeds in developing managers it does so by providing a few men from the right family, men with the early character training and general background to suit

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9 F.C.Deyo, Decision-Making and Supervisory Authority in Cross-Cultural Perspective. pp. 5-6.

10 ibid., pp. 6-7.

them to business, with an opportunity to prove themselves in the family company.

In the Chinese business community as a whole there was constant insistence on the key role of experience in the development of a manager, coupled with a scepticism towards "book knowledge". This is, of course, fairly characteristic of the small firm and the same attitudes tend to be expressed by small British firms. In the case of Chinese firms it seemed to be a barrier to further development. There was general recognition that where the younger generation had acquired a polytechnic or university education they would be unwilling to return to such a firm, for the salary offered would be too low, and they would not fit in. Indeed it was said that because in a Chinese company there is a great deal of hard work for comparatively meagre rewards parents try to give their children a Western education so that they will not need to work for such a company, and they will be able to get a position in a European company or become self-employed professionals. Where young family members had returned to the family firm after receiving a higher education through a sense of obligation or the insistence of the family, they felt an acute sense of frustration at the resistance to change, at the traditional, intuitive style of management, and at their own lack of executive authority, a frustration that came across clearly in the interviews. With the brightest and most enterprising individuals tending to leave, the future of this type of small, conservative, family firm is fairly bleak.

In Chinese firms the requirement for technical expertise are usually limited. Of the 54 Chinese companies in the sample, 30 were in the service industry, 14 in manufacturing and 7 in the extractive industry. Those in manufacturing tended to use relatively simple forms of technology - light engineering firms, sawmills, and biscuit factories, for example. Where greater technical expertise was required, for instance in more modern manufacturing operations, Chinese companies were pragmatic and trained their managers in the appropriate skills. Although little attention was given to managerial skills these companies appeared to be more adaptable and

open to change, less hide-bound by tradition than those in the older industries.

The comments of a small local manufacturer of cement products summarize the attitude of the Chinese businessman:

In my particular line we have so many small things and products to consider - our products are not standardised and each client always insists on his own specifications and design. It is impossible to use any sophisticated production methods. I stick to the methods I have devised through trial and error.

Further I have been making money all along and am in a position to compete effectively with a big public company manufacturing similar products and utilising so-called modern management techniques. There is no necessity for me to change and run the risk of a loss through introducing ideas which are theoretically sound but costly to implement.

My clients are usually contractors - you cannot deal with them like the way you deal with big modern business. Our relationship is based on trust and we cannot expect to demand collateral or to examine their credit standing or the viability of the project.

Moreover, I am so busy that if I were to spend my time working on costly information systems, profit planning, idealistic optimal solutions, and attend all the management courses and seminars conducted by management theorists with strings of qualifications but hardly any practical experience, I would have no time left for making a profit. These big ideas, which may be applicable to the large Western corporations, are not necessarily applicable <sup>11</sup> to local firms, particularly small businesses.

As these remarks make clear, the lack of emphasis this Chinese company has placed on management development has not deterred it from making a handsome profit. Indeed the neglect of management training has tended to make economic sense. The same can be said for technical training: with cheap labour the Chinese company can afford

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11 Quoted in Lam Hee Thong, "High Productivity and Poor Working Conditions," Malaysian Business, August 1976, p. 41.

to pay little attention to technical efficiency.<sup>12</sup> One researcher found,

...small industry...suffers from a variety of...problems such as out-moded techniques of production; ineffective marketing organisation; poor quality of product; and inefficient management.<sup>13</sup>

Yet it has continued to make a profit and to claim a substantial share of the local market. However, if this has been the case in the past it is not likely to be so in the future as companies become increasingly export oriented and have to compete in terms of quality of product and efficiency in the international market.

The Indian business community is relatively small and has not been singled out for close study. Only three Indian companies appeared in the sample and those three were very similar in their approach to management development to the Chinese companies. Two of the three were family companies and had the same firm, autocratic form of management to be found in Chinese companies and all of them put a great deal of emphasis on experience and hard work in making a manager. All three were in the service industry and had little need for technical training, while management training was considered unnecessary.

#### Recruitment Patterns

The sources from which companies in the sample drew their managers and the criteria they used for selecting them reflected their overall attitude to management development, and the constraints under which they operate. Table 7.5 presents the recruitment figures for 1971 and 1975 broken down by size group. In both years the larger companies were responsible for the bulk of recruitment: in 1971 recruitment into SG3 and SG4 accounted for 95 per cent of total management recruitment in the sample and in 1975, 85 per cent.

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12 Papanek found the same situation amongst the entrepreneurs in Pakistan. G.F. Papanek, Pakistan's Development, Social Goals and Private Incentives. p. 62.

13 Cheng Peng Lim, "Small Industry - its role in the industrial development of the Malaysian economy," Paper given at Third Convention, Malaysian Economic Association, 1976, p. 35.

Table 7.5

Recruitment - by Size Group  
(Percentages are in Brackets)

Sources of Recruitment	No. of Recruits - 1971					No. of Recruits - 1975				
	SG4 n=28	SG3 n=19	SG2 n=13	SG1 n=23	Total n=83	SG4 n=28	SG3 n=19	SG2 n=13	SG1 n=23	Total n=83
Non-managerial Grades	80 (33%)	30 (23%)	6 (40%)	2 (40%)	118 (30%)	70 (21%)	37 (26%)	15 (38%)	6 (25%)	128 (24%)
Private Sector	78 (32%)	47 (36%)	5 (33%)	2 (40%)	132 (33%)	115 (35%)	58 (41%)	21 (54%)	15 (63%)	209 (39%)
Public Sector	25 (10%)	14 (11%)	1 (7%)	1 (20%)	41 (10%)	46 (44%)	17 (12%)	3 (8%)	1 (4%)	67 (12%)
School	0	0	0	0	0	1 (0%)	1 (1%)	0	0	2 (0%)
Technical College	24 (10%)	11 (8%)	0	0	35 (9%)	22 (7%)	8 (6%)	0	1 (4%)	31 (6%)
University	37 (15%)	30 (23%)	3 (20%)	0	70 (18%)	79 (24%)	22 (15%)	0	1 (4%)	102 (19%)
Total	244 (100%)	132 (100%)	15 (100%)	5 (100%)	396 (100%)	333 (100%)	143 (100%)	39 (100%)	24 (100%)	539 (100%)



The smallest companies have very small stable managements and recruitment of a manager into any one company tends to be an infrequent occurrence, witness the fact that in 1971 the 32 respondent companies in SG1 recruited only 5 managers, equivalent to 4 per cent of their managers. By 1975 this picture had changed with the 23 respondent companies in SG1 recruiting 24 managers, or 15 per cent of their managerial cadre. It is in sharp contrast to the companies in SG4 which recruited an average of 8 managers per company in 1971 and 12 in 1975, equivalent to 12 per cent of the cadre in 1971 and 14 per cent in 1975. Because they recruit more managers on a regular basis the larger companies have a planned approach to recruitment. They normally advertise, in some cases test the ability of candidates, and interview them either with a panel of the key people involved in the post or by a succession of these. They often maintain special contacts with universities both in Malaysia, and occasionally abroad, in order to recruit the best new graduates, and in many cases offer scholarships in the technical areas the industry requires to ensure a supply of suitably qualified recruits.

Smaller companies on the other hand almost never advertise. Because the management cadre is so stable they feel they are recruiting someone for life and because these are usually family companies they only want to recruit people with whom the family can get along, or who will fit in with the very small management groups. As a result recruitment is almost entirely by personal recommendation and selection by a very brief interview. Table 7.6 summarises this picture in terms of the scores companies received on their recruitment and selection practices.

The method of recruitment affects the sources from which managers can be drawn. The larger companies draw roughly a quarter of their management recruits from university or college. Indeed in SG4 the proportion from these two sources increased from 25 per cent in 1971 to 31 per cent in 1975. The other main sources of recruitment were non-managerial grades and the private sector. In the largest companies promotion from non-managerial grades tends to be part of a company policy of management development that includes promoting able staff from supervisory level. Some of the largest

Table 7.6  
Recruitment and Selection

		No. of Companies with Each Score		
		3 (High)	2	1 (Low)
SG4	1971 n = 29	15	9	5
	1975 n = 16	11	4	1
SG3	1971 n = 21	9	9	3
	1975 n = 12	5	5	2
SG2	1971 n = 16	4	4	8
	1975 n = 8	2	5	1
SG1	1971 n = 32	3	5	24
	1975 n = 11	2	3	6

#### Rating System

##### a) Approach and Policy

- 3- systematic recruitment to meet predetermined needs of company; clearly articulated recruitment policy; source of recruitment decided in relation to skill requirements;
- 2- ad hoc recruitment as posts fall vacant related though not always identical to skill requirements for the job (i.e. no job analysis); only a hazy recruitment policy;
- 1- recruitment with no special reference to skill requirements limited to friend and relatives.

##### b) Selection Procedures

- 3- objective, standardized (possibly by tests, interviews etc.) geared to pre-established skill requirements for the job; aptitude tests considered for selection of Malays below generally accepted level;
- 2- strong subjective component, personality criteria; little standardization; roughly related to needs of job;
- 1- almost entirely based on personality and/or relationship, unrelated to requirements of the job.

##### c) Validation

- 3- careful systematic validation of recruitments and selection criteria;
- 2- awareness of importance of validation and some attempt made to do this impressionistically;
- 1- no thought given to validation of recruitment and selection criteria.

companies like to develop managers in the company culture and, therefore, either to promote from within or to recruit direct from university and develop a man throughout his career. Nonetheless, the private sector was the single largest source of recruitment both in 1971 and in 1975, for almost every size group. A number of companies mentioned the problem of other companies poaching management staff and this trend seems to have increased slightly from 33 per cent of total recruits in 1971 to 39 per cent in 1975. Along with this has gone a slight decrease in the proportion of managers being promoted from the ranks, from 30 per cent of total recruits in 1971 to 24 per cent in 1975. Although these figures are far from startling they do hint at a possible slackening of interest in management development. The public sector on the other hand is a relatively minor source of recruitment, indeed many companies complained that they kept losing staff to the public sector.

Smaller companies had no time for university graduates, who they considered too theoretical and insufficiently practical. They also admitted that few university graduates would be attracted by the pay and working conditions in a small company. Hunter records:

...as I was forcibly told in Singapore, small employers in countries that make their way in an intensively competitive world by cheap labour drawn from a poor population simply cannot afford to employ the Rolls Royce technicians, they pick up a handyman who has some experience and expect him to "make do and mend" on second-hand obsolescent machinery.<sup>14</sup>

This reflects very well the position of many of the small employers in Malaysia as well.

Because of the importance such companies attached to practical experience and the inability of the company to train management they preferred to recruit management staff from the private sector or non-management grades, who had proven their ability and could go straight to work.

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14 G.Hunter, "Issues in Manpower Policy: Some Contrasts from East Africa and South East Asia," Manpower and Education. F. Harbison and C. A. Myers, eds., p. 342.

Table 7.7 breaks down the recruitment figures by industry so highlighting the differences between the three industrial groups. The attitude of the service industry that no amount of education or training can teach a man to sell is reflected in their choice of management recruits with experience either from non-managerial grades or the private sector. In 1975 while recruitment from the ranks had gone down, recruitment from the private sector had shot up to 51 per cent of the total.

Manufacturing industry with its greater technical requirements recruited roughly a quarter of its staff from university. However, its largest single source was the non-managerial grades and, in contrast to the service industry, the proportion from this source grew between 1971 and 1975, so that by 1975 44 per cent of all management recruits in the manufacturing companies in the sample came from the ranks. The numbers drawn from the private sector, on the other hand, declined to 20 per cent, the smallest proportion of any of the industries. The implication is that manufacturing companies are training and developing their own staff who are drawn from the ranks or recruited from university and either do not have the need or find it unsatisfactory to attract managers from other companies in the private sector.

The recruitment pattern of the extractive industry reflects the emphasis these companies put on recruiting the best qualified people. It drew a higher proportion of its recruits from technical college and university, than either of the other two industrial groups. Indeed, both the tin mining industry and the plantation industry offered scholarships for students to attract them to the industry. The apparent shift towards greater recruitment from university, though, is a result of the upgrading of Serdang Agricultural College to University status. The public sector was a small but not insignificant source of recruitment and in this case particularly ex-police and army officers. Over 4000 servicemen were demobilised in 1972 and the Government provided a scheme of compulsory retraining to prepare them for employment. The plantation industry found the experience in handling people and the discipline of military life fitted such recruits well for the management

Table 7.7  
Sources of Recruitment - by Industry  
(Percentages are in Brackets)

Sources of Recruitment	No. of Recruits - 1971			No. of Recruits - 1975		
	Extractive n=12	Manufacturing n=22	Service n=49	Extractive n=12	Manufacturing n=22	Service n=49
Non-managerial Grades	16 (13%)	35 (37%)	67 (37%)	22 (16%)	55 (44%)	51 (18%)
Private Sector	40 (34%)	29 (31%)	63 (35%)	44 (32%)	25 (20%)	140 (51%)
Public Sector	17 (14%)	5 (5%)	18 (10%)	19 (14%)	13 (10%)	35 (13%)
School	0	0	0	2 (1%)	0	0
Technical College	28 (24%)	0	7 (4%)	13 (10%)	2 (2%)	16 (6%)
University	18 (15%)	26 (27%)	26 (14%)	36 (26%)	31 (25%)	35 (13%)
Total	119 (100%)	95 (100%)	181 (100%)	136 (100%)	126 (100%)	277 (100%)



requirements of estates. It is noteworthy that in this case a particularly small proportion of recruits came from non-managerial grades. This was apparently because such staff lacked the educational and professional background necessary for management.

Turning to the recruitment patterns of the different business communities (See Table 7.8), Chinese companies follow the pattern of SG1, drawing almost all their management recruits either from non-managerial grades or the private sector. This is in keeping with their frequently stated policy of only recruiting people with business experience and in most of these firms recruitment was restricted to relatives and close friends.<sup>15</sup> Since a high proportion of the Chinese companies are trading firms dealing with, at times, substantial sums of money, they feel it is imperative to employ someone who is trustworthy. The criteria mentioned by Chinese companies choosing a manager were trustworthiness, personality and willingness to work hard.<sup>16</sup> They prefer to recruit staff who are Chinese-educated, because, having no English, such recruits can only find employment in the Chinese business sector, where jobs are scarce and depend on knowing someone in industry; consequently the Chinese-educated tend to work harder, for lower pay and are less likely to leave. Indeed Chinese companies tend to capitalize on the educational and linguistic handicaps of their employees. Another factor may well be a cultural one - that those who have been through Chinese schools are likely to have the sorts of attitudes and values best fitted for Chinese business. On the rare occasions when

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15 This pattern of recruiting extends in a modified form to the employment of labour. Siew Nim Chee noted in relation to Chinese tin mines:

"It is a well-established fact that the mine-owner always tends to employ men of his own race or district on his mine. This characteristic feature of the tribal relationship between the miner and his employees has been maintained to this day, and an inspection of the schedules showed definite proof of such a custom." Siew Nim Chee, "Labour and Tin Mining in Malaya," Readings in Malayan Economics. T.H. Silcock, ed., p.420 fn.

16 This emphasis Chinese companies put on trustworthiness and loyalty both in the recruitment and, as will be seen, the promotion of managers, is a characteristic that has been noted by a number of researchers. See F.C. Deyo, op.cit., p. 93.



Table 7.8

## Recruitment - by Business Community

(Percentages are in Brackets)

Sources of Recruitment	No. of Recruits - 1971			No. of Recruits - 1975		
	Chinese n=39	European n=26	Multinational n=14	Chinese n=39	European n=26	Multinational n=14
Non-managerial Grades	13 (52%)	53 (22%)	52 (41%)	26 (47%)	38 (12%)	43 (36%)
Private Sector	10 (40%)	85 (36%)	36 (28%)	22 (40%)	160 (51%)	25 (19%)
Public Sector	0	25 (11%)	14 (11%)	3 (5%)	41 (13%)	20 (15%)
School	0	0	0	0	2 (1%)	0
Technical College	0	35 (15%)	0	2 (4%)	23 (7%)	0
University	2 (8%)	37 (15%)	25 (20%)	2 (4%)	50 (16%)	38 (29%)
Total	25	235	127	55	314	126

when university graduates were recruited they were generally from the University of Taiwan or from Nanyang University in Singapore, both of which teach in the Chinese language. However, professional or academic qualifications were not considered particularly important and ability was seen to be related to diligence and experience.<sup>17</sup> The preference of these companies for promoting from within combined with the fact that most non-management recruits enter with a very limited education has meant that Chinese companies find themselves with poorly educated managers who often only speak Chinese and who feel themselves at a disadvantage compared to managers from foreign firms in taking advantage of publicly available training facilities.

European firms recruited a particularly large proportion of their management staff from the private sector and this became more marked in 1975. The trend is probably linked to the anxiety many of them felt in 1975 which made them reluctant to invest in training staff and more inclined to recruit experienced managers who did not require training.

The multinational companies show a strong tendency to draw managers from non-managerial grades.<sup>18</sup> While in the Chinese companies this was done for the purpose of recruiting an experienced

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- 17 This set of criteria for the selection of managers is again reflected in the Chinese tin industry:  
 "...most of the responsible occupations...are held by men between the ages of forty and sixty. ...The very backbone of the labour force of any mine is formed by their experience, long service with and loyalty to their employers, their industry and clearheadedness as workers, as well as the respect in which they are held by their labourers....The Kepalas, who can make a mine a success or a failure are mostly between fifty and seventy years of age." Siew Nim Chee, "Labour and Tin Mining in Malaya", *op.cit.*, p. 421.
- 18 Referring to both European and foreign firms, the Executive Director of the Malaysian International Chamber of Commerce has noted "... there is a continued preference for recruitment to executive grade through the ranks, especially for those appointments which do not necessarily require professional or tertiary technical qualifications. There is much emphasis on promotion of those with sub-professional qualifications and experience". D.C.L. Wilson, "A Business View of Higher Education in Malaysia." pp.3-4.

and trusted manager, in the multinationals it was to develop men with proven ability and potential, and they were in a favourable position to do this. Compared to other business communities, the multinational companies also draw the highest proportion of recruits from university, and this proportion increased noticeably between 1971 and 1975.

The preference that both the European and multinational companies show for university graduates is interesting. Obviously they wish to choose only people with the strongest professional qualifications. However, they are also selecting those who will have been exposed through higher education to Western attitudes and values, methods of problem solving, and culture generally; that is, people for whom the cultural gap between company and manager will be at a minimum. It is noteworthy that the multinationals are stronger in their preference for university graduates than the European companies: they will have had more experience of recruiting managers in a range of developing countries and so will have a clearer man specification. On the other hand, many of the European companies have been in Malaysia for so long that one might assume that the company culture has been modified by the local culture, the gap, therefore may not be so great and the need for acculturation through higher education, correspondingly smaller.

Companies were asked about their satisfaction with recruits from the various universities and technical colleges. A marked phenomenon was the preference of European and multinational firms for graduates of overseas universities, particularly from Britain, Australia, New Zealand and United States.<sup>19</sup> Although in some cases such recruits were on industry scholarships to obtain a training not available in Malaysia, for example students at the Cambourne School of Mining in Britain, for the most part comments on this preference related not to the specialization or quality of the education but to personality factors. Graduates from such universities were

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19 The planting companies were the exception to this in that they took quite a number of recruits from Indian agricultural universities.

considered to be more mature, more self-confident, and to be better at man management. However, underlying this preference for overseas graduates appeared to be the feeling that prolonged exposure to Western culture meant that they shared a common core culture with the company, and its executives, head office, and principals, and that having one foot still in Malaysian culture they may be able to mediate between the company and its employees more effectively than the graduate of a local university.

Amongst graduates of local universities the greatest number came from the University of Malaya, other universities being so new. The University of Malaya is the oldest and most respected university in the country, and its faculties include a Faculty of Business Administration which comprises seven divisions - Analytical Economics, Applied Economics, Rural Development, Public Administration, Business Administration, Accounting and Statistics. In 1976 the Faculty had 60-70 staff, roughly two-thirds its full complement of 90, and morale appeared low. The rapid build up of the new universities, particularly the Universiti Kebangsaan, had given the impression that the University of Malaya was being neglected in terms of financial resources; for example, the Universiti Kebangsaan was receiving special aid in order to build up its staff by sending them abroad for higher degrees. Government policy towards the use of the Malay language - all courses were meant to be taught in Malay - and towards discipline was said to have taken much of the enjoyment out of teaching.

The principal criticism made of the education graduates of the University of Malaya received was that it was too theoretical. Graduates were said to have a narrow outlook, to be ambitious, rather filled with their own importance, but not able to manage men and to be reluctant to get their hands dirty. It was said that they were attitudinally not prepared for the commercial world. A few companies appreciated that it was the quality of the recruits rather than the immediate relevance of their education that was most important and in 1972 the quality of engineering and accountancy graduates was particularly commended.



Other sources of recruitment included the Universiti Pertanian, Universiti Teknologi, Military College, and ITM. (ITM and the Universiti Kebangsaan being primarily Malay institutions will be dealt with separately in Chapter 9.) Very few of the companies in the sample had experience of students from the Universiti Sains Penang since it was started only in 1969, however, those that had - usually for vacation training - voiced reactions similar to those to the University of Malay students: that while the education was sound students were unwontedly sure of themselves.

An important source of recruitment for the plantation industry is the Universiti Pertanian, formally Serdang Agricultural College. Courses there are specifically geared to the needs of the industry and comment was generally favourable, with graduates said to have a sound, practical training. Graduates from the Technical College, now the Univesiti Teknologi, were also well regarded as having a good, practical technical training, but the bulk of them went into Government employment. The Military College was another source of recruitment mentioned as producing well disciplined and highly adaptable graduates.

There were areas where there was clearly a shortage of suitably trained candidates to recruit. This seemed to be particularly the case at the supervisory level,<sup>20</sup> and in the scientific and technical fields especially amongst Malays. The Government has recognised its role in solving this mis-match between supply and demand:

The challenge will be to equip them /i.e. Malaysian youth/ through education and training to participate productively in the agricultural and industrial development of the country. To this end, education and training in the sciences, technology and business management will require much more emphasis.<sup>21</sup>

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20 David Lim, in a report on the manufacturing industry in Peninsular Malaysia, found the shortage of supervisory staff was such that it was an important factor contributing to the underutilization of capital in the industry. D. Lim "Capital Utilization in West Malaysian Manufacturing." p. 51.

21 TMP. p. 41, para. 149.

### Succession Planning and Promotion

Relatively few companies had the sort of succession plan that enabled them to plan the development of managers to fill future posts. Table 7.9 summarizes the scores companies received on succession planning. Those that were most active in this area were once again the largest companies, and their scores actually improved between 1971-75. One of the main reasons for the careful planning that goes on in these companies is the fact that they have to plan for Malaysianization, and now, racial balance in management. Some of the companies in SG2 and SG3 were relatively new and succession planning was, reasonably enough, not seen as a priority with a young management group. Amongst the Chinese family companies succession planning was an internal family affair and in a few cases it was considered bad luck to plan for succession until after the death of the head of the firm. In the planting industry it seemed superfluous in a situation where there was virtually no growth and many experienced, competent managers. In the large tin companies the uncertainties of the political situation as well as the depletion of tin reserves made it difficult to plan in the long term and so to plan for succession.

Systematic training for succession was uncommon because most training was ad hoc and related to specific technical skills rather than to the long term development of managers. In a few small companies where individual managers could be given a lot of attention ad hoc training for succession appeared to be successful.

Promotion was an aspect of succession that was explored. With the exception of Malay managers, who will be dealt with separately, the European and multinational firms promoted almost entirely on the basis of performance. However, a number of these companies mentioned that local managers preferred to have age and seniority<sup>22</sup> taken into account and the older European companies did

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22 Deyo's work suggests that seniority is an important factor in promotion in Chinese firms, although it was not mentioned by the companies in the sample. This may account for the preference on the part of local managers. F.C.Deyo, op.cit, p. 91.



Table 7.9  
Succession Planning

Size Group		No of Companies with Each Score		
		3 (high)	2	1 (low)
SG4	1971 n=29	9	10	10
	1975 n=16	7	7	2
SG3	1971 n=21	4	8	9
	1975 n=12	0	6	6
SG2	1971 n=16	2	6	8
	1975 n= 8	1	4	3
SG1	1971 n=32	0	7	25
	1975 n=11	1	3	7

Rating System:

1) Succession Plan

- |        |   |   |   |
|--------|---|---|---|
| Scores | 3 | - | Existence of a succession plan that takes into account expansion plans of company, future requirements, and resources of skilled manpower so that no top post could fall vacant without a person prepared to fill it. |
|        | 2 | - | Informal, rough and ready succession planning that guarantees no top job will fall vacant but does not necessarily take full account of detailed skill requirements of the job.                                       |
|        | 1 | - | <u>Ad hoc</u> succession with no forethought or planning.   |

b) Promotion Policy

- |        |   |   |  |
|--------|---|---|--|
| Scores | 3 | - | Clearly articulated, based on proven performance, impartial.   |
|        | 2 | - | Understood, though at times arbitrary, related to performance but not entirely objective or impartial. |
|        | 3 | - | Largely arbitrary, based primarily on relationship/friendship.   |

c) Systematic Training for Succession

- |        |   |   |   |
|--------|---|---|---|
| Scores | 3 | - | Job requirements for upper level position identified, training and development needs of those in line for succession determined and appropriate training and development experiences provided.      |
|        | 2 | - | Those in line for succession give some preparatory training through not always carefully related to the job: and no conscious and systematic development of managers to take over senior positions. |
|        | 1 | - | No special training for succession and no real awareness of the need for it.  |

appear to consider such factors. The lack of mobility of Malaysian managers was brought up in this context. Many companies found their managers reluctant to accept transfer to a different part of the country. In the extractive industry promotion is, of course, very limited indeed. In Chinese companies promotion is carried out using the same set of criteria as for recruitment into management, criteria which rate loyalty and honesty above ability. Indeed, one Chinese company stated this very explicitly; it was a company dealing in precious stones and needed a manager who was absolutely trustworthy. It was, therefore, promoting a clerk who had been with the company for many years and proven his loyalty although it recognized he was not sufficiently able to make a good manager.

### Appraisal

Appraisal and feedback as to how well one is performing and where one could improve one's performance is an important aspect of self development for the manager, and should provide the company with objective information about him so that it can assist him in developing his abilities and make the best use of his potential. In Malaysia appraisal is common but feedback and counselling rare. Appraisal is frequently a part of the annual salary review and has an immediate impact on rewards.

Table 7.10  
Appraisal

Size Group		No. of Companies with Each Score		
		3	2	1
SG4	1971 n=29	14	5	10
	1975 n=16	6	7	3
SG3	1971 n=21	2	11	8
	1975 n=12	2	8	2
SG2	1971 n=16	2	3	11
	1975 n=8	1	5	2
SG1	1971 n=32	-	2	30
	1975 n=11	1	1	9

Rating System: See Table 7.4

In Chinese companies there is a year end bonus related to company rather than individual performance, but since, this bonus can be as much as a year's salary it is a considerable incentive.

In the planting industry managers submit an annual operating budget and are judged against this largely self-set target. In an industry that specializes in managing estates for other companies, not suprisingly, a careful check is kept on managers through biannual tours of inspection by a Visiting Agent (VA). In the multinational companies standardized appraisal forms developed in the international context of the company are often used, indeed many of the European companies also use this type of standardized form for annual appraisal.

Feedback and discussion of performance is almost never carried out. The few exceptions include a handful of multinationals which have brought in 'Management by Objectives' (MBO) with the manager taking an active part in the setting of his objectives, and his performance in relation to those objectives discussed with him. Other than this it is generally agreed that discussion of a man's performance is a highly sensitive area likely to lead to loss of 'face' and misunderstanding and therefore unsuitable in Malaysia. Since human relations are one of the problem areas of management in Malaysia it is not surprising that such sensitive exercises are eschewed. Nonetheless the plantation industry seems to succeed in that VAs discuss each manager's performance with him. A vital point in both cases is that appraisal is entirely performance - rather than personality - oriented. Many of the standardized appraisal forms used by companies in fact have a large subjective, personality element and discussion and possible criticism of a manager's personality is bound to be sensitive, especially when carried out by a foreign company.

Because Chinese companies are generally so small - an average of only 7 managers per company in 1971, 10 in 1975 - appraisal is not formalized but consists of daily observation of a man's performance. These companies therefore tend to do poorly when compared with the normative model of appraisal used in Table 7.10, indeed it is very difficult to determine exactly what is going on in a company where such fluid informal systems are used.

This chapter has examined the characteristics, policies and practices of the companies in the sample towards some of the elements of a management development programme, in particular, their overall level of performance, basic philosophy or approach, their recruitment practices, attitude towards succession planning and promotion and use of management appraisal. The next chapter will complete this picture by examining the training practices of the sample companies.

## CHAPTER 8

### MANAGEMENT TRAINING PRACTICES AND PREFERENCES

While formal management training is only one aspect of management development it is a particularly important and obvious one. The general attitude of a company, or the senior executive in a company, towards management development, though perhaps the most important factor is difficult to assess, and in the case of local companies, difficult to identify. Training, on the other hand, is relatively concrete involving countable individuals undergoing a specific learning experience. It is, therefore, the easiest manifestation of management development on which to obtain reliable data and will be dealt with here at some length. There is, of course, still a great deal of variation in what any particular company may identify as on the job training, or the use it makes of external training courses, so an assessment has been made of the various aspects of the companies' training programmes. This assessment is based on the interviews rather than direct observation of specific forms of training, nevertheless it provides a useful guide.

In examining the degree to which companies train their managerial cadre a number of factors should be borne in mind. There is the relative youthfulness of the population generally which will be reflected in management. Although higher education has expanded very rapidly the impact of increasing numbers was just beginning to be felt in 1976 and even then it was primarily the large multinational and European companies who were recruiting managers direct from university. That is to say, the vast majority of managers in Malaysia would not have enjoyed a university type education. In secondary schooling the expansion of places came immediately after independence and a high proportion of younger managers are likely to have received secondary education. However, a very small proportion of the older generation will have had the benefit even of that level of schooling. As has been shown, it was

the English schools which provided the best quality of instruction.<sup>1</sup> However, students from these schools were ill-suited to the demands of the Chinese business sector and attracted to the more lucrative positions open to them in foreign companies. European and multinational firms have managers with a higher level of general education than Chinese companies, employ a larger management cadre, and have more reason to concern themselves with the training of their managers. Senior management is usually European and as a result feels a need to train its Malaysian staff in company skills and methods. Added to this there is the compulsion European and multinational companies face to Malaysianize their management, and if they are pioneer companies very clear stipulations may have been made in regard to the provision of training.

The direction of the development of manufacturing has meant that there has been a heavy demand for technically trained management that had, at the time of the study, and in particular the first half of the study, outstripped the supply. As a result one would expect manufacturing companies to be particularly involved in training to meet the immediate technical needs of the company. The extractive industries, on the other hand, are hardly expanding their management, with very low rates of new recruitment and an emphasis instead, especially in the planting industry, on increasing the efficiency of existing management. One might therefore expect a shift in emphasis from junior to middle management training. The service industry expanded its management more rapidly than those in either of the other two sectors between 1971-75, often through diversification into manufacturing, and this will have created a need for training at the junior level.

#### MANAGEMENT TRAINING PRACTICES ANALYSED BY SIZE GROUP

Turning now to what was, in fact being done, Table 8.1 presents the number of managers trained and the main training methods used. The two most salient facts that emerge are, first the

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1 See Chapter 4, p. 114.



Table 8.1  
Training - by Size Group

	No. of Managers Trained - 1971					No. of Managers Trained - 1975				
	SG4	SG3	SG2	SG1	Total	SG4	SG3	SG2	SG1	Total
	n=28	n=19	n=13	n=23	n=83	n=28	n=19	n=13	n=23	n=83
Total Managers Trained	694	132	19	12	857	567	160	32	17	776
% of Managerial Cadre Trained	35%	18%	17%	9%	29%	22%	15%	24%	9%	20%
No. of Companies Training No Managers	6	6	9	12	33	6	8	4	17	35
TYPES OF TRAINING*										
On the Job	296	82	10	3	391	173	31	23	9	236
In-company Courses	275	3	0	1	279	235	43	1	0	279
External Courses in Malaysia/Singapore	134	25	7	2	168	174	63	12	7	256
Overseas Training	106	22	2	6	136	89	39	0	4	132

\* Since one man might have undergone several different types of training in a year the figures for the different types of training do not necessarily add up to the total number of managers who have undergone training in the year. Companies were expressly asked to avoid double counting.

contribution of the two largest size groups to training - in 1971 SG3 and 4 accounted for 96 per cent of all managers trained by companies in the sample, and in 1975, 94 per cent; and second, the substantial decrease in training activity between 1971 and 1975. The total number of managers trained dropped both in absolute and in relative terms and the number of companies that carried out no management training rose, particularly among the smallest companies. The overall fall in managers trained is the result of a decline in training in SG4 which does by far the most training of any of the size groups. Indeed, even if grossed up for the universe to get a picture of the comparative training contribution of the different sizes of company in the business community at large, SG4 is seen to be responsible for more training than any of the other size groups. On the average companies in SG4 trained 24.8 managers in 1971, compared to 6.9 in SG3, 1.5 in SG2, and 0.5 in SG1. These figures emphasize the very different orders of magnitude in training activities and possibilities in different sizes of company.

These differences are reflected in the scores companies received on their training programmes. (See Table 8.2). The companies in SG4 were far more aware of and involved in training while the majority of companies in SG1 did little and were highly sceptical of the value of formal training. Differences between the size groups both in the numbers trained and in the attitude towards training reflect as much, if not more, the different approaches to management development in the business communities and the different training requirements of the three industrial groups.

#### MANAGEMENT TRAINING PRACTICES ANALYSED BY BUSINESS COMMUNITY AND INDUSTRY

##### The Chinese Business Community

Chinese companies are characteristically found in the low technology sections of each industry. In Chinese tin companies the technology used for extraction is simple and the main requirements for management seem to be the trust and respect of the Chinese

Table 8.2

## Training Scores - by Size Group

		No. of Companies with Each Score																	
Training Programme	Training Programme	On-the-Job Training			In-Company Courses			External Courses			Overseas Training								
		3	2	1	3	2	1	3	2	1	3	2	1						
		Not Used			Not Used			Not Used			Not Used								
SG4	1971	14	4	11	14	8	7	13	1	1	14	6	6	5	12	10	9	3	7
	1975	6	8	3	5	8	4	5	6	0	6	4	4	3	6	6	9	0	2
SG3	1971	4	8	9	6	6	9	3	3	0	15	2	5	6	8	7	1	5	8
	1975	3	4	5	6	3	3	1	1	1	9	2	2	1	7	3	2	0	7
SG2	1971	3	3	10	2	2	11	1	0	0	12	0	1	2	12	1	0	3	10
	1975	0	3	5	1	4	3	1	0	0	7	0	1	2	5	2	1	2	4
SG1	1971	0	3	29	1	5	26	0	0	0	32	0	2	1	29	3	1	0	28
	1975	0	4	7	0	2	8	0	0	0	11	0	1	2	7	0	4	1	6

business community, an ability to organize manual labour, and a capacity for hard work.<sup>2</sup> These companies therefore see no need for management training as such. Experience of the industry is considered the most important and relevant means to develop a manager. The same applies to the Chinese planting sector. The Chinese owned sector of this industry is considerably smaller than the European and therefore the need to think through the training needs of the managers is not as urgent. Companies again prefer to stress practical experience.

The same strong emphasis is to be found in the Chinese segment of the service industry which is made up of a very large number of extremely small enterprises. (Refer Tables 5.7 and 5.8). In manufacturing the Chinese dominate the older low technology industries such as foodstuffs, footwear, the processing of wood products. It has therefore been possible for them to manage without formal training, or with a minimum of such training. (See Table 8.3)

The stability of the management cadre in Chinese companies has made training appear superfluous. "Everyone knows his job and therefore there is no need for training," one general manager explained. The conservatism of large parts of the Chinese business community prevents them from trying out the training available. As one manager put it, "If managers go on courses, the workers won't like it".

Educational and cultural barriers to training were also frequently mentioned. The majority of managers in Chinese companies had little education<sup>3</sup>, and that was at a Chinese school, consequently either they did not speak English or spoke it poorly and felt handicapped by their limited education. As one company explained, "There are no men suitable for training". From the point of view of a manager in this position a training course would almost certainly result in embarrassment, a loss of 'face', and would therefore be

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2 Refer Chapter 7, p. 226, footnote 17.

3 Dr Cheng Peng Lim found 74.8 per cent of the entrepreneurs in small industry in Malaysia did not have any upper secondary education. Cheng Peng Lim, *op.cit.*, p. 20.

avoided. The perceived cultural gap between the Chinese companies and the training institutions was probably an even greater barrier. Training institutions in Malaysia teach what has come to be thought of as generally applicable management theory and practice, but its origin in the West, and its basic applicability to Western companies, not to mention the employment of Western advisers by the institutions, makes conservative Chinese companies feel that there is nothing the institutions can offer that is relevant to the Chinese practice of management. The extremely practical orientation of these companies makes the theoretically based training courses seem all the less relevant.

Management is kept to a minimum and all major decisions are taken by the chief executive, the principal entrepreneur. To such an individual formal management training often seems totally irrelevant. The amount of work Chinese entrepreneurs put into their business - 12-14 hours a day was said to be not uncommon when trying to build up a business - means that they have no time to approach management scientifically even if they knew how to do so, and they have no time for training.

That is not to say the Chinese business community carries out no training at all. It must develop its entrepreneurs and this process starts at birth. The revered combination of experience and hard work forms the basis of the apprenticeship through which many of the Chinese entrepreneurs interviewed had served and indeed were putting their sons.<sup>4</sup> Practical training on the job under the guidance of a senior manager was also mentioned as being used on the rare occasions when there was no one with the requisite experience

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4 The Indian family firms were very similar to the Chinese in this, they began developing the new generation of managers as young children by instilling the values of hard work and obedience into their sons. They were then given the best possible education, followed by a long period of apprenticeship in the family firm, or possibly partly in a trusted friend's firm prior to assuming a managerial position, although not managerial authority, which still resided with the senior family members.

available. When new skills were required the first reaction of the Chinese company is generally to try and find a manager with the requisite skills rather than sending an existing manager for training. This is a natural reaction in a small company. A need for new skills suggests expansion or diversification and existing management may well be fully occupied. The small company will usually not have the training capacity within its resources and will prefer to bring someone in who can get to work immediately rather than spend time training.

The only segment of the Chinese business community that did not entirely fit this pattern was that of the new manufacturing companies. There was not the influence of a well-established industrial group; management tended to be younger, consequently better educated, and more open to outside influences; and finally, and probably most important, there was the need to acquire the technical skills involved. Nonetheless, there was a tendency for such companies to acquire the minimum amount of training to function.

One Chinese family firm venturing into a field in which it had no experience bought the necessary machinery and sent the younger brother on the manufacturer's course to learn how to operate it. This he came back and proceeded to do, however, his knowledge was very limited and there were many mistakes, some costly, and when the equipment broke down he had to go on another course to learn how to mend it. In 1972, the factor seemed to be in chaos. Nevertheless the manager acquired the necessary skills, the company expanded and as the needs of the customers changed and developed, new equipment was brought in and the production manager sent off on further courses. By 1976, this was a flourishing concern. In marked contrast, there was another Chinese family business in the same industry, a model of progressive management, whose senior managers had a thorough theoretical and practical understanding of their production process and had received the best possible training in both technical and management skills. In 1972, it was pointed out as a constant example of what an enlightened Chinese company could achieve; in 1976, it was on its knees. The conservative Chinese approach of minimizing the amount of money tied up in equipment and management and of keeping



overheads down had enabled the former company to weather the recession of 1975; the latter company, with money heavily invested in equipment and management found itself overextended when the banks were clamping down. In the uncertain business environment of Malaysia the reluctance of the Chinese business community to expose themselves to the risk involved in adjusting their approach to management and to management development is scarcely surprising. However, the great majority of conservative Chinese family firms will probably not last another generation unless they do change.

The attitude of the Chinese companies to training is clearly reflected in the numbers they actually did train and the scores they received on the various aspects of their training programmes (See Tables 8.3 and 8.4). In 1971, only 7 companies in the Chinese group trained any of their managerial staff, by 1975 this had increased to 15 although the number of managers actually trained had dropped slightly. It is very difficult to assess an approach to training that starts almost at the cradle, especially if one is using the model set out in Chapter 2. For this reason, the Chinese have fared very poorly in the assessment of their training activities. This is not to say that effective training does not go on, but it is a training in the attitudes and values, as well as the capacity for sheer hard work that go into developing an entrepreneur rather than a manager.

Only four companies had mounted any in-company courses and external courses had been used by only seven of the 51 respondent companies in 1971. Many of the 44 companies which did not use external courses did not even know of their existence. There were, however, a few interesting exceptions which suggest a possible change in attitude. Many of the companies involved in the rubber industry mentioned that they attend the RRIM conferences and those that do not attend them keep themselves up to date with the latest technical developments through their contacts in Kuala Lumpur and through the Chinese newspaper which carries a regular half-page on the rubber industry. The Selangor Chinese Engineering Merchant's Association has ventured considerably further collaborating with the National Productivity Centre to mount courses in Chinese specifically tailored

to the needs of the industry. The Plastics Association similarly has enlisted the assistance of a University of Malaya lecturer to run a specialized training programme. This type of external training, closely related to the needs of the industry, is an important development that could pave the way for the inclusion of management as well as technical training.

Overseas training, although carried out only by a handful of Chinese companies, was one of the most effectively used types of training. Generally it was related to practical, technical skills either for the manufacturing industry, or for servicing equipment sold by the wholesale and retail trade, and a few companies mentioned they regularly attended sales fairs around the world to get new ideas. All the Chinese companies that used overseas training were convinced of its value: it gave managers "a more receptive approach", made them "more open to criticism and suggestion", "more receptive to new ideas", "ready to try harder", managers who had not been abroad and had little education were said to be inflexible and resistant to change.

#### The European Business Community

The great majority of the European companies in the sample were long established companies in either the service or extractive industries. Of the 27 respondent European companies in 1971, 16 were in the service industry, eight in the extractive industry and only three in manufacturing. This reflects the historical preoccupation of the European companies, although it does not take into account the fact that many of the old agency houses and managing agencies are diversifying out of their principal industry, and in some cases have extended their interests beyond the South East Asian region. Nonetheless they do not tend to have the characteristics of the big multinational companies with their strong central core of control and advisory services.

With the exception of mining, the old European companies have been involved in labour intensive, low technology industries. In the managing agencies, their business was related to the quality of the management services they provided and therefore, arrangements

Table 8.3

Training - by Business Community

	No. of Managers Trained - 1971			No. of Managers Trained - 1975		
	Chinese n=39	European n=26	Multinational n=14	Chinese n=39	European n=26	Multinational n=14
Total Managers Trained	46	362	442	43	352	367
% of Managerial Cadre Trained	14%	24%	58%	11%	17%	35%
No. of Companies Training No Managers	32	4	1	24	7	0
<b>TYPES OF TRAINING*</b>						
On-the-Job	18	241	130	20	165	49
In-company Courses	5	44	230	0	66	213
External Courses in Malaysia/Singapore	13	70	84	18	88	137
Overseas Training	10	25	97	5	66	59

\* Since one man might have undergone several different types of training in a year the figures for the different types of training do not necessarily add up to the total number of managers who have undergone training in the year. Companies were expressly asked to avoid double counting.

Table . 8.4

Table 8.4

## Training Scores - by Business Community

		No. of Companies with Each Score																	
Training Programme		On-the-Job Training			In-Company Courses			External Courses			Overseas Training								
		3	2	1	3	2	1	3	2	1	3	2	1						
		Not Used			Not Used			Not Used			Not Used								
Chinese	1971	2	8	41	3	7	41	2	2	0	47	2	4	1	44	3	1	0	47
	n = 51																		
European	1971	0	5	12	1	5	11	0	0	0	17	0	2	3	12	0	5	0	12
	n = 17																		
Multinational	1971	8	7	12	10	10	7	7	2	0	17	2	7	9	9	10	5	9	3
	n = 27																		
Multinational	1975	2	11	6	4	9	6	2	4	1	12	1	5	4	9	2	9	1	7
	n = 19																		
Multinational	1971	11	2	2	12	2	1	10	0	0	5	3	4	4	2	10	4	1	0
	n = 15																		
Multinational	1975	7	3	0	6	3	1	5	3	0	2	5	3	0	2	8	2	0	0
	n = 10																		

for the training of new recruits were established very early on. At first management trainees were all European, drawn from such places as Aberdeen Agricultural College. Training for the specific requirements of the job was done through on the job training (the quality of which varied according to the ability and disposition of the estate manager) and through the requirement that trainees sit language and planting knowledge examinations. A few companies organized these internally but more commonly trainees sat for the Incorporated Society of Planters (ISP) exams. The ISP is the professional association of the planting industry and has played an important role in improving the quality of the training received through its Technical Education Scheme, the publication of planting manuals and the sponsorship of rubber and oil palm conferences and symposia.<sup>5</sup> With independence and particularly from the mid-sixties on, plantation companies began to recruit Malaysians as management trainees and to step up the training of new recruits. One company started a Cadet Training Scheme as early as 1954, another opened a school for trainees. On the job training was carefully planned to cover all aspects of plantation management. However, with the expansion of Serdang Agricultural College and the establishment of the ITM plantation management course the quality of pre-experience training recruits have received has improved and this has enabled the period of training on the job to be reduced.

Once this initial technical apprenticeship has been completed, the training of plantation managers continues to be primarily on the job training consisting of job rotation, through different types and sizes of estate, and regular assessment by VA's. It also includes attendance at the professional conferences run by the RRIM and the ISP and to a very limited extent external training courses. The importance of man management in this industry has led it to emphasize practical experience in a variety of situations

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5 The ISP was founded in 1919, promoted the first rubber conference in Malaya in 1924, and launched its Technical Education Scheme in 1928. In 1937 it published A.T. Edgar's Manual of Rubber Planting (Malaya) which became known as the planters 'Bible'.



rather than specific training courses. The remoteness of many of the plantations has made attendance on courses difficult and reinforced the bias towards on the job training. One form of external training that has been found particularly useful by the plantation companies is Outward Bound Courses which build up the fitness and self confidence of new recruits. Nonetheless, the area over which a plantation manager has responsibility and the amount of administrative work has grown steadily. Recognizing the growing need for a training course to prepare managers to cope with this new situation in 1977 the planting industry collaborated with the Malaysian Institute of Management to begin running a plantation managers' course bringing together the theoretical expertise of MIM lecturers and the practical experience of the best Visiting Agents. Overseas training is used to a limited extent by planting companies. These patterns of training are brought out in Tables 8.5 and 8.6.

There are only three large tin managing agencies compared to about nine in planting, and these face the problem of declining tin reserves, as well as Government action to acquire a controlling interest in the industry. In the past all managers were Europeans who came out to Malaya with a suitable training in mining technology. Because of the shortage of Malaysians with appropriate qualifications the industry has been allowed to Malaysianize very slowly. Training within the industry consists of pre-experience professional qualifications, such as a university degree in mining engineering, and a system of on the job training and examinations for the new recruit. Once this is completed there is generally no regular use of any other form of training although people are occasionally sent on external courses. In only one company were in-company courses mounted and was training undertaken on anything but the most modest of scales.

There were only three European companies in the sample categorized as being in the manufacturing industry, that is whose main activity was manufacturing, and of those two were long established companies. Despite the very different technical requirements of the former two, both tended to have little time for any form of management training. Unlike the planting industry where

Table 8.5

Training by Industry

	No. of Managers Trained - 1971			No. of Managers Trained - 1975		
	Extractive n=12	Manufacturing n=22	Service n=49	Extractive n=12	Manufacturing n=22	Service n=49
Total Managers Trained	211	361	284	191	210	378
% of Managerial Cadre Trained	20%	53%	27%	16%	24%	23%
No. of Companies Training No Managers	5	7	27	5	6	22
TYPES OF TRAINING*						
On-the-Job	130	103	157	119	37	80
In-company Courses	22	192	65	42	104	133
External Courses	47	73	48	33	104	119
Overseas Training	13	73	50	17	31	84

\* Since one man might have undergone several different types of training in a year the figures for the different types of training do not necessarily add up to the total number of managers who have undergone training in the year. Companies were expressly asked to avoid double counting.

Table 8.6

Training Scores - by Size Group

		No. of Companies with Each Score																	
Training Programme		On-the-Job Training			In-Company Courses			External Courses			Overseas Training								
		3	2	1	3	2	1	3	2	1	3	2	1						
		Not Used			Not Used			Not Used			Not Used								
Extractive	1971 n = 16	2	5	9	2	6	8	2	1	1	12	3	2	1	10	3	3	2	8
	1975 n = 6	1	3	2	2	2	2	1	0	0	5	1	0	1	4	3	0	0	3
Manufacturing	1971 n = 26	6	8	12	10	4	12	7	1	0	18	2	5	4	15	10	3	2	11
	1975 n = 18	5	9	4	6	7	5	3	2	0	13	3	3	3	9	5	7	0	6
Service	1971 n = 56	13	6	37	12	11	33	9	3	0	44	3	7	9	37	10	4	7	35
	1975 n = 24	3	7	14	4	8	12	3	4	1	16	2	4	5	13	5	6	3	10

natural conservatism with regard to management training has been modified by the pressure to improve efficiency and by the sheer numbers of managers over which they have control, these companies continued to believe in a suitable technical background followed by on the job experience as the best means of management training.

The European segment of the service industry is dominated by agency houses. Historically they have played an important role in the economic development of the country, however, with the changes in the direction of economic development that followed independence - the emphasis on industrialization and import substitution - the future of the agency houses looked uncertain and as a result they have been going through a period of adjustment and reorientation. In some cases the agency houses established a market and this drew the original manufacturer to Malaysia, in others the agency house itself began manufacturing under licence. They have seen Government policy cut their business from beneath their feet and have been the target of official criticism, this has made them extremely sensitive and aware of their vulnerability, at the same time it has forced invigorating changes on them.

In the past these companies recruited their managerial staff from Europe and little training was given. Although they are now fully Malaysianized, they still do less training than the other industrial sectors. The wholesale and retail trade is not seen as demanding a high level of training except in cases where the products being handled are technically sophisticated. This accounts for the fact that only 27 per cent of their managers received any form of management training in 1971 compared to 53 per cent in manufacturing, and 27 of the 56 companies carried out no training at all. In 1975, the situation was substantially unchanged, however the amount of training done by the manufacturing industry had fallen off markedly and so in comparison the performance of the service industry appeared better. On the job training for most of the companies in the service industry tended to involve a fairly unstructured programme of learning by doing. Where in-company courses were mounted these were short and practical, aimed usually at junior to middle management.

External training courses were used but they did not seem to form part of a comprehensive training programme, being ad hoc with little, if any, follow-up. The sizeable increase in the numbers of people sent on external training between 1971-75 was not matched amongst the subsample interviewed in 1975, by an improvement in the way in which it was used (see Table 8.6). The increase in the number going on external courses has been at the expense of on-the-job training (see Table 8.5). This may suggest a move towards more systematic, formal training and reflects the expansion in the provision of training facilities in Malaysia, however it is also likely that it reflects an increasing tendency for companies to opt out of responsibility for planning and implementing in-house training.

This rather gloomy picture of training in the European sector of the service industry is modified in the case of the very large agency houses which have a considerably more progressive attitude to management training, run in-house courses for their management, and make extensive use of external courses and of overseas training.

Overseas training was most commonly used in the service industry and was generally the most carefully and constructively planned. It frequently involved visits to the principals whose merchandise the company handled and in some cases this included attendance at technical and management training courses particularly in Britain. Despite the high cost of this form of training the service industry firmly believed in its usefulness. The most important practical advantage was the acquisition of specialised skills and familiarisation with the latest models and developments in different product lines. However, there was general consensus that overseas training was a broadening, maturing, revitalising experience that gave managers a new self-confidence and status. The training of managers overseas was also considered to "get them thinking the way top management does".

## The Multinational Companies

The multinational companies had given more thought and planning to the total development of their management than any of the other groups within the Malaysian business community. Over half the multinational companies that appeared in the sample were in manufacturing industry and had clearly established international standards of quality, efficiency and overall performance. While Chinese companies, if they were interested in training at all, were purely concerned with the acquisition of practical technical skills, and European companies having largely made the necessary arrangements for technical training were beginning to consider management training, the main concern of the multinationals was management training. Their technical training was on the whole superbly planned and organized and the company could draw on local, regional or international company training centres, and managers could be seconded to sister companies within the international framework for specialized experience. But it was the need for management training that the multinational companies emphasized.

There were two main aspects of management development that seemed to concern the multinationals: first was the need to develop the managerial skills of their staff; and second, was the need to adapt their staff to the methods, attitudes and values of the company, to acculturate them.

The view was expressed by many of the multinationals, as well as by some of the European companies that while the technical skills of their Malaysian staff were excellent, they lacked skill in human relations. They did not know how to delegate or supervise, and tended to be insensitive to the problems of their staff. They were weak at operating as a member of a team and there was a marked lack of exchange and discussion between people about their jobs. One explanation for this was that Malaysia has been going through a period of very rapid educational expansion which has enabled the children of fairly humble backgrounds to gain the academic qualifications required by multinational companies, and at the same time the expansion of the industrial sector has meant greater



opportunities for local graduates in what are seen to be prestigious, remunerative positions in large European and multinational firms. The result has been the rapid movement of people from traditional backgrounds into the modern sector. While this situation is particularly true of Malays, and this will be discussed in the next chapter, it is also true of Chinese although the terms 'modern' and 'traditional' are not quite so appropriate. In the case of Chinese managers it has been more a movement from one culture and style of business to another. The reluctance to delegate, the deference to authority and the preference for individual enterprise rather than teamwork, are characteristics of Chinese business, at odds with the management style of many multinational firms.<sup>6</sup> The chronic insecurity the Chinese have felt historically and that has been aggravated by the Government's discriminatory racial balance policies is likely to have reinforced the Chinese managers' natural individualism and his defensive introversion.

Another problem mentioned was the limited creative input local managers made. This tended to be put down to the educational system which, particularly, in the Chinese schools, encouraged rote learning, to the Asian family system which stressed obedience to authority, and indeed to the colonial heritage which also tended to emphasize these things.

In order to cope with these difficulties companies have emphasized the development of managerial skills through a combination of on the job development including job enrichment by giving increased responsibility through in-company courses in a whole range of management subjects but especially in human relation skills and creative thinking, through the extensive use of external training facilities, particularly to broaden the outlook of managers, and through the use of overseas training (refer Tables 8.3 and 8.4).

The support multinational companies give to local training institutions was very noticeably despite the fact that almost all

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6 See Chapter 7, p. 214.

their training could in fact have been done internally. They lent managers to teach these courses, in the case of MIM sat on the governing council, sent their staff to attend the courses and generally gave a great deal of moral and practical assistance.

Another interesting point that was mentioned was the motivation of local managers who were said to be primarily interested in financial rewards. This is easily understood in the light of the insecurity felt by both Chinese and Indians. Maslow's theory of motivation asserts that the higher level needs become motivating forces only when the lower level needs, including the need for safety and security, are met. This attitude will, therefore, be difficult to change during the present period of social upheaval in Malaysia.

Multinational companies take conscious steps to minimize the cultural gap between themselves and their managers - by the recruitment of university graduates, particularly from overseas universities, and by the use of overseas training. Considerable store was set by such training for many of the same reasons as the European companies. The development of management skills and attitudes was particularly mentioned, as was the importance of exposure to international management thinking, and familiarization with head office functions. It was felt it enabled the manager to identify more closely with the aims, methods and attitudes of the parent company and broadened his personal horizons.

The multinational companies were by far the most involved in management development at all levels, both on the technical and management side. (See Table 8.3). They had the expertise, resources and commitment to provide the best possible training. (See Table 8.4). However in 1975 their training activity declined sharply which was almost certainly related to political factors, for as large overseas companies they are the obvious target of economic nationalism. On the other hand they also tend to take a long term view and appear to try far harder to take Government priorities into consideration in their planning than do the smaller companies.

## THE USE OF TRAINING INSTITUTIONS IN MALAYSIA

This section looks at companies requirements for external training facilities and satisfaction with the training institutions that provide them. Companies in the survey were asked:

- (1) To list all the external training courses on which they had sent managers.
- (2) To complete a Management Training Preferences Form indicating the subject areas in which they would like to see courses offered and the length of course most suited to them.
- (3) To make recommendations as to how the training institutions could be improved

The two main management training institutions for the private sector are the Malaysian Institute of Management (MIM) and the National Productivity Centre (NPC). The NPC was established by the ILO in 1962 and in 1966 it became an autonomous body subsidized by the Government. Its aim is to provide training at both management and supervisory levels and it has expanded rapidly to provide a wide range of training courses. It is located in Petaling Jaya, at the industrial and commercial heart of the country, but has become increasingly active in providing courses in other industrial centres as well as in East Malaysia. The NPC has also been ready to collaborate with companies to arrange tailor-made training programmes and has entered the field of consultancy. It has had the advantage of a permanent home, a Government allocated budget, and the assistance of overseas consultants in building up its training programme. On the other hand it has been obliged to offer civil service salaries that have made it difficult to attract and keep the calibre of staff it would like.

The MIM was founded in 1966 by a group of senior managers from both the public and private sectors to provide a national organisation for the training and development of managers in Malaysia. It receives no Government funding and must rely for its revenue on membership subscriptions and the income from courses. In

1972 it was still very small with a tiny office; by 1976 it had acquired a permanent home, a full time general manager, a training adviser, a programmes executive, and was recruiting a small core of training staff. It was running a wide range of training courses for practising managers including a two year part-time Diploma in Management and a twelve-day Basic Management Programme for management trainees.

Besides these two, companies particularly in Johore made occasional use of the Singapore Institute of Management (SIM). A very few companies also made use of consultancy firms to run training courses for them.

By 1976, interest in training had grown and there were a number of organizations that had sprung up to meet the new demand. These included consultancy firms such as Price Waterhouse, SGV-Kassim Chan, and PA Management Consultants, for whom training was simply one of their services; professional interest groups such as MAP, an organization of past NPC participants and the Malaysian Institute of Personnel Management (MIPM) set up in 1975 to upgrade the profession of personnel management; and TACK, a training firm. This list does not cover institutions providing or organizing specialised technical training such as the Selangor Chinese Engineering Merchant's Association, the Plastics Association, the RRIM, or the ISP, already mentioned. These institutions perform an extremely valuable role in upgrading the professional and technical skills of management in specific industries.

The use companies made of the management training bodies is set out in Table 8.7. The larger companies, SG3 and 4, are clearly the main customers, and in the case of MIM and the smaller training bodies, the only users in the sample. The resistance of small Chinese companies to external training is both reflected in these figures and influenced by this pattern of use. Since the main customers are the larger companies the courses tend to be geared to their needs and will not be particularly relevant to companies in SG1 and SG2. Chinese companies queried how great an understanding a body like MIM could have of the problems of small business when the principal office bearers were drawn from large Westernized firms. In

Table 8.7

External Training Organizations Used in 1975

No. of Courses attended in 1975 run by each institution*									
	NPC	MIM	Price Waterhouse	SIM	Magic Team	MIPM	MAP	TACK	SGV Kassim Chan
SG4	32	43	10	5	1	1		3	1
SG3	22	10	7		4	4	4	1	2
SG2	3			1					
SG1	3			1					
Total	60	53	17	7	5	5	4	4	3

\* (Only those organizations are included where three or more courses have been attended in 1975 by managers in the sample).



fact it drew both its council members and its membership from a range of institutions in both the public and private sectors and from both Malaysian and Western companies. However, the driving force behind MIM has tended to be committed individuals particularly from the multinational companies. Indeed MIM has not sought to cater for small entrepreneurial establishments but to provide management training for medium to large firms, and possibly even more important, to interest senior executives in management development.

NPC is the only training organization in Malaysia offering training to the smaller companies within the sample.<sup>7</sup> Yet these are the companies which need training most, in that they are not able to provide it for themselves and they serve "as a breeding ground" for developing the skills of industrial workers and entrepreneurs.<sup>8</sup>

Table 8.8 presents the types of courses on which companies sent managers. There was a very marked increase in the number of courses attended as well as a shift in the subject areas used from 1971 to 1975. In 1971 more personnel courses were still the most heavily used but courses in finance and control came second particularly finance for non-financial managers.

#### MANAGEMENT TRAINING PREFERENCES

Companies were asked what types of management training they would like to see provided - in what subject areas and what length of training courses at each level of management. Table 8.9 gives their responses in 1972. It indicates the strong demand for courses in Personnel and Finance/Control that manifested itself in the courses actually attended in 1975. However, Table 8.9 suggests a far greater

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7 MARA also runs training for small bumiputra firms and a number of other Government bodies offer consultancy to small industry. But as one observer has commented, "the rather imposing and inaccessible buildings in which these institutions are located have discouraged all but the most audacious small industrialists from seeking their assistance." Cheng Peng Lim, *op.cit.*, p. 36.

8 *ibid.*, p. 20.



Table 8.8

External Courses Used

	No. of Courses of each type on which Managers were sent in 1975													
	Production		Finance/ Control		Personnel		Marketing		General Management		Specialized Technical		Other	
	'71	'75	'71	'75	'71	'75	'71	'75	'71	'75	'71	'75	'71	'75
SG4	6	5	6	29	13	33	6	12	11	23	2	8		1
SG3	3	2	2	19	4	22	4	6	4	9		4		1
SG2	2	1				1	2		1	2				
SG1	1	3			2		1	1	1	1				
<b>Total</b>	<b>12</b>	<b>11</b>	<b>8</b>	<b>48</b>	<b>19</b>	<b>56</b>	<b>13</b>	<b>19</b>	<b>17</b>	<b>35</b>	<b>2</b>	<b>12</b>	<b>0</b>	<b>2</b>

interest in training on the part of the small companies than actually materialized. Despite the small companies assertion that external training was of no relevance to their businesses, quite a few were sufficiently interested to complete the training preferences form. Nonetheless, the factors militating against training in these companies were still clearly very strong.

The subject areas in which companies wanted courses provided in 1976 are given in Table 8.10. Despite the limited number of courses in the production field attended in 1975, between 18 and 23 companies said they would like to see courses provided in a range of production subjects for middle managers. In the field of finance and control the response reflects the patterns of use: a large number of companies are interested in courses in this subject for middle to senior managers. Certain subjects such as financial planning and investment appraisal, as well as organization and methods are seen as being of particular use to senior managers, while others, such as costing and cost relationships and budgetary control, are seen to be of special interest to middle managers. Of particular interest to the respondent companies were courses in personnel management at the middle and senior level, in industrial relations at the middle level, and in human relations and supervisory training at the junior level. In the marketing sphere there is a demand for training in profitability analysis for senior and middle managers, and in sales training and control and forecasting for middle managers.

For the training institutions to identify the types of courses of interest to companies of different sizes, the data was broken down by size group. First, it should be noticed that fewer than half the companies in SG1 and 2 completed this section of the questionnaire. The others put 'none', 'not applicable' or simply left a blank. Thus, the number of companies in these size groups interested in the subjects suggested is very small indeed and it is difficult to draw any conclusions. That said, a few slight trends are noticeable, namely an interest in the general areas of finance and control, marketing, and production. In contrast to the companies in SG2 and 1, 38 of the 47 companies in SG3 and 4 completed this part

Table 8.9

## Management Training Preferences By Size Group (1972)

S.G.4: n = 29; companies responding "none" = 5; total positive response = 24  
 S.G.3: n = 21; non-respondents = 2; companies responding "none" = 7; total positive response = 12  
 S.G.2: n = 16; companies responding "none" = 5; total positive response = 11  
 S.G.1: n = 32; non-respondents = 1; companies responding "none" = 16; total positive response = 15

Subject areas for training	S.G.4			S.G.3			S.G.2			S.G.1							
	No. of Co's inter. in Subj.	No. of Co's at each level		No. of Co's inter. in Subj.	No. of Co's at each level		No. of Co's inter. in Subj.	No. of Co's at each level		No. of Co's inter. in Subj.	No. of Co's at each level						
		Sr.	Mid.		Jr.	Sr.		Mid.	Jr.		Sr.	Mid.	Jr.	Sr.	Mid.	Jr.	
<b>PRODUCTION</b>																	
Quality Control	9	0	7	7	8	5	7	6	4	4	1	2	3	10	2	7	6
Work Study	7	0	5	5	8	3	6	6	3	3	1	2	0	6	1	5	5
Production Control	10	2	9	6	6	4	6	4	4	2	2	3	2	8	3	5	5
Layout, Scheduling	6	1	5	3	8	3	7	4	2	2	1	0	0	8	3	4	5
Maintenance	10	0	6	8	9	2	8	7	5	1	2	4	4	7	0	5	7
Stock Control	10	2	7	6	8	2	8	3	4	2	1	2	1	10	2	5	8
<b>FINANCE/CONTROL</b>																	
Financial Planning	17	11	11	4	10	10	5	2	8	8	2	1	1	8	6	3	2
Costing and Cost Relationships	13	4	8	10	9	7	8	6	8	4	5	2	2	9	5	7	3
Budgetary Control	15	8	9	9	10	8	9	7	6	5	2	1	7	7	4	5	2
Investment Appraisal	13	10	3	5	9	9	1	1	5	5	1	0	7	7	4	4	2
Organisation and Methods	10	2	6	5	9	6	8	2	5	3	3	1	1	5	3	4	2
<b>PERSONNEL</b>																	
Personnel Management	17	8	10	8	8	4	7	4	8	4	3	1	1	7	3	4	4
Industrial Relations	19	9	15	8	7	4	6	2	7	5	2	2	2	8	3	6	5
Human Relations	16	7	15	10	10	5	8	8	6	3	3	3	3	6	2	4	5
Supervisory Training	12	1	6	12	8	2	4	7	5	1	4	5	5	6	2	5	4
<b>MARKETING</b>																	
Marketing Profitability Analysis	14	8	9	6	8	7	6	3	8	3	6	0	8	8	4	4	3
Sales Training and Control	12	4	10	8	8	3	8	6	7	1	4	2	6	6	2	5	4
Forecasting	13	6	11	5	8	7	5	4	7	3	2	2	5	5	2	3	3

Table 8.10

## Management Training Preferences - By Size Group (1976)

S.G.4: n = 28; respondents = 22  
 S.G.3: n = 19; respondents = 16  
 S.G.2: n = 13; respondents = 6  
 S.G.1: n = 23; respondents = 11

	No. of Companies interested at each level										TOTAL				
	S.G.4		S.G.3			S.G.2			S.G.1			TOTAL			
	Senior	Middle	Junior	Senior	Middle	Junior	Senior	Middle	Junior	Senior	Middle		Junior		
<b>PRODUCTION</b>															
Quality Control	4	9	6	2	7	5	1	3	2	2	4	2	9	23	15
Work Study	2	8	4	2	6	4	4	2	2	2	4	1	6	20	9
Production Control	7	8	4	4	8	4	1	1	1	2	4	1	14	21	10
Layout, Scheduling	4	7	5	1	6	1	1	1	2	2	4	1	7	18	7
Maintenance	1	8	8	4	5	5	1	2	1	1	4	2	7	19	16
Stock Control	5	10	6	3	5	3	1	3	1	1	4	2	10	22	11
<b>FINANCE/CONTROL</b>															
Financial Planning	13	14	3	10	5	5	6	1	1	5	2	2	34	22	3
Costing and Cost Relationships	4	12	5	5	7	1	3	2	1	3	4	1	15	25	8
Budgetary Control	7	14	4	9	9	3	3	2	1	3	4	3	22	29	8
Investment Appraisal	12	5	5	7	2	2	2	2	5	5	2	2	26	9	0
Organisation and Methods	8	8	5	7	7	4	4	1	1	5	3	2	24	19	11
<b>PERSONNEL</b>															
Personnel Management	7	11	2	8	8	2	2	3	2	3	3	1	20	25	5
Industrial Relations	6	15	8	4	8	7	1	3	2	3	4	2	14	30	19
Human Relations	5	14	11	4	10	8	1	2	1	3	3	4	13	19	24
Supervisory Training	2	7	4	1	5	11	1	2	4	2	2	3	5	16	32
<b>MARKETING</b>															
Profitability Analysis	10	11	2	6	7	4	4	3	1	6	4	1	26	25	4
Sales Training and Control	3	14	7	3	10	4	3	3	2	3	6	1	12	33	14
Forecasting	4	8	6	2	8	1	3	3	2	5	5	1	14	27	8
<b>OTHER</b>															
Current Issues of Third Malaysia Plan	1	1											1	1	1
Behavioural Sciences Team/Group Dynamics/Problem-solving	2	2												2	2
Harvard Advanced Management Course	1	1											1	1	1
MANTRA-type Training in Personnel Selection	1	1	1										1	1	1
Data Processing	1														
Supply Distribution Systems															
Office Management															
Industrial Safety															
Conducting Meetings				1									1	1	1
Advertising															
Decision-making				1									1	1	1
RRIM Course													1	1	1
Productivity Courses													1	1	1
Engineering													1	1	1

of the questionnaire and they are largely responsible for the patterns already discussed.

Finally, companies were asked to list any other areas in which they would like to see courses offered. The number of further suggestions made indicates a remarkable interest in training and varies from training in group dynamics to supply/distribution systems.

Companies were asked for their preferences regarding length of training. This data is given in Table 8.11. The most desirable length of course both in 1972 and 1976 was felt to be 1-2 weeks, followed on both occasions by short 2-3 day courses and evening courses. The number of companies interested in one month courses is striking given the cost in terms of managers' time involved. There is a clear relationship between seniority and the preferred length of course: short 2-3 day courses being more suited to senior managers as against 1-2 week courses for middle and junior managers, and evening courses, particularly at the middle and junior levels.

Table 8.11  
Length of Training Preferred

Level of Course	2 - 3 Days		1 - 2 Weeks		One Month		Three Months		Longer		Evening	
	72	76	72	76	72	76	72	76	72	76	72	76
Senior	21	30	17	15	4	6	-	3	-	2	11	7
Middle	18	14	28	30	10	9	2	4	-	3	17	10
Junior	16	9	26	27	8	11	3	3	2	1	18	15
TOTAL	55	53	71	72	22	26	5	10	2	6	46	32

#### COMPANIES' RECOMMENDATIONS REGARDING LOCAL TRAINING INSTITUTIONS

Finally, companies were asked how they thought the existing training institutions could be improved. The considerable time and effort companies put into responding to this question is a good indication of the interest and concern they have in the training currently available. Table 8.12 presents the responses given. It

must be remembered in interpreting these data that the question was completely open-ended and so each company has probably made only the most salient suggestions. In other words, this list is not necessarily comprehensive.

There were certain clear themes running through the suggestions. First was a concern for relevance and practicality. This was brought out very strongly both in 1972 and 1976. Companies expressed a willingness to work with the training institutions to ensure that courses were tailored to meet real needs: an offer that should clearly be taken up by the training institutions. Implicit in these suggestions is an acknowledgement that the training institutions are providing a valuable service, but are out of touch with the practical requirements of the business world. Not only is it desirable that courses be planned in collaboration with industry but also that there be close liaison after the course is over to see whether there is in fact an improvement in the performance of the participants and to use such information in the planning and design of future courses. Another suggestion is the development and use of local case studies to which close collaboration between training institutions and companies could well lead. Sequential or sandwich courses were suggested as one way of improving the practicality of training. Chinese companies questioned the degree of understanding bodies like MIM and NPC had of the problems of small Chinese firms. They too urged greater collaboration between the training bodies and local firms and urged that courses be made available in Chinese. Second, there was criticism of the course leaders who, it was felt, had little, if any, practical experience of industry. This was a point raised in 1972, and is obviously difficult to correct if there is to be a staff of permanent trainers. Few practising managers can switch over to full time training without jeopardising their long term career prospects and so training in Malaysia seems to be the preserve of the university graduate or lecturer who is making his way into industry. The solution would appear to be to make far more use of practising managers as part-time course leaders and, given the interest in external training expressed by companies both in the questionnaire and during interviews, there would seem to be



considerable potential in this area. Particularly singled out for criticism in 1972 were visiting lecturers from abroad, who had no understanding of local conditions. Companies repeatedly came back to the need for immediate practical relevance and the choice of instructors who could provide it.

Finally, companies made many suggestions dealing with practical details. The first suggestion noted here deals with the need for specialization among the various training institutions to avoid wasteful competition. Already there is a tendency to specialize. The Malayan Institute of Management is patronized by the larger companies, the National Productivity Centre by the medium and small companies, and Price Waterhouse is known to offer good courses in finance. But other organizations are seeking a share of the training market and could well undermine the existing institutions.

Other suggestions cover length, timing and level of courses. What appears to be wanted is greater variety in the range of courses offered with a particular demand for more short and weekend courses. The problem of providing training for companies outside the Kuala Lumpur - Petaling Jaya area has now begun to be tackled. In 1976, a few day-long courses had been run in Penang and Johore Bahru by MIPM and NPC but the response has not always been encouraging. Companies in Penang and Port Butterworth particularly mentioned the need for locally run courses; companies in Johore can and do use the facilities in Singapore.

Companies were asked whether they would like to see an MBA programme provided in Malaysia. There was general agreement that this was neither necessary nor desirable. The Malaysian business scene, it was felt, did not need managers with that level of academic qualification.

Companies were also asked for their views on the Asian Institute of Management (AIM) in the Philippines. Very few companies had used its facilities and none expressed any enthusiasm for them. They felt that if they were going to send their management abroad for training they would rather send them to Europe which would introduce them to the culture and way of thinking of their head office and/or principals than to the Philippines which would do neither. Indeed,

Table 8.12  
Companies' Recommendations for Improving  
Training Organizations (1976)

Companies' Recommendations	No. of Companies Making Recommendations
<b>PRACTICALITY AND RELEVANCE OF COURSES</b>	
Training organizations should run courses in consultation with companies to meet the particular needs of their industries	7
Courses should be relevant to the particular industries/companies of participants	6
Courses should take into consideration the particular needs of individual participants	2
Courses should be more practical	5
More local case studies should be developed and used	6
Research work should be undertaken and form a part of the curriculum	1
There should be more syndicate discussions rather than a one-way flow of information	1
There should be more general courses stressing attitudes	1
There should be more post course follow up	1
There should be a post course evaluation of participants' performance	2
<b>QUALITY OF COURSE LEADERS</b>	
Course leaders should have practical experience of industry	12
Lecturers should be of higher calibre	4

Companies' Recommendations	No. of Companies Making Recommendations
<hr/>	
PRACTICAL DETAILS OF LEVEL, LENGTH, LOCATION, ETC	
Each institution should have a specialized curriculum to avoid overlap	1
More advanced courses should be provided for senior managers	3
More courses should be run for junior managers	1
Participants should be of the same level of seniority	1
There should be more short courses	4
Courses should be longer	2
There should be more evening courses	1
There should be more weekend courses	4
Courses should be run at different times in the year (not just once a year)	1
More courses should be run outside the main centre (E.g. in Penang, Ipoh)	1
Some courses should be run in Chinese	1
Courses should be cheaper	1
There should be more accurate description of courses	1
<hr/>	

even company regional training centres had not been as successful as expected largely owing to the strong sense of nationalism in the countries of the region.

While the amount of training carried out overall had dropped slightly between 1971 and 1975, the activities of the training institutions had increased many times and the quality of their courses had improved. However they are still little known and even less used by the small local companies, for whom the need for training is great. As Chinese companies enter the export market they

are becoming increasingly aware of the organizational and professional gap between them and their competitors. They need specific, problem oriented training and NPC is in a particularly good position to meet this need. Among larger companies there is still a need for top management to be convinced of the importance of training, for only then will it be given the degree of priority it requires. MIM is in the best position to undertake this missionary role.

## CHAPTER 9

### RACIAL BALANCE IN MANAGEMENT

#### RACIAL BALANCE - THE CHALLENGE AND THE PROBLEMS

Attainment of the targets set by the NEP in management present the most serious challenge to management development in the private sector. From the relatively small base of 11 per cent of management positions in 1971, Malays are expected to expand and hold at least 30 per cent of management posts, in all sectors and at all levels, by 1990. Indeed, there is considerable uncertainty about the figure of 30 per cent, at one period companies were being persuaded to aim for 40 per cent Malay managers and if the Government insists that the target should be attainment of the same racial composition in management as in the population at large, it would be 55 per cent.

Problems related to the restructuring of the management cadre are legion and most of the companies interviewed talked at length about them. The first and most pressing problem, particularly in 1972, and to a slightly lesser extent in 1976, was the small number of Malays available for management, especially Malays with the appropriate educational and professional background. The NEP was brought in with the SMP in 1971 at a time when the University of Malaya was the only local university producing graduates, and the demand for Malays, therefore, very rapidly exceeded the supply. Malays who received a higher education were almost all on scholarships that bonded them to serve the Government, and the few that were free to choose still tended to prefer Government employment - the traditionally prestigious, secure employment of educated Malays - eschewing the riskier dirtier jobs within the private sector. Malays at this time had a strong preference for Arts subjects and the numbers training in such fields as engineering, chemistry and pharmacology were very small. By 1976, graduates were coming from the new universities and the number of Malays going

through university had increased dramatically. Nonetheless, there were still areas of acute shortage of trained Malays, aggravated by the very rapid expansion of the public sector.<sup>1</sup>

A second problem was that of availability of positions within companies. Many European and multinational companies had been in Malaysia since the early sixties, and some of them a great deal longer. They had, therefore, Malaysianized their staff filling posts formerly held by expatriates with Chinese, and to a lesser extent, Indian Malaysians who were usually young and able. This left very little opportunity to recruit Malays into management other than through expansion or wastage.

In 1972 rapid expansion did not appear likely, although in fact 1973 and early 74 were boom years, and the status and salary levels offered especially by multinational companies meant there was little staff turnover. In 1972 companies were very unsure how they could meet the Government's target, in 1976 they were less worried, although they had just been through the 1975 recession and were doubtful if growth would return to its 1973 levels. The recession itself had forced companies to tighten their belts and distracted them somewhat from what was perceived as the less essential and rather costly task of restructuring their management.

The pressure placed on companies by the NEP and by the Government particularly in 1975-76, created a considerable demand for Malays suitable for management at a time when the supply of able candidates was very limited. This naturally forced the price up and Malays were asking for a higher salary, more senior position and more prestige than their non-Malay counterparts. This created problems for companies reluctant to discriminate in favour of one group at the expense of existing staff. Nonetheless many companies were forced to succumb to the demands of the labour market and began offering Malays

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1 The TMP states, "Given the shortage of skilled and experienced personnel, the rapid expansion of manpower in the public sector has perforce led to some fall in productivity due to the recruitment of relatively inexperienced staff and lack of proper supervision." TMP. p. 42, para. 156.



a premium. While such salaries were kept strictly confidential, non-Malay staff inevitably knew, especially when it came to favouring Malays in promotion (the target being 30 per cent "at all levels".) This was bad for staff morale and in one case that was reported in a bank, the staff tried to sabotage the accounts. Malays who took advantage of the market position were labelled opportunists, exploiting their position and having no company loyalty. The fact that as businessmen any of the senior executives would probably have acted similarly in that situation was ignored by all but the very few.

Besides raising the price, the increase in demand for Malays, and especially for Malays who had already proven their ability in the private sector, resulted in a high turnover of Malay staff and a good deal of inter-company poaching. The worst offenders were Government and quasi-Government bodies, especially when the Government was entering the private sector and wanted a Malay with private sector experience to run the company. This was bitterly resented by companies which had invested a good deal of time, money and effort to develop a Malay manager for promotion, only to have him lured away. Indeed, some companies felt that Malays only used private sector posts to work their way into Government employment at a senior level. They came to see Malays as a bad risk because they required extra training yet as soon as they were trained they were snapped up by another company or a Government body. In one company, of 12 Malays recruited over a three year period 8 had left, most going to Government. This problem, mentioned in 1972, had become considerably worse by 1976 as Government pressure on companies to recruit Malays was stepped up, and as the number of parastatal bodies and Government sponsored companies requiring able and experienced Malays also increased.

Given the demand for Malays, the small proportion who had in the past had access to a university education or professional training, and the very recent expansion of university places for Malays, it is not surprising that most of the Malays coming forward as management recruits were very young and inexperienced. Remembering that the quality of education provided in Malay

secondary schools was poor and that universities were encouraged to take in Malays with minimum qualifications rather than select students purely on merit,<sup>2</sup> it is clear that the educational standard of the Malay recruit was also weak. Yet companies were obliged not only to recruit such staff but to develop them rapidly for promotion.

For many companies the time and effort involved in such an exercise, combined with the likelihood of their being poached if they proved able, was an unacceptable expense. Parts of Malaysian industry have an overabundance of competing companies<sup>3</sup> and this has meant profit margins are at a minimum with a consequent reluctance to take on staff who cannot pull their weight immediately. Even within those companies that have taken on Malays there has been a tendency to put them into non-priority areas such as personnel or public relations.

Smaller companies simply cannot afford the salaries Malays now command (see Table 9.1). Indeed in restructuring the racial balance of their management only the large multinationals can offer the level of salary and status Malays are in a position to demand and those who have done worst are the small Chinese and Indian companies who can offer neither.

Besides these problems related to the supply and demand for Malay managers, there is the very major problem of the suitability of Malays for management in the private sector. Prior to the NEP, when companies were able to choose their management on the strict criterion of the best man for the job there were very few Malays in management. Companies tended to choose Chinese and Indians who had an orientation towards business, attitudes towards hard work and efficiency that suited business, and the necessary professional or technical training required. While it can be argued that for historical reasons such candidates had an unfair advantage in education and that the current measures to close the educational gap between Malays and non-Malays should rectify this, it will not necessarily make Malays better suited attitudinally to business.

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2 See Chapter 4, p. 122.

3 See Chapter 5, p. 168.

Malays have no tradition of commerce and the values and attitudes of Malays, as has been shown, are supportive of a rural peasant society rather than an urban industrial one. The very rapid expansion of education has enabled increasing numbers of village Malays to acquire a higher education and to aspire to a prominent position in Government or industry but it has not substantially changed their attitudes. Indeed, in some ways Government policy, while solving one half of the problem the lack of higher education among Malays has prevented any change in village values by making the attainment of that education relatively easy.

By adjusting entrance standards, providing scholarships to virtually all Malays with the qualifications to enter higher education, and by creating a seller's job market, it has virtually eliminated the need for Malays to compete. Companies repeatedly complained that Malays were not technically or commercially oriented. They lacked a commercial or industrial consciousness, a business sense and they also seemed to lack the motivation to succeed in business (which sounds similar to McClelland's need for achievement.) According to a Chinese businessman there are four virtues - 1) integrity or trustworthiness, 2) thrift, 3) loyalty, and 4) diligence if Malays could be taught these four virtues they could succeed, without them no amount of training will help.

The Government has also continued to make employment in the Civil Service a desirable, usually the most desirable, option for qualified Malays by the proliferation of Government and quasi-Government bodies. As one businessman put it, "Malays prefer to go into politics and run the country rather than go into business and be run by others". As another pointed out, the shortage of qualified Malays is an artificial one created by the plethora of Government bodies which absorb a large proportion of Malay graduates. However, if it is true and at present there is no proof of this, that Malays are low in need for achievement, it may be that they are best suited to administrative work such as the Civil Service, for McClelland found no correlation between need for achievement and success in administration. This may also be an explanation of why

Malays have done well in multinational companies in which a manager's role is likely to include a considerably larger administrative element than in smaller entrepreneurial establishments, and one of the reasons why they are least suited to sales and marketing which, according to McClelland's work correlates with a high need for achievement. Between 1971 and 1975 the attitude of companies towards Malays in management seems to have changed and there appeared to be a greater awareness of the role Malays could play within the management team. Characteristically the Chinese manager is an individualist which makes him ideally suited to the role of entrepreneur in which he has excelled to a high degree. It was suggested that Malay society is more group oriented and that, given suitable training and development, Malays may excel in the team approach to management which characterizes the larger corporate structures.

While part of the problem underlying the shortage of Malay managers lay with Malays themselves, with their historical position, and their job preferences, the attitudes of companies has not always been very helpful and Malays have had some very negative stereotypes to live down. Of the companies in the sample only one - a multinational - actively sought to develop a racially balanced management long before the NEP. As a result they had a strikingly favourable racial balance with some very able Malay managers. In 1972 there was considerable reluctance on the part of many companies to succumb to Government pressures to employ Malays, especially in those industries where it was most difficult because of the nature of the business, the technical requirements of the job, or the extreme competitiveness of the industry. And indeed at that time the main targets of the Government were the larger companies, which anyway tend to be more co-operative towards Government. By 1976, the Government had succeeded, in particular through the ICA, in putting pressure on virtually the entire private sector.

It has, therefore, become imperative to tackle and to overcome the problems of rapidly developing a cadre of Malay managers. It is a challenge that will test the resources and skills of the business community to the full, a challenge that the larger



companies are in the best position and have the most reason to meet and overcome.

#### RACIAL BALANCE IN MANAGEMENT EMPLOYMENT

Turning now to the degree of racial balance achieved, Tables 9.1, 9.2 and 9.3 present the figures by size group, industry and business community.

Table 9.1 shows the racial balance in the different size groups. Right across the board there has been a dramatic increase in the number of Malay managers employed - an increase of 103 per cent in SG4 and 121 per cent in SG3. (The base for growth in SG2 and 1 is so small that percentages are meaningless.) These increases brought about a striking change in the racial composition of the management cadre, particularly in SG4 where the numbers of Malays have increased from 13 per cent of the management cadre to 20 per cent. In SG3, the increase has been from 9 per cent to 13 per cent; in SG2 from 2 per cent to 9 per cent; and in SG1, from 1 per cent to 7 per cent. It is noteworthy that the smaller companies have begun to improve their racial balance. Their management cadres are small, and the salaries and work environments they offer are rarely so attractive as those in larger companies, yet there has been an increase both in the number of Malays employed, and the number of companies employing Malays. Although the figures are small it must be remembered that only a 5 per cent sample of SG1 was taken and so across the entire business community these figures would be much larger. Nonetheless, even grossed up for the universe, the small companies employ fewer than 50 per cent of Malays employed by the 28 companies in SG4.

Amongst the other racial groups, the employment of Chinese has increased both in real and relative terms (except in SG2 and 1 where the proportion of managers who were Chinese dropped slightly); the proportion of Indians employed remained fairly static and the employment of 'Others' - largely Europeans or other expatriates - dropped sharply both in absolute and relative terms. That is, the gains made by Malays have for the most part been at the

Table 9.1  
Racial Balance in Management - By Size Group

	SG4 n=28	SG3 n=19	SG2 n=13	SG1 n=23	TOTAL N=83
<b>No. of Malay Managers</b>					
1971	232	63	2	1	298
1975	472	139	12	11	634
% Increase	103%	121%	*	*	113%
<b>No. of Chinese Managers</b>					
1971	979	442	88	99	1608
1975	1285	716	95	140	2236
% Increase	31%	62%	8%	41%	39%
<b>No. of Indian Managers</b>					
1971	223	51	11	3	288
1975	275	76	16	2	369
% Increase	23%	49%	45%	-33%	28%
<b>No. of Other Managers</b>					
1971	400	171	10	5	586
1975	314	110	9	2	435
% Increase	-22%	-36%	-10%	-60%	-26%
<b>% of Managers in 1971 who were</b>					
Malay	13%	9%	2%	1%	11%
Chinese	53%	61%	79%	92%	58%
Indian	12%	7%	10%	3%	10%
Other	22%	23%	9%	4%	21%
<b>% of Managers in 1975 who were</b>					
Malay	20%	13%	9%	7%	17%
Chinese	55%	69%	72%	91%	61%
Indian	12%	7%	12%	1%	10%
Other	13%	11%	7%	1%	12%
<b>No. of Companies with no Malay Managers (% in brackets)</b>					
1971	9 (32%)	6 (32%)	11 (85%)	22 (96%)	48 (57%)
1975	7 (25%)	3 (16%)	8 (62%)	18 (78%)	32 (39%)

\* The base for growth in SG2 and SG1 is so small that percentages are meaningless.



expense of expatriates, posts the country has long been committed to Malaysianize.

Table 9.2 gives a racial breakdown of the managerial cadre in the industrial sectors. The service industry has particular difficulty in correcting racial balance because its wholesale and retail trade is dominated by the Chinese and consequently Chinese is the business language. One agency insisted that its Malay staff learn a Chinese dialect in order to be able to function in the industry. Agency houses tended to feel that they were out of favour with the Government and so not only would Malays find it difficult to cope with the sales and marketing side of their activities, but they would prefer not to be associated with them in general. Despite these protestations it is the service industry that has shown the most dramatic increase in employment of Malay managers - an increase of 196 per cent, putting it on a par with the other two industrial groups.

In the extractive industries 33 per cent of managers in 1971 and 22 per cent in 1975 were categorized as "Other", the great majority of these being Europeans; there is a relatively small proportion of Chinese in management - 37 per cent in 1971 and 43 per cent in 1975; and a rather high proportion of Indians - 18 per cent in both years. Given the accepted policy of gradually phasing out non-Malaysian staff, in the extractive industries there is considerable scope to recruit and develop Malay managerial staff. Mining companies, like manufacturing companies, face the problem of the shortage of Malays with the requisite qualifications. However some planting companies enjoyed considerable success with Malay managers who seemed at home on estates and were particularly good at handling labour. It was also suggested that Malays preferred the strong, paternalistic structure such companies often provide. However, the industry is handicapped in correcting its racial balance by its very low rate of growth.

Turning to Table 9.3 the racial balance in the multinational companies is markedly better than that in any of the other communities, this being for the reasons already mentioned. The European business community is not far behind with 17 per cent Malays in 1975 and had increased its proportion of Malays by 132 per cent

Table 9.2

## Racial Balance - By Industry

	Extractive n = 12	Manufacturing n = 22	Service n = 49
<b>No. of Malay Managers</b>			
1971	123	79	96
1975	199	151	284
% Increase	62%	91%	196%
<b>% of Managers in 1971</b>			
Malay	12%	12%	9%
Chinese	37%	68%	72%
Indian	18%	5%	6%
Other	33%	15%	13%
<b>% of Managers in 1975</b>			
Malay	17%	17%	18%
Chinese	43%	68%	70%
Indian	18%	6%	6%
Other	22%	9%	6%
<b>No. of Companies with no Malay Managers</b>			
(% in brackets) 1971	4 (33%)	13 (59%)	31 (63%)
1975	4 (33%)	9 (41%)	22 (45%)

Table 9.3

## Racial Balance - By Business Community

	Chinese n = 39	European n = 26	Multinational n = 14
<hr/>			
No. of Malay Managers			
1971	12	148	132
1975	30	344	250
% Increase	150%	132%	89%
% of Managers in 1971			
Malay	4%	10%	15%
Chinese	95%	48%	61%
Indian	0%	13%	8%
Other	1%	29%	15%
% of Managers in 1975			
Malay	7%	17%	22%
Chinese	90%	56%	59%
Indian	1%	12%	8%
Other	2%	14%	10%
No. of Companies with no Malay Managers			
(% in brackets) 1971	34 (87%)	8 (31%)	3 (21%)
1975	30 (77%)	2 ( 8%)	1 ( 7%)

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between 1971-75. These two groups of companies have been subject to a good deal of Government pressure and as a result by 1975 all but 2 European companies and 1 multinational - a very small buying office - had Malay managers on their staff.

Chinese companies were in a very different position. In 1971, 95 per cent of their management was Chinese and only 4 per cent Malay. Despite a high proportional growth in the number of Malay managers between 1971-75, growth was from such a small base that it only brought the proportion of Malay managers up to 7 per cent. The vast majority of Chinese companies in the sample - 87 per cent in 1971 and 77 per cent in 1975 - employed no Malay managers at all. The small number of Indian companies in the sample reflected a very similar situation. Most of the Chinese and Indian companies are family firms operating in industries dominated by a specific clan. They conduct business and keep their books in Chinese or Tamil, and in Chinese firms managers often only speak Chinese and a little bazaar Malay. It is, therefore, extremely difficult to integrate any outsider, let alone a person from a different race into such a company. In a family firm the financial well-being of the family is at stake and it was unthinkable for anyone outside the family to be given managerial responsibility. A large number of the Chinese companies in the service industry were rubber traders and they felt such large sums of money were involved they could not risk putting them in the hands of a Malay. A further explanation given was that Chinese business depends upon the relationship and friendship of the businessmen involved and this makes it impossible for a Malay to come in. On the other hand it is this closed cliquish attitude that is so frustrating to Malays and which has led the Government to reserve large slices of small scale commerce and industry for them. Chinese companies felt Malays would not want to join them and since most Malays with ability went on to university they were too expensive and over-educated for a Chinese company. Basically they did not want Malays in their companies, they did not trust them and did not believe they had the business ability or the capacity for hard work required, but most of all they did not want an outsider, someone from another race in their companies. The cultural gap between Chinese

and Malay is very large and is reinforced by religious and related dietary differences. However, an aspect of the Chinese companies' unwillingness to employ Malay managers was their resentment of a Malay dominated Government interfering in the running of their small family businesses. There was also the feeling that should they employ a Malay and he did not turn out well it would be very difficult to get rid of him.

There were a few Chinese companies with a more flexible attitude - 5 in 1971 and 9 in 1975 in the sample - and these were generally companies that were relatively large and had already opened their management to professional, non-family managers. Even so they found it difficult to compete with the European and Multinational firms for the services of Malays.

#### RECRUITMENT OF MALAYS

In the past Malays who met the minimum requirements for a job were passed over for better-qualified non-Malays. One company reported that 70 per cent of job applications were from Chinese and 30 per cent from Malays, another that of 200 applicants for a post less than 10 per cent were among Malays, and a third that on advertising for management trainees among 200 applications, only one was from a Malay. It is not surprising given these sorts of figures that Malays found it difficult to compete with non-Malays. However, the NEP has changed that and Malay applicants now tend to be considered very carefully. Indeed companies find it so difficult to attract able Malays that the more successful companies use personal contacts a great deal and have developed close contacts with ITM and the University of Malaya. Many of these companies offer scholarships to Malays in disciplines appropriate to their industry with an informal agreement the holder will join the company on graduation. In the planting and mining industries scholarships are offered on an industry wide basis and some companies also offer their own scholarships. The personnel manager of one company visits Malay schools to try and persuade pupils to accept company scholarships;

and one of the Chinese companies writes personally to all Malay pupils graduating from vocational schools to try and interest them in employment in the company.

A number of companies have reexamined their job specifications to determine the essential requirements in order to consider all Malay candidates with the basic minimum.<sup>4</sup> Most companies had needed to lower their entrance requirements to bring Malays in, on the understanding that they would then train them up to a point where they could compete successfully with non-Malays. Some of the larger companies took in Malay trainees surplus to their immediate requirements knowing that they would lose a number during the training period. However, this is obviously a costly approach and other companies preferred to take Malays with some training and experience and also pursued a company policy of poaching Malays. This sort of situation suggests a need for a Government subsidy to encourage training, especially since the training of Malay managers is clearly part of Government policy. Not only do companies bend over backwards to recruit Malay managers, but also a number of companies mentioned that they made concessions in interviewing Malay candidates, appreciating that Malays may not interview well and may need time to develop. Generally speaking the large European and multinational companies were most successful in recruiting Malays and had achieved this by taking a very flexible, tolerant approach.

Table 9.4 presents the sources of Malay recruitment analyzed by size group. This has increased in the case of SG4 by 167 per cent and the proportion of Malay recruits has risen from 19 per cent in 1971 to 37 per cent in 1975. Though not quite so dramatic similar increases have taken place in SG3. In SG3 the total number of Malay managers has grown to the extent that the 41 Malay managers recruited in 1975 represent 29 per cent of Malay managers employed whereas the 26 recruited in 1971 represented 41 per cent. Here again the figures for SG2 and 1 are so small that it is impossible to draw

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4 This approach reflects the attitude articulated in the Campus Report. See Chapter 4, p. 122.



Table 9.4

## Malay Recruitment - By Size Group

	SG4		SG3		SG2		SG1	
	1971	1975	1971	1975	1971	1975	1971	1975
<b>TOTAL</b>	244	333	132	142	15	39	5	24
<b>Sources of Malay Recruitment</b>								
<b>Non-Managerial</b>								
Grades	13	13	4	4	0	0	0	0
Private Sector	5	33	4	12	0	2	0	1
Public Sector	11	22	5	13	0	2	0	0
School	0	0	0	0	0	0	0	0
Technical College	8	19	10	5	0	0	0	1
University	9	36	3	7	0	0	0	0
<b>TOTAL</b>	46	123	26	41	0	4	0	2
<b>Racial Breakdown of Recruitment</b>								
Malay	19%	37%	20%	29%	0	10%	0	13%
Chinese	71%	51%	72%	60%	73%	90%	60%	87%
Indian	7%	11%	7%	10%	0	0	0	0
Other	3%	1%	1%	1%	27%	0	40%	0
<b>Malay Recruits as % of Malay Managers</b>								
		26%	41%	29%	0	10%	0	13%

any conclusions except to note a marginal increase in Malay recruitment.

In 1971, the principal source of Malay recruitment in SG4 was promotion from non-managerial grades, and in SG3, technical college, usually Serdang or ITM. In 1975 the companies in SG4 drew 45 per cent of their Malay recruits either from university or technical college; another 45 per cent were recruited as experienced managers either from the public or private sector. In SG3 recruitment from the public and private sectors accounted for 61 per cent of Malay recruitment in 1975. This practice of poaching Malay managers from other companies or from the government was the subject of frequent comment by the companies interviewed. In 1971 many companies complained that virtually all Malay university graduates were bonded to the Government and that this made it particularly difficult for the private sector to improve its racial balance. This is reflected in the relatively small proportion of Malays recruited from university in 1971. However, by 1975 not only had bonding ceased to be a serious problem, but companies were attracting Malays from the public sector. Despite the continued complaint that there is a shortage of Malays in certain specialist fields there does not appear to be an acute shortage of qualified Malays overall and the increased future output from the universities should ease the situation still further.

The industry recruitment figures in Table 9.5 indicate that the extractive industries have been recruiting relatively high proportions of Malays - 23 per cent of all recruits were Malay in 1971 and 34 per cent in 1975. These principally came from technical college or university which accounted for 41 per cent of recruits in 1975. In both the tin and rubber industries, professional qualifications are considered important and in the agricultural sphere the industry is well catered for. The same cannot be said of the tin industry which still has to rely heavily on overseas training institutions. The other two main sources of recruitment are the public and private sectors. A number of companies mentioned they were recruiting Malays with military or police backgrounds and these recruits had proved very successful.

Table 9.5  
Malay Recruitment - By Industry

	Extractive		Manufacturing		Service	
	1971	1975	1971	1975	1971	1975
Total Recruitment	119	136	95	126	181	277
Malay Recruitment						
Non-Managerial Grades	1	2	5	10	10	5
Private Sector	4	12	3	5	2	31
Public Sector	7	13	1	10	8	14
School	0	0	0	0	0	0
Technical College	13	9	0	1	5	15
University	2	10	7	15	3	18
TOTAL	27	46	16	41	28	83
Racial Breakdown of Recruitment						
Malay	23%	34%	17%	32%	16%	30%
Chinese	61%	43%	72%	66%	79%	62%
Indian	13%	21%	6%	2%	2%	7%
Other	3%	2%	5%	0	3%	1%
Malay Recruits as % of Malay Managers						
Malay Managers	22%	23%	20%	27%	29%	29%

In the service and manufacturing industries the proportion of Malay recruits is in roughly the same proportions: 16 per cent and 17 per cent in 1971 and 30 per cent and 32 per cent in 1975. In the service industries there is a very marked trend towards recruiting Malays from other companies in the private sector: this accounted for only 2 out of 28 recruits in 1971, but 31 out of 83 in 1975. Recruitment from university also increased substantially and the largest single source of Malay recruitment in the manufacturing industry was university which accounted for a third of recruitment in 1975. This probably is less a reflection of companies' insistence on a university training and more an indication of the fact that almost all Malays with any ability now have the opportunity to go to university.

Looking at recruitment by business community the reason for the very favourable racial balance in the multinational companies becomes clear - by 1975 49 per cent of their recruits were Malay, a far higher proportion than in either of the other business communities and a sharp increase on their 1971 proportion of 23 per cent. In numerical terms foreign companies have recruited most Malays; however, their total recruitment is so large that the proportion this forms is markedly smaller than that in the multinationals. Nonetheless the trend in both groups is towards a considerably increased recruitment of Malay managers. The Chinese companies have not increased the flow of Malays into management proportionately and numbers are still very small.

Another marked difference between the multinational and foreign companies is that the former recruited a large proportion of their Malays directly from university while the latter preferred to poach from the private sector. This is indicative of the different attitudes of companies in these two groups - the multinational companies preferring to develop staff in their own particular modes of operation and preferring to take the long view of staff development, while the foreign companies want experienced men who can make an immediate contribution to the running of the firm.

Companies were asked their opinion of sources of Malay recruitment. Most of these have already been covered in the

Table 9.6

## Malay Recruitment - By Business Community

	Chinese		European		Multinational	
	1971	1975	1971	1975	1971	1975
Total Recruitment	25	55	233	314	127	132
Malay Recruitment						
Non-Managerial Grades	1	2	4	4	10	8
Private Sector	2	2	4	35	3	11
Public Sector	0	1	9	22	7	12
School	0	0	0	0	0	0
Technical College	0	1	18	18	0	6
University	0	0	2	12	9	28
TOTAL	3	6	37	91	29	65
Racial Breakdown of Recruitment						
Malay	12%	11%	16%	29%	23%	49%
Chinese	88%	89%	71%	57%	69%	42%
Indian	0%	0%	9%	12%	4%	7%
Other	0%	0%	4%	2%	4%	2%
Malay Recruits as % of Malay Managers						
Malay Managers	25%	20%	25%	26%	22%	26%

discussion of overall recruitment in Chapter 7, however the Institut Teknologi Mara (ITM) and the Universiti Kebangsaan are exceptions. ITM was established to offer commercial and industrial training exclusively to bumiputras, particularly from rural areas. It provides training in English at subprofessional and professional level and clearly identifies itself as a polytechnic rather than a university. The overall reaction of the business community to ITM was a fairly negative one. Criticism was related to the concept of ITM itself, to the quality and relevance of the training students received and to their job aspirations. It was felt that to bring rural Malays into a protected all-Malay environment such as ITM offers, was a poor preparation for business life. As one businessman put it "ITM takes very immature, inexperienced and ill-educated kampong children and keeps them closeted together, as a result they remain so". ITM did not begin to tackle the attitudinal problems of rural Malays vis a vis industry but provided an environment in which village values could be sustained. The quality of the training students received was generally considered weak and academic standards were considered to be falling owing to official pressure to qualify as many students as possible. There were, however, some notable exceptions: students who sat for overseas examinations rather than the ITM diploma were found to have a higher standard of attainment and a better command of English. The Diploma in Business Studies was mentioned as offering a relevant training. The three-year Diploma Course in Planting Industry Management run in Perlis was said to provide an excellent programme of theory and practice closely related to the needs of the planting industry. This was particularly the case in 1972, when ITM, led by an exceptionally able director, had developed close links with the industry. By 1976 the departure of the previous director had led to a relaxing of these relations and the industry was less enthusiastic about the course.

However it was the aspirations of students in relation to their training that was the main target of criticism. It was said, students at ITM were led to expect employment as management staff on high salaries but since they were not of the calibre of university students, and had no practical experience to compensate for this,



companies found such aspirations unrealistic. If ITM graduates were appointed as management trainees they required considerable further training from the company, but were not considered to have top management potential and had established a reputation for not staying long with any company. They were therefore considered a bad risk. The most able graduates of ITM were often sent overseas to study for a university degree or were snapped up by the Government, which tended to leave the weaker students for the private sector. Yet the shortage of staff at supervisory level was frequently mentioned and ITM, as a polytechnic, would have appeared to be well suited to cater to this need. The problem seems to have been that the shortage of Malay candidates for management at a time when the Government was putting considerable pressure on companies to improve their racial balance obliged companies to recruit ITM graduates into management and not being of university calibre companies were later dissatisfied with them. This situation is likely to change with the very large numbers of Malay university graduates coming onto the labour market when ITM graduates can be employed at the level for which they have been trained.

A recent addition to the range of courses offered at ITM is its Programme for Executive Development (PED), a three-month programme designed to orient new Malay university graduates to the needs of industry. The cost of the programme was fully underwritten by the private sector and practicing managers were brought in to address the students. However, its main value was probably more the opportunity it gave companies that supported the programme to recruit Malay graduates rather than any major improvement in students' preparation for business. One of ITM's major problems was a very young inexperienced teaching staff, and a high staff turnover. During a period of strong demand for Malay graduates it was difficult to keep Malay staff at establishments, such as NPC and ITM, geared towards the needs of industry. Yet ITM had a substantial staff training fund and could draw on funds from the Public Services Department and MARA which enabled it to send roughly 20 members of staff a year abroad to receive further training who were then bonded to ITM for 5 years after completing their studies.

The Universiti Kebangsaan, although not restricted to Malays, through its exclusive use of the Malay language as the medium of instructions attracted an almost exclusively Malay student body - in 1975 93 per cent of its 2,502 students were Malay.<sup>5</sup> Its faculties included a Faculty of Economics and Management established in 1974, consequently there had been no graduates of the programme at the time of the study. The Faculty was divided into six departments: Analytical Economics, Economic Development and Planning, Agriculture and Resource Economics, Business Management, Accounting, and Statistical and Quantitative Analysis. In 1975 the Faculty already had 385 students and a staff of 30 academics and 24 tutors, and this number was expected to have almost trebled by 1980. It was thus geared to make an important contribution towards improving the supply of qualified Malays into management. As in any new university the Faculty of Economics and Management faced a number of problems, and one of the main problems mentioned was that of language. The vast majority of books on management and economics are in English, indeed of the 273 texts that were suggested reading for faculty courses in 1975/76, only 14 or 5 per cent, were in Malay. Yet the language of instruction is Malay, and a pass in English is not an entrance requirement for the university, although a number of departments were giving extra instruction in English to try and improve the standards of their students. The low standard of English made the arrangement of industrial placements for students in their third and fourth years difficult. A graduate of the Universiti Kebangsaan with virtually no exposure to a non-Malay environment and with limited English was not likely to meet the needs of the private sector.

#### TRAINING OF MALAYS

Most large companies took the training of Malays very seriously, indeed if they were to attain the racial balance target it was essential to the well-being of the company that its Malay managers were as effective as possible. A common hypothesis

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5 TMP. p. 401, Table 22-7.

amongst such companies was that for cultural reasons Malays were late developers and required a longer period of training before they could compete on equal terms with non-Malays. Most Malays came from underprivileged backgrounds and encountered considerable culture shock when they entered business, a problem accentuated by the fact that business was predominantly Chinese. Consequently, those companies had developed special extended bumiputra training procedures. These varied in their approach; one aimed to give trainees an overall picture of the functioning of the company by rotating them through different divisions, another assigned bumiputras to subsidiaries for a six month training and probation period, and yet another extended its usual two year training for new recruits to three to four years for Malays, giving them a lighter work load.

Having completed this training period Malay recruits were then expected to compete on a par with others. However by 1975, this assumption was being questioned: extended training was found to lead to frustration since the trainee was removed from the responsibility of actually doing a job. On the job development was found to be far preferable.

Although in SG4 the total number of managers trained declined between 1971 and 1975, the number of Malays trained increased from 126 to 153 and the proportion of managers trained who were Malay increased from 18 per cent to 27 per cent. In SG3 the number trained rose from 18 to 35 and this represented 14 per cent and 22 per cent of managers trained in 1971 and 1975, respectively. However this was during a period in which the number of Malay managers had risen sharply and where the proportion of Malays trained in relation to the total number of Malay managers declined from 54 per cent to 32 per cent in SG4 and from 29 per cent to 25 per cent in SG3. Nonetheless, it should be borne in mind that there was a higher proportion of Malays trained than there were Malays in the management cadre.

When training Malays companies in SG4 preferred on the job training and in-company courses in 1971; in 1975, extensive use was also made of external courses. SG3 shows a similar swing to using

Table 9.7

## Training of Malays - By Size Group

	SG4		SG3		SG2		SG1	
	1971	1975	1971	1975	1971	1975	1971	1975
Total No. of Managers Trained	694	567	132	160	19	32	12	17
Malays Trained*								
On-the-Job	54	50	14	13	0	4	0	0
In-Company Courses	58	51	0	8	0	1	0	0
External Courses	22	60	2	14	0	2	0	0
Overseas Training	17	20	2	5	0	0	0	0
Total	126	153	18	35	0	5	0	1
% of Managers Trained who were Malay	18%	27%	14%	22%	0	16%	0	6%
% of all Malay Managers Trained	54%	32%	29%	25%	0	42%	0	9%

\* Rf note Table 8.1, p.237.

external courses in 1975. Overseas training was mentioned as being particularly beneficial for Malays because it got them away from village attitudes, however the figures suggest that companies may be reluctant to use this in developing Malay managers: 15 per cent of the managers trained by SG4 in 1971 were sent on overseas training while the figure for Malays was 13 per cent; in 1975, 16 per cent of managers trained went on overseas training but only 13 per cent of Malays. In SG3, the comparable figures were 17 per cent of managers

in 1971 and 11 per cent of Malays, and 24 per cent of managers in 1975 and 14 per cent of Malays. The differences are small, particularly in SG4, but they may suggest a possible reluctance on the part of some companies to invest a great deal in training Malays during a period of high mobility amongst Malay managers.

Looking at the figures by industry the service sector shows an increase in the numbers of Malay managers trained from 52 in 1971 to 99 in 1975. This represents an increase from 18 per cent to 28 per cent in the proportion of Malay managers trained. Nonetheless the proportion of Malays on management staffs who underwent training declined. In manufacturing industry the overall decline in training was not matched by a decline in the number of Malays trained. Roughly the same number of Malays were trained in 1975 as in 1971 but in 1971 this represented 15 per cent of those trained and in 1975, 28 per cent. However, because the number of Malay managers had increased considerably by 1975, the proportion of Malay managers trained declined substantially from 68 per cent in 1971 to 39 per cent in 1975. A roughly similar picture is to be found in the extractive industries.

As far as training methods go, the recent tendency already noted, of making extensive use of external courses is evident in the service and manufacturing industries, although not in the extractive industries. Nevertheless, the service and manufacturing industries do still make use of in-company courses and, to a lesser extent, on the job training. The extractive industries continue to rely very heavily on on the job training.

The superior performance of the multinational companies in the racial balance sphere is also maintained in training. (Table 9.9). Although the proportion of managers trained who were Malay is not exceptionally high amongst these multinational companies it is higher than in either of the other two groups and accounts for a very high proportion of the Malay managers employed: a remarkable 70 per cent in 1971 and 43 per cent in 1975. Among the foreign companies the proportion of Malays undergoing training in 1971 was 34 per cent and that has dropped to 23 per cent. The emphasis these companies place on recruiting experienced managers to avoid some of the

Table 9.8

## Training of Malays - By Industry

	Extractive		Manufacturing		Service	
	1971	1975	1971	1975	1971	1975
Total No. of Managers Trained	211	191	361	210	284	378
Malays Trained*						
On-the-Job	23	23	13	15	32	28
In-Company Courses	6	8	37	17	15	35
External Courses	5	8	8	19	11	40
Overseas Training	4	1	8	8	7	16
Total	38	36	54	59	52	99
% of Managers Trained who were Malay	18%	19%	15%	28%	18%	26%
% of all Malay Managers Trained	31%	18%	68%	39%	54%	35%

\* Rf. note p. 237, Table 8.1.



Table 9.9

## Training of Malays - By Business Community

	Chinese		Foreign		Multinational	
	1971	1975	1971	1975	1971	1975
Total No. of Managers Trained	46	43	339	363	427	344
Malays Trained*						
On-the-Job	2	2	34	40	31	20
In-Company Courses	0	0	11	12	47	48
External Courses	1	4	7	31	16	30
Overseas Training	1	0	5	12	13	13
Total	4	6	52	83	87	98
% of Managers Trained who were Malay	9%	14%	15%	23%	20%	28%
% of all Malay Managers Trained	33%	20%	34%	23%	70%	43%

\* Rf. note Table 8.1, p.237.

training costs is partially illustrated if one notes that, in 1975, 95 Malays were recruited but a total of only 83, trained.

When considering the position in regard to Chinese companies one is again dealing with very small numbers. Few managers were trained and since Malays make up such a small proportion of the management cadre they formed a very small proportion indeed of those trained.

Turning to the methods of training used, the multinational companies show a preference for in-house training either on the job or through in-company courses, although the use of external courses increased between 1971 and 1975. The foreign companies prefer a combination of on the job training and external courses. Relatively few of these companies run in-company courses and the number trained in this way is small.

The training institutions have begun to provide certain types of training specifically geared to the needs of Malays. The Programme for Executive Development (PED) run by ITM for new Malay university graduates has already been mentioned. NPC has established a Bumiputra Services Division which in 1975 ran 50 courses attended by a total of 1209 participants, mainly Malay entrepreneurs and supervisory staff; however, none of the companies in the sample specifically mentioned using this type of NPC course, for they preferred their Malay managers to attend courses designed for all managers.

#### PROFILE OF MALAY MANAGERS

This discussion has concentrated exclusively on the private sector's analysis and perception of the problems of racial balance in management. To complement the picture a small sample of Malay managers and entrepreneurs was interviewed. This consisted of 11 managers at various levels in large scale enterprises in Kuala Lumpur and 13 Malay companies - 3 in Kuala Lumpur, 2 in Kuantan, 4 in Trengganu and 4 in Kota Bharu.

Many of the managers came from educationally or socially privileged backgrounds. The fathers, or in one case uncle, of 4 of

them were hereditary chiefs and 3 of these 4 were amongst the oldest managers interviewed; others were teachers, government officials, a doctor, and in 2 cases successful Malay businessmen. Only one of the 11 came from a poor rural background. The youngest manager interviewed was born in 1948 and so completed university before the very rapid period of expansion in the early 1970's. All the managers had received a good secondary education - 3 of them at the Malay College, Kuala Kangsar, and all spoke of the profound impact this had on them and their future educational and career development; 10 of the 11 had received a higher education, 8 of those 10 having studied abroad, 4 of them in Britain, 3 studying law. As a group they were thus highly educated, with considerable exposure to Western attitudes and values. When asked about their career aspirations they were self-confident and ambitious, as one of them put it "the sky is the limit". The background of this group reflects the type of Malay who succeeded in management before the Government put pressure on the private sector, for the group were interviewed in 1972 and most of them had already established themselves in their careers. They were an elite group, sufficiently intelligent and able to be employed without Government pressure but aware of the career advantages the new emphasis on racial balance gave to them.

All were asked why they went into business. Their reasons were varied but a common theme in their replies was a sense of dissatisfaction with the lack of challenge in Government employment - and a preference for the higher rewards and more rapid advancement of the private sector. Most of them had associated with non-Malays when they were young, usually being one of the minority of Malays attending English secondary school. The exceptions were the two eldest managers both of whom had previous careers in the Government, one as a magistrate and one in the police force. Both only entered business on retirement, the former, a prominent and titled gentleman, by being invited by some 25 companies to sit on their board of directors and by going into a partnership with a Chinese, and the latter by being invited by a golfing partner to become personnel manager of his company. Both were examples of the Malay participation in business that was simply window dressing

providing the company with the benefit of association with a prominent and respected Malay who had no executive authority. Malay directorships might be a means of transferring wealth from a wealthy non-Malay company to a wealthy Malay but they made no real impact on the key area of racial balance in management. However these arrangements were clearly in the minority.

Although not typical of the village Malay, as Malays who had been successful in entering business, this group provided a special insight into the problems Malays faced and made a number of suggestions as to how they might be overcome. They felt there were many factors militating against Malays entering business. There was Malay disinclination towards business: it was looked down upon, and therefore the only Malays who went into business were those who could not earn a living any other way. They also added the impact of the Muslim religion which stresses contentment, the attitude of "be thankful with what you have", and there was the preferred option of Government employment which provided security, status and a good salary and the tendency for this to be forced on Malays by the bonding system. If they did not attain an adequate educational standard Malays tended to be satisfied with relatively low level jobs.

If a Malay did try to enter business there were many difficulties to overcome: on the one hand there were the stereotypes of the lazy Malay to live down, on the other, the Malay's own deepseated anxiety that he might not be able to succeed, that the stereotype, in fact, might be accurate. A number of those interviewed had found junior managers and supervisors quick to prejudge Malays and the problem of overcoming such prejudice was at times so great that Malays could become demoralized, and retreat into the security of a Government position, so tending to confirm the stereotype. One of the most able and successful Malay managers said that as a result of the pressure the Government was placing on companies to employ Malays, they did not need to bother trying to understand business. However, the main barriers Malays seem to face are attitudinal ones - both within themselves and from the private sector.

They were asked how they thought the policy of racial balance could best be implemented. Like the companies, they emphasized the fact that because major attitudinal and educational changes were involved it would take time, and they stressed the need for improving the primary and secondary education of Malays particularly in the sciences and in mathematics, exposing young Malays to business, possible through educational television, and bringing them into closer association with non-Malays with whom they would have to work. Another suggestion was a pupilage scheme in which every Malay undergraduate would be attached to a firm for a period under the tutorage of an executive. They also stressed the need to reform the bonding system. At least two of the managers interviewed had bought their release from Government bonds. They felt that while the Government was urging companies to employ Malays it was cutting off the supply by bonding all scholarship holders to serve the Government. Despite criticism of the pace at which the Government was trying to correct racial balance in management they were in favour of the policy, and felt Malays needed to be given a chance. Greater sensitivity on the part of the business community towards their problems would clearly help, and it was suggested for instance that companies endeavour wherever possible to have a Malay supervised by another Malay because of the problem of prejudice at that level.

The managers were asked what they saw as the priorities for improving the training of Malays, and again the reform of the educational system was mentioned. This group seemed very conscious of the importance of the privileged education it had received. They urged that more residential schools be provided in the rural areas because of the unconstructive influence of Malay upbringing which taught children not to be interested in business. Vocational training was recommended for kampong children who had no opportunity of gaining any practical experience of business, unlike Chinese children who worked in their relatives' shops after school. There was a strong feeling that Malays should be treated identically with other managers and should not be given special training, however, they should be given access to a broad range of management training

particularly at the junior and middle levels. Training mentioned as particularly beneficial was that for the Masters Degree in Business Administration and for Chartered Accountancy. It was suggested that the Government should provide financial incentives to encourage the training of Malays.

Finally they were asked their opinion of ITM and while they all felt it was undesirable for Malays to study in an all Malay institution, most of them were willing to concede that it was necessary at the moment on account of the special needs of Malays and the danger of their being demoralized by the better educational standards of non-Malays. However, generally they thought it was a disadvantage to be isolated from the stimulation of competition with non-Malays, as well as gaining an understanding of their thinking, their hopes and anxieties. The sort of closed environment ITM provided gave Malays an unrealistic estimate of their abilities and they expected to be immediately successful forgetting the importance of experience.

The Malay entrepreneurs interviewed were for the most part very different from this group of managers. The managers were knowledgeable and articulate; the entrepreneurs were generally poorly educated and inarticulate and this was not helped by the fact that an interpreter had to be used for almost all of the interviews on the East Coast. The local SEDC and MIDF officials who arranged these interviews also did the interpretation. Most of the entrepreneurs provide evidence of what the managers had stated: that Malays do not go into business unless they are forced to do so by lack of education, poverty, and the foreclosure of other alternatives. As one of the entrepreneurs explained, he was very poor and had no property, so he started with \$10 selling tobacco, in 1972 he was the managing director of a firm with a turnover of \$2½ million. A number had a parent or relative in business who had started a small enterprise and they continued this, expanding with the help of a Government loan.

The level of education and business knowledge amongst these small Malay businessmen was so low that while they needed training it had to be especially geared to their situation. One of the businessmen expressed the position of this group when he said that he



was apprehensive about training because he knew so little he felt it would be strange and he would not understand it and that his English would not be good enough. Training would therefore have to be very rudimentary and practical, it had to be in Malay and organized on the East Coast. The two main areas of need were in finance and accounting, including basic book-keeping, and in marketing where the need was particularly strong.

The Malay companies interviewed in Kuala Lumpur were very different. Since it was a tiny sample few conclusions can be drawn, but two of the three operated in a highly competitive commercial manner employing Chinese staff "because it is the cheapest and most efficient labour on the market", and eschewing Malay graduates because "the pay is too low, they don't last". The third was a MARA owned company and its most striking feature was the youth and almost total lack of business experience of any of the managers on the staff. MARA was paying the company's training bill which meant the amount of training for a small company was lavish yet it did not appear to include practical business training, and concentrated on courses for a management team in which there was certainly no shortage of theoretical knowledge. Not surprisingly the company was running in the red.

This small set of interviews highlighted some of the problems of Malay companies, most of which are so small that they fall outside the scope of this study and require special training programmes which MARA and NPC are trying to provide. More important were the interviews with managers that reflected many of the same preoccupations as the companies, though from a different angle, and drew attention to the very real attitudinal problems of Malays, indeed any group in a similar position, trying to break out of a stereotyped position. There is a strong tendency for the individual to live up to the expectations made of him<sup>6</sup> and the Malay has to overcome this tendency and his own fears that he may not be up to it.

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6 See R. Rosenthal and L. Jacobson, Pygmalion in the Classroom for a report of research carried out on school children revealing the extent to which teachers' expectations of pupils' intelligence affects their performance, regardless of what their real intelligence is.

The Malay community has suffered from an inferiority complex as a result of its long impoverishment and it is this which often makes young managerial recruits appear overconfident. The Malay managers interviewed had excellent educational credentials and were well into successful careers, but they were not insensitive to this situation.

The problem of developing managers drawn from a community with peasant characteristics that has no previous orientation towards business is one many countries face. In Malaysia a solution to this problem is made all the more urgent by the short timescale imposed by the Government in the NEP. Inevitably some companies try to evade the problem through 'window-dressing', but larger companies are obliged to take the problem seriously on account of the large numbers of managers involved and the crucial impact they can have on the overall wellbeing of the company. European and multinational companies are in an excellent position to find possible solutions and have both the motivation and the training expertise. However, the atmosphere of Malay privilege and political expediency that form the context in which this takes place while perhaps necessary to enforce such major changes, makes the task more difficult. In the opinion of the companies involved the main problem is not one of intellectual or educational deficiency, although as university standards appear to be falling this may well be the case in the future, nor is it a problem of management skills, in that there are some indications that Malays may be better suited to certain management skills than non-Malays, and in any case these companies have a good deal of experience in providing training in such skills. The main problem appears to be one of cultural attitudes. In restructuring Malaysian society the Government is trying to bring about a major social revolution, to transform a largely poor, ill-educated, rural, traditional society into a predominantly affluent, urban, industrial modern one - all in the course of 20 years. In 1972, shortly after the announcement of the NEP, the most common reaction of companies was of near disbelief: such a major change could not be effected in so short a period, and required greater time; by 1976 it had become quite clear that the Government was in earnest and the time allowed to achieve its end was up to 1990.

So what are the elements conducive to changing attitudes from peasant to modern ? Reference to the characteristics of 'modern' man proposed by sociologists suggest that he is characterized as taking a scientific rational approach to his life and environment and to the acquisition of knowledge. The Government, aware of the need for this particular attitude change has included in the Rukunegara a commitment "to building a progressive society which shall be oriented to modern science and technology", and is giving special attention to the teaching of science in schools. 'Modern man' has a broader view of the world and his position in relation to it, with an openness and adaptability to change - a condition not fostered in Malaysia by the highly controlled press the Government finds necessary given the tensions produced by the NEP. Urbanization and the subsequent tendency towards nuclear families are further features at one point taken so seriously that the mass urbanization of Malays was suggested, but this would have aggravated the already serious problem of urban unemployment and was later abandoned in favour of a campaign to modernize the countryside. In contrast to a peasant society in which status is ascribed, in a modern society status must be achieved. In the case of Malays, the Government has accorded them a wide range of privileges including access to higher education and prestigious jobs in management or Government. This appears to be the exact opposite of a modern society. Yet it is probably the only way that Malaysian society can be 'restructured' within the prescribed timescale. This does indicate that while the Government is aware of the need for a mental revolution in order to accomplish its social revolution, the very means it uses, (possibly has to use - it is hard to see genuine alternatives,) are working against its ends.

Companies in the private sector confront immediately the problem, and are obliged to find a solution, despite many complicating factors. While there may be no proven relationship between academic and managerial success, Toyne's finding that higher education makes the manager more receptive to some Western management concepts<sup>7</sup> is a powerful argument in favour of the practice of

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7 Refer Chapter 2, p 19.

recruiting Malays with higher education. Participating in rational problem-solving both on the job and through external courses would also appear to be a beneficial form of training, as is the use of overseas training with the broader view it brings, the exposure to different perspectives, and the fostering of that capacity for empathy with the positions of others to which both Lerner and McClelland refer.<sup>8</sup> Larger companies in Malaysia are already engaged in these forms of training, although the high turnover of Malay managers is proving to be a strong discouraging factor.

Given the importance of training, if the country's restructuring objectives are to be achieved without a slowdown in economic growth, a Government subsidy for the training of Malays would make a good deal of sense. It would relieve the larger companies of the burden of providing a training ground for Malays for both medium to small companies and the public sector. While they are well-equipped to train Malay managers inevitably the cost involved of training over and above the needs as they do will be a deterrent. An alternative approach would be a levy-grant system, modelled on the British levy-grant scheme, such as was recommended to the Malaysian Government in 1972 in the report by Hunt and Conway.<sup>9</sup> This would provide a means whereby all companies contributed to the training of Malays with those companies that actually did the training able to claim the cost of this from the central pool.

Whatever means are found of accelerating the development of Malay managers will be of great use and importance in solving similar problems in other parts of the world. This is an area that is so important both in the Malaysian and the international context that considerable research effort should be directed towards it.

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8 Refer Chapter 2, pp. 31-32.

9 N.C Hunt and B.M. Conway, op.cit., para.15.

## CHAPTER 10

### CONCLUSIONS

This study of management development in Malaysia illustrates the impact not only of local social and economic conditions but also of historical and political factors on the problems of developing a managerial cadre in a developing country.

The period of British rule in Malaya has been shown to have had a profound impact on the present context of management development. When the British intervened in Malaya in the 1870's they found a feudal Malay society and an economy based on subsistence agriculture and fishing. The British Government recognized the Malay Sultans as the rightful rulers of the peninsula and governed through them in order to minimize disruption to Malay society. However, British intervention was motivated primarily by economic considerations and their coming heralded a period of rapid economic development. The peninsula was rich in tin and was found to be well suited to the cultivation of rubber, and later, oil palm.

The Malays showed no desire to work in the mines or on plantations, so were encouraged to continue their traditional pursuits; as a result it was necessary to import labour and management, and Malaya witnessed the influx of three entrepreneurial groups - the British, Chinese, and Indians. All three came with varying degrees of commercial and technological sophistication. The Chinese, brought financial and mutual aid associations, trade guilds, mining and smelting expertise, attitudes and values highly supportive of commercial activity and an astonishing capacity for thrift and hard work. While many of the Indians came as low caste labourers and remained so, others came from the middle classes: merchants, money lenders, civil servants and professionals who brought commercial expertise, a familiarity with British rule, proficiency in English and an appreciation of the benefits of English education. The British contributed advanced technology in the form of the tin dredge and smelting techniques, financial institutions, in particular the joint stock company that enabled them to mobilize the financial

resources of Britain, and the managerial ability to operate on a large scale, notably through managing agencies. These three groups came to dominate specific segments of the economy: the British, large scale activities - estate agriculture, tin-dredging and smelting, and import-export; the Chinese, small scale activities - tin mining, the wholesale and retail trade, and light industry; and the Indians, money-lending, parts of the wholesale and retail trade, certain branches of the civil service, and the professions. Through their efforts and with the active encouragement of the Government, Malaya grew to become the largest producer of tin and rubber in the world.

In the meantime, the traditional sector languished. The introduction of a monetary economy resulted in the growth of indebtedness among Malays and rural Malay schools were designed to encourage traditional pursuits. In Malay society the aristocracy alone was provided with an education, and a role to play in the new economy, and that was specifically oriented towards Government.

On independence when Britain returned the rule of Malaya to the Malays, the ownership and management of the economy lay firmly in the hands of Europeans, Chinese and Indians. The new Government sought to accelerate the pace of economic development and diversify the economy through industrialization, and the attraction of foreign capital, and it was highly successful. However, it was the non-Malay groups that had the financial resources, education, and technical and managerial expertise to take advantage of this and the gap between Malays and non-Malays grew even wider. In 1969 this situation erupted in racial violence which brought a complete reassessment and reorientation of Government policy. This was articulated in the New Economic Policy (NEP).

The introduction of the NEP with the Second Malaysia Plan in 1971 forms the principal backdrop to this study. The Government is determined to change the social and economic structure so that by 1980 Malays own 30 per cent of the economy and Malay employment in all sectors, at all levels, reflects their proportion in the population. The Government's intention is that these targets be met through rapid economic growth. At the same time it has ensured preferences for Malay businessmen and obliged companies to correct



the racial imbalance in their ownership and management. The period of this study is thus one of rapid change in which political factors are of great importance in establishing the priorities for management development.

The need for management development in Malaysia is both real and urgent given the level of economic growth the Government hopes to achieve. The development of dynamic managers in a rapidly growing economy needs to be deliberately undertaken if supply is to keep up with demand.

Management in Malaysia has been dominated by the Europeans, Chinese and Indians. Since independence most European-held posts have been Malaysianized and this put pressure on foreign companies to develop local managers. While the technical skills of Chinese and Indians were said to be excellent, their entrepreneurial skills did not always suit them to the needs of large European and multinational concerns, and this has had to be taken into account in designing management development.

Since 1971 there has been the added necessity of developing a cadre of Malay managers. This has been hampered by the shortage of Malays with the necessary skills and education, the lack of business orientation of Malays, their preference for Government employment, and the early reluctance of companies to employ Malay managers, a reluctance that has now begun to break down.

The diversification of the economy into manufacturing brought an influx of foreign firms drawn by the political and social stability of the country, favourable investment incentives, and bright economic prospects. Local industry also responded to the new opportunities in manufacturing. This brought a growing demand for managers with technical and professional skills. In contrast, the older industries of tin and rubber were growing very slowly, if at all, with tin reserves being worked out and rubber facing severe competition from synthetics, and often being replanted with the more remunerative oil palm. While management was becoming increasingly professional there was little room in these industries for expansion.

In Malaysia the large multinational companies stand out as making by far the greatest contribution to management development. Because they take a long term view of their business involvement in the country they plan well ahead for the managerial requirements of the company. They were also the companies most sensitive to the priorities of the Government in developing Malay managers. There is no reason to think Malaysia is a special case here and developing countries should take into account the positive contribution multinational companies make to management development in assessing this group.

One criticism that can be directed against multinational companies is that in developing local managers they seemed to be more interested in adapting managers' values and attitudes to those of the company than the fusion of interests about which Bakke and Argyris wrote. This adaptation on the part of the manager does not appear to be reciprocated by the company. The determining factors in this are likely to be the need multinationals feel for a standard, company-wide approach to management, and a belief that the Western approach provides the best possible model, and for a head office located in the West probably the only possible system. How this influences the effectiveness of managers is not known. Theoretically, it should mean that the aims of the individual manager and the company are likely to be at variance and the individual will therefore not find the personal fulfilment in his work that is considered important for a high level of motivation. Further research is needed to establish whether this does in fact take place.

European trading houses and managing agencies were conservative in their management style and this was reflected in their approach to management development. Nonetheless, the managing agencies had developed systematic management training for new recruits and provided limited trading at middle management level. The trading houses seemed to direct the preponderance of their training to their technical requirements and to carry out little planned management development, a situation reinforced by their anxiety about their future in the country. However, both groups were going through a period of change and reorientation, and the agency

houses in particular were moving into new industries which required new skills and consequently new types of training. The main criticism to be levelled at these companies is that they tend to limit themselves to training, carrying out as yet little management development in the broadest sense of the term; that is, providing a range of learning experiences, with feedback on performance progressively to develop a manager to his full potential. The slow rate of growth of the managing agencies has hindered this but the trading houses will need to consider implementing such a programme to meet the technical and managerial requirements of their new ventures.

Small local Chinese and Indian firms were in a difficult position. Their traditional activities were slowly being undermined by Government preferences to Malays and by the younger generation's reluctance to enter such establishments. They were faced with the need to change in order to take advantage of new opportunities but did not have the technical and managerial skills required and found the training available inaccessible and ill-suited to their needs. While such traditional entrepreneurial groups have been good at developing entrepreneurial skills, and the pressures on them at present are likely to produce even greater drive and imaginative business flair, they have not previously needed, and consequently have not known how best, to develop management skills. This is a segment of the business community with a great deal of natural potential, a segment which is both labour intensive and regionally distributed and should be given more assistance to acquire managerial and technical skills.

Greater cooperation between small and large firms, such as found in the 'TOP' movement in France, could help to show these companies the technical and practical benefits for them of management development; at present they remain largely unconvinced. ('TOP', Technique, Organisation, Productivity, is a co-operative movement between small to medium-sized firms and large firms involving:

- 1) Joint management training,
- 2) Individual help in applying modern management methods,
- 3) Collective assistance in using methods and machinery, and

- 4) The exchange of experiences and visits to the specialised services of large firms.)<sup>1</sup>

Through close association with a large well-managed firm with a well-planned system of management development these small local companies may be helped to see its applicability in their situation.

The educational system is going through a period of rapid expansion which is solving the problem of the scarcity of professionals required by the private sector. However, it appears to have led to lower standards and exaggerated aspirations for graduates. Both problems are likely to solve themselves as the rate of growth of the educational system levels off and supply of graduates begin to meet the demand. A problem likely to remain is the shortage of technical and other sub-professional trainees. There has been no growth of technical colleges and polytechnics to parallel the expansion of universities, yet this is an area where there is a clear demand. The fact that ITM has resisted pressure on it to be upgraded to university status is commendable, for it is one of the few institutions aimed at meeting this need.

In Malaysian industry there is a tendency for certain fields to become surfeited with too many companies chasing too small a market; in the training sphere this also appears to have happened. While the entrepreneurship and enthusiasm of the various training organizations is encouraging, the market is still relatively small. The two main training organisations - MIM and NPC - have developed largely complementary areas of specialisation and it would be preferable to bring smaller organisations under their wings rather than have ~~them~~ compete against each other.

However, some reorientation is required to provide for the needs of the small local firms. The bulk of the training currently provided is geared to the medium to large companies which can well

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1 B.P. Bodin, "An Experiment in Co-operation between Large, Small and Medium-sized Enterprises in France: The TOP Movement," Promotion of Small and Medium-Sized Firms in Developing Countries through Collective Actions. OECD. pp.245-249.

look after themselves. Having already begun to cater for small-scale industry NPC is ideally placed to develop this service further, and the pattern of co-operation between NPC and local trade organisations to ensure that the courses are relevant to their needs is one that is worth extending. However, more work is required to adapt largely western oriented course material to local needs.

MIM is well placed to cater for large scale business, and in particular to persuade senior managers of the importance and utility of developing their managerial cadres. It has already entered the field of research with the support it gave to this study and this could fruitfully be extended. There is a need for particular attention to be paid by both training institutions to the relevance and practicality of their courses.

Both MIM and NPC are involved in some consultancy work. Through the extension of this facility they can work with companies to devise management training tailored to the individual requirements of firms. In order to carry out their roles both organizations require the highest calibre of staff for they must be able to retain the confidence of practising managers who may have a great deal more practical experience than the teachers do themselves. The use of visiting specialists received a good deal of criticism because of their ignorance of the local situation and consequent inability to relate theory to the immediate needs of businessmen to Malaysia.

Finally, there is the problem of racial balance. The social changes the Government seeks to bring about are so enormous they amount to a social revolution, and this has inevitably placed stresses and strains on the whole of Malaysian society, but most of the problems the business community faces will solve themselves in time.

However, there are a number of problems that are likely to remain. The Government's emphasis on developing Malay entrepreneurs is unlikely to prove successful since none of the home conditions a Malay faces assist him in acquiring the values of industry, diligence and frugality, and the business acumen characteristic of the entrepreneur. The many preferences offered Malays undermine these values and reinforce 'peasant' attitudes. It would be more sensible



to develop the strengths of Malays rather than insist on correcting their weaknesses; to develop their already proven administrative abilities rather than to dwell on fostering entrepreneurship; to insist on racial balance in management, but not in all areas of management; to seek the global target, and not the individual for Malay managers themselves have preferences and inclinations born out of culture and education which are not insignificant. The Government's racial balance policies have been highly successful in forcing companies to provide Malays with an opportunity to prove themselves and in persuading firms to experiment with the best ways of developing managerial skills amongst Malay recruits. However, little is known about the complex process of creating entrepreneurship and this is not within the scope of a management development programme.

The development of Malay managers has tended to fall mainly on the large multinational companies who have the knowledge and expertise to undertake this. However, they have unwittingly taken on the task on behalf of the entire private sector which cheerfully poaches the products. The contribution of these companies is so important to the host country it needs to be recognized, and this could be done by arranging financial support through outright Government grants or through a levy/grant system.

The aim of this thesis was to examine the practice of management in Peninsular Malaysia and this has been carried out by a careful examination of the complex factors influencing the present situation, and the policies and practices of a representative sample of the companies involved.



## Appendix A

TERMS OF REFERENCE OF ORIGINAL STUDY

The terms of reference established by the Economic Planning Unit within the Prime Minister's Department of the Government of Malaysia were as follows:

1. Ascertain the needs for development of management skills, in the medium and long terms, in the private sector in Malaysia. For this purpose, "management" is defined to extend from senior executive to middle management (supervisory) level.
2. Review the existing facilities and programmes for management training available to Malaysians and assess the adequacy of these facilities and programme to meet the needs identified in para. 1 above.
3. Recommend effective measures to meet the management needs of the private sector, including programmes to continuously upgrade management performance.
4. In carrying out the study (to be completed within 6 months),
  - (i) regard shall be had to studies and programmes underway or contemplated for management development in the public sector.
  - (ii) special attention shall be paid to the development of management skills and managerial personnel among Malays and other indigneous people.
  - (iii) periodic consultations must be undertaken with a steering committee that has been established for this purpose, under the Chairmanship of Y.M. Raja Tan Sri Mohar bin Raja Badiozaman, Secretary-General to the Treasury.

LETTERS SENT TO COMPANIES IN THE SAMPLE, 1972 and 1976**YAYASAN PENGURUSAN MALAYSIA**

(MALAYSIAN INSTITUTE OF MANAGEMENT)  
 TINGKAT TIGA, DEUTSCH-ASIATISCHE BANK,  
 11, LEBOH AMPANG, KUALA LUMPUR, MALAYSIA.  
 TELEGRAM: 'MANAGEMENT KUALA LUMPUR.' TELEFON 86461.

**YANG DI-PERTUA:**  
 (President)  
 M. RAJA TAN BHI MOHAR BIN  
 RAJA BADIQZAMAN,  
 PSM, 1971.

**PENGERUSI:**  
 (Chairman)  
 ENCHE S. P. WILLEY

**SETIA USAHA KEHORMAT:**  
 (Hon. Secretary)  
 TUAN SYED ADAM AL-JAFRI

Study of Management Development Needs  
 in West Malaysia

We are writing to seek your co-operation in a study which we are making of management development needs in West Malaysia. This is a matter of common concern to both government and business, and this study is being made on the invitation of the Government of Malaysia and the Malaysian Institute of Management.

Our aims are two-fold:

1. to identify the management development needs of the business community, taking particular account of the national concern for racial balance; and
2. to determine the degree to which these needs are already being met.

As a result, we hope to be able to establish priorities for the future growth of management education and training which will be of assistance to the Government, the training institutions and to business itself. To this end, all the companies participating will receive a copy of the report.

The method we are following is to take a sample of companies, and yours is among those selected. We hope, therefore, that you will agree (i) to complete the enclosed brief questionnaire, and (ii) to give us an interview. The information given in both cases will be treated in strict confidence.

The questionnaire is designed to give us a picture of the size and characteristics of your company's management. For this purpose, we have defined a manager as an executive above the grade of foreman or supervisor, who contributes to the decision-making process, exercises some control over the use of resources and, in some way, directs the activity of others.

In the interview we should like to discuss management development practices and policies in your company, taking the term "management development" to refer not only to attendance on courses but to all that goes into developing a man's ability as a manager. We shall be particularly interested in any recommendations you may have for the improvement of management training facilities in Malaysia.

We have written to you personally because we believe management development to be a matter of great concern to top management. We shall appreciate your co-operation and Miss Con way will telephone shortly to arrange an appointment; the questionnaire can be returned at this time.

Professor of Business Studies,  
 University of Edinburgh.

Research Associate,  
 University of Edinburgh.

APPENDIX B  
continued

Talpon: 84432  
Kawat: PERDANA  
Bilangan Surat Kita:  
Bilangan Surat Tuan:



JABATAN PERDANA MENTERI,  
MALAYSIA,  
KUALA LUMPUR  
April 20, 1972

Dear

Study of Management Development Needs  
in West Malaysia

I address you with a request for the cooperation of you and your organisation in an important study of management development needs in West Malaysia which is being conducted at the request of the Malaysian Government in conjunction with the Malaysian Institute of Management. I am therefore writing to you in a three-fold capacity, not only on behalf of the Government but also as President of MIM and the Chairman of the official Steering Committee for the study which involves both public and private sector representatives.

The study is being conducted by Professor Norman C. Hunt, who as you know is the Professor of Business Studies at the University of Edinburgh. He is being assisted by Miss Bryony M. Conway, a Research Associate at the same university. Their aims are straightforward: Firstly, to identify the management development needs of the business community in Malaysia, and secondly, to determine the degree to which facilities are at present meeting those needs. The aim of the study is to establish the priorities for developing management education, which would be of benefit both to Government and private sector institutions which are involved in forward planning in this respect. This is a modern technique which characterises progressive management and the benefits to be gained are of value not only to the individuals and their organisations but also to the business community and the country as a whole. It is for these reasons that the Government has given full support to this study.

Such matters are naturally of considerable concern to topmost management in every organisation. It has not been possible to approach all organisations, but a selected sampling of organisations in West Malaysia has been taken. Your organisation is included in this group and I would be grateful for your personal cooperation, as well as that of your senior executives who may be concerned, in permitting some simple questions to be asked about general matters, such as the size and characteristics of management in your organisation. This will not take much time from the busy day of senior executives, and I can assure you that what you can make available by way of time and information can be viewed as a sound investment in providing and building for a better future in terms of your organisation, your particular sector and the upgrading and improvement of facilities and services for educating and training managers who have a key role to play in the development of the country.

Having regard to the objectives and benefits of the study I am sure the private sector leaders and top managers will respond positively to this concern, which is shared by the public as well as private sectors, for identifying needs and determining priorities in developing our human resources. May I therefore request that you kindly permit Miss Conway an interview with you yourself, which will not take long, and which will be based on a short factual questionnaire. Thereafter, she may find it useful to talk with some of your senior managers who are involved in personnel, training and management development responsibilities in your organisation.

You may be assured that we would not wish to touch on anything which you would consider confidential, and that in the final study to be published, your wishes in this regard would be fully respected.

May I thank you in advance for your courtesy and cooperation in this important regard.

Yours sincerely,

(Raja Tan Sri Mohar bin Raja Badiozaman)  
Special Adviser to the Prime Minister



UNIVERSITY OF EDINBURGH  
*Department of Business Studies*

WILLIAM ROBERTSON BUILDING, 50 GEORGE SQUARE, EDINBURGH EH8 9JY

from Professor Norman C. Hunt 031-667 1011 ext 6577

Dear

Study of Management Development Needs  
in West Malaysia

You will recall that on April 20, 1972 Raja Tan Sri Mohar bin Raja Badiozaman, Special Adviser to the Prime Minister, wrote to you asking for your co-operation in a study of management development needs which my colleague, Miss Bryony Conway, and I were conducting at the request of the Malaysian Government. We are most grateful for the assistance you gave us both in completing the questionnaire and in taking time out of busy days to discuss your management development programmes with us. On the basis of this research we submitted a report to the Government in which we made recommendations about the provision of training facilities in Malaysia. This we intended to forward to you. However, it has unfortunately not yet been released by those bodies considering it. We understand that some of the recommendations have been implemented while others are still under discussion.

Four years have passed since then, and both the manpower and training situations have changed a good deal. We, therefore, now propose to do a follow-up to the original study. Once again this is undertaken with the approval of the Prime Minister's Department. We shall not be able personally to interview 100% of the companies in the original sample, so we should be most grateful if you could complete the attached questionnaire and return it, as indicated, to Miss Bryony Conway by 23rd. July. She will be interviewing half the companies in the original sample and should she contact you I would be most grateful if you could once again spare the time to discuss your management development programme with her.

May I assure you that strictest confidentiality will be observed and data will only be presented in aggregated form.

Yours sincerely,

Professor Norman C. Hunt  
Professor of Business Studies

Appendix B  
continued

Our Ref: PK(0) 8

PEJABAT PENASIHAT KHAS EKONOMI  
KEPADA PERDANA MENTERI  
JABATAN PERDANA MENTERI  
JALAN DATA' OHN  
KUALA LUMPUR

22hb. Julai, 1976.

Study of Management Development Needs  
in West Malaysia

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On April 20, 1972 I wrote to you regarding a study of Management Development Needs being conducted by Professor Hunt and Miss Conway of Edinburgh University on behalf of the Government with the support of the Malaysian Institute of Management. I was extremely gratified by the response and the results of the study greatly assisted Government in assessing management development needs and in formulating governmental action. They are now in the process of conducting a follow-up to that initial study and I understand Professor Hunt has already written to you on June 30 or July 1 in connection with this. Given the importance of developing a strong managerial cadre, particularly in the light of The Third Malaysia Plan, I would once again seek your whole hearted support to this study, and specifically to complete the questionnaire sent to you and to grant Miss Conway an interview should she request it.

2. Should you have any queries regarding the study could you please contact Miss Conway at the Malaysian Institute of Management, 15th Floor, Fitzpatrick's Building, Jalan Raja Chulan, Kuala Lumpur. 05-10, telephone: 206619/206620.

Yours sincerely

(RAJA TAN SRI MOHAR)  
Special Economic Adviser to  
the Prime Minister

/by.

## APPENDIX C

INTERVIEW SCHEDULESPART II. MANAGEMENT DEVELOPMENT POLICIES7. General approach to management development

- (a) definition of goals (articulation)
- (b) forward planning
- (c) quantification of goals (Ref. forecasts)
- (d) racial balance

1971      1977      1982

No. of managers (Ref. 3)

\_\_\_\_\_

No. of Malay managers

\_\_\_\_\_

Responsibility for Management Development:

Principal    Secondary  
Task            Task

- managing director
- personnel manager
- training manager
- no one person

 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_



8. Recruitment & Selection

- (a) approach and policy
- (b) selection procedures
- (c) racial balance
- (d) validation

Ref. 5 Recruitment	Trends			Rating				TOTAL
	incr.	decr.	static	4	3	2	1	
(a) from non managerial grades								
(b) private sector								
(c) public sector								
- armed services								
(d) University								
(e) technical college								
(f) school								

4 = Outstanding

2 = just adequate

3 = entirely satisfactory

1 = failures (left/dismissed)

9. Succession Planning

- a) succession plan
- b) promotion policy
- c) systematic training for succession
- d) planning for racial balance

10. Objectives & Appraisal

- a) quantification of performance objectives
- b) systematic performance appraisal
- c) feedback and counselling
- d) racial/attitudinal differences

Participative

Authoritarian

Setting of Objectives

---

---

11. Training & Evaluation

- (a) Regular assessment of training needs
- (b) appropriateness and integration of training experience
- (c) evaluation of training and follow-up
- (d) racial balance

Assessment of training and development needs

- job analysis
- manpower and succession planning
- performance appraisal

Appropriateness and integration of training

- on the job
- off the job

Racial balance

- special training geared to needs
- support for further education

PART III TRAINING METHODS (Ref. #6)12. Systematic on-the-job training

System and integration

- Types
- induction
  - specialist skills
  - broadening experience (e.g job rotation)

Use:- increase/decrease/static

Possible improvement

13. In-company courses

Integration and relevance

Types:- induction

- specialist skills
- general management principle

Use

---

Level	Increase	Decrease	Static
-------	----------	----------	--------

---

Top

Middle

Lower

---

Teaching Methods

Lecture, no discussion

Residential Courses

Lecture, with discussion

T-group

Seminars

Business games

Cases

Course evaluation

Follow-up

Strengths/weaknesses

Possible improvement

14. Overseas Training

Integration and relevance

Evaluation

Use: increase/decrease/static

Advantages/disadvantages

Training Institutions:

Asian Institute of Management

15. External Courses

Integration and relevance

Evaluation

Role:- in conjunction with systematic in-company training

- in lieu of any in-company training

- supplementary to in-company training where such courses difficult to lay on

Use

---

Level	Increase	Decrease	Static
-------	----------	----------	--------

---

Top

Middle

Lower

---



PART IV: Training Institutions

16. Malaysia Institute of Management

Use:       increase/decrease/static

Strengths

Weaknesses

Recommendations

17. National Productivity Centre

Use:       increase/decrease/static

Strengths

Weaknesses

Recommendations

18. MARA Institute of Technology

Relevance of training

Satisfaction with Recruits

Recommendations

19. University of Malaya

Faculty of Commerce & Business Administration

Relevance of training

Satisfaction with Recruits

Recommendations

- Master of Business Administration
- Evening Programmes

20. Other

Ungku Omar Polytechnic, Ipoh.

Tunku Abdul Rahman College,  
Technical College,  
Kuala Lumpur.

PART V: FURTHER RECOMMENDATIONS

21. Priorities for improvement of management training facilities  
in your firm

22. Priorities for improvement of management training facilities  
in Malaysia

Advanced management course at the University of Malaya (perhaps  
8-9 months)

Evening courses at the University of Malaya, Malaysian Institute  
of Management, National Productivity Centre

Administrative Staff College

Harvard-type Business School

23. Special problems, if any, arising from the government's policies regarding increasing the proportion of Malays in management

24. Special training facilities needed in order to effect this policy.

Role of aid programmes in Management Development

APPENDIX G  
continuedINTERVIEW SCHEDULE FOR MALAY MANAGERS

1. Name: \_\_\_\_\_
2. Year of birth: \_\_\_\_\_
3. Home Background:
- i) Place where you grew up:  
\_\_\_\_\_
- ii) Parents' (or surrogate parents') education:  
Father \_\_\_\_\_  
Mother \_\_\_\_\_
- iii) Parents' (or surrogate parents') education  
Father \_\_\_\_\_  
Mother \_\_\_\_\_
4. Primary school(s) attended and medium of instruction:  
\_\_\_\_\_  
\_\_\_\_\_
5. Secondary school(s) attended:  
\_\_\_\_\_  
\_\_\_\_\_
6. Post-secondary education:
- | Institution | Principal subject(s) | Qualification obtained |
|-------------|----------------------|------------------------|
| _____       | _____                | _____                  |
| _____       | _____                | _____                  |
7. Any government or state bonded scholarships  
Yes/No
- If so, did you fulfil your bond \_\_\_\_\_  
buy your way out \_\_\_\_\_  
were you released \_\_\_\_\_



8. Age at which you took up full-time paid employment: \_\_\_\_\_
9. Companies or organisations for which you have worked and positions held:

Company/Organisation	Position	Years

10. Description of your current position:

Title: \_\_\_\_\_

Number of subordinates answerable to you: \_\_\_\_\_

Person to whom you report regularly on your work:

\_\_\_\_\_

Brief description of responsibilities:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Any emoluments received over and above salary:-

car/car allowance \_\_\_\_\_

house/housing allowance \_\_\_\_\_

Salary range (if willing) in M\$/month:

1,000 - 1,500 \_\_\_\_\_ 2,500 - 3,000 \_\_\_\_\_

1,500 - 2,000 \_\_\_\_\_ 3,000 - 4,000 \_\_\_\_\_

2,000 - 2,500 \_\_\_\_\_ 4,000 & above \_\_\_\_\_

11. What do you understand by the term "management development" ?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 12. Post experience training (including diploma/degree courses):

Course (at least 1 weeks in length)	Year	Relevance/Usefulness			
		4	3	2	1

4	=	excellent	2	=	poor
3	=	satisfactory	1	=	no relevance/usefulness whatsoever

## 13. Any particular difficulties or problems encountered during your career:

terms of employment:

- hours/location

income

people with whom you had to deal:

- employers
- customer

prospects of promotion

## 14. Career expectations for the future:

15. Your future training needs:

in-company training on-the-job

in-company training courses

specialised training

general management training

overseas training

16. What prompted you to go into business ?

17. How do you think the Government's policy of increasing Malay participation in business can best be implemented ?



QUESTIONNAIRES, 1972

## APPENDIX D

SURVEY OF MANAGEMENT DEVELOPMENT NEEDS IN MALAYSIA

1. Name and address of company or establishment: \_\_\_\_\_
  
2. Total number of employees on 31.12.71: \_\_\_\_\_
  
3. Total number of managers (including executives and executive trainees)
  - i) on 31.12.71 \_\_\_\_\_
  - ii) on 31.12.66 \_\_\_\_\_
  - iii) estimate for 31.12.76 \_\_\_\_\_
  
4. Number of managers in 3(i) who are:
  - i) Malay \_\_\_\_\_
  - ii) Chinese \_\_\_\_\_
  - iii) Indian \_\_\_\_\_
  - iv) Other \_\_\_\_\_

Note: A manager is defined as an executive above the grade of foreman or supervisor who contributes to the decision-making process, exercises some control over the use of resources and in some way directs the activities of others

5. Number of managers and executives (including executive trainees but excluding expatriates) recruited from the following sources in the years 1969, 1970.

NB: Care should be taken not to count the same people twice

Sources	1969				1970				1971			
	M	Ch	I	O	M	Ch	I	O	M	Ch	I	O

1. Promotions from within from non-managerial grades
2. Direct recruitment of experienced managers from:
  - (a) private sector
  - (b) public sector
3. Direct recruitment from:
  - (a) University
  - (b) technical college
  - (c) school

TOTAL

M = Malay                      I = Indian  
 Ch = Chinese                    O = Other



6. Total number of managers (including management trainees) who have undergone management training during 1971 by the following methods:-

Types of Training	Number of Managers Trained			
	Malay	Chinese	Indian	Other

Systematic on-the-job training

In-company courses each of at least one week's duration (or equivalent)

External courses each of at least one week's duration (or equivalent)

Overseas Training

Other (please specify)

---

Number of managers who have undergone any form of management training during 1971

---

APPENDIX D  
Continued

SURVEY OF MANAGEMENT DEVELOPMENT NEEDS IN MALAYSIA

PART VI: TRAINING QUESTIONNAIRE

Please complete the table below filling in:

- (a) Total number of managers (including executive trainees) who have been sent on the following courses in 1971
- (b) Number of managers you expect to send on the following courses in five years' time.
- (c) Your assessment of those courses on which you have sent people:
- |   |   |                       |
|---|---|-----------------------|
| 4 | = | outstanding           |
| 3 | = | entirely satisfactory |
| 2 | = | weak                  |
| 1 | = | very poor             |

---

Courses	(a) No. of Managers	(b) Estimated No. of. mgrs in 1976	(c) Course Rating			
			4	3	2	1

---

MIM Courses:

Evening Courses:

1. Introduction to Management
2. Principals of Management
3. Organizational Behaviour
4. Introduction to Marketing Management
5. Introduction to Personnel Management

Courses	(a)	(b)	(c)			
	No. of Managers	Estimated No. of Mgrs in 1976	Course Rating			
			4	3	2	1
6. Introduction to Production Management						
7. Industrial Relations						
8. (i) Intro. to Management Accounting						
(ii) Introductory Accounting						
9. Financial Management						
10. (i) Quantitative Techniques for Business Decisions						
(ii) Quantitative Techniques and Business Decisions						
11. Statistical Methods for Business Management						

#### Residential Courses

12. Harvard Advanced Management Course
13. Harvard Middle Management Course
14. Problem Analysis & Decision Making - Kepner-Tregoe Course

#### NPC Courses:

##### Industrial Engineering and Light Industry Service Section:

1. (i) Work Study Part I  
(ii) Work Study Part II
2. Preventive Maintenance
3. Maintenance Management
4. Production Planning and Control
5. Fundamentals of Industrial Safety

---

Courses	(a)	(b)	(c)			
	No. of Managers	Estimated No. of Mgrs in 1976	Course Rating			
			4	3	2	1

---

- 6. Job Simplification
- 7. Management Problems of  
Small & Medium-Sized  
Industries

Supervisory Training:

- 8. In-Plant Training
- 9. Management Functions
- 10. Modern Management Development  
and Training
- 11. Leadership and Human  
Relations

Sales in Marketing:

- 12. Salesmanship
- 13. Sales Management
- 14. Marketing Management
- 15. Marketing
- 16. Sales Management & Marketing
- 17. Export Promotion

Management Development:

- 18. Pimpinan dan Perhubungan  
Sama2 Manusia
- 19. Penyelia Sabagia Pelateh  
dan Pengajar
- 20. Leadership & Human Relations
- 21. Supervisor as a Trainer  
& Instructor
- 22. Groupwork & Discussion  
Leading

Courses	(a)	(b)	(c)			
	No. of Managers	Estimated No. of Mgrs in 1976	Course Rating			
			4	3	2	1

23. Elements of Management Control
24. Executive Decision Making
25. Executive Training
26. Managerial Function
27. Modern Management Development

#### Industrial Relations:

28. Management of Labour Relations for Junior Managers
29. Management of Labour Relations for Senior Managers
30. Management of Labour Relations for Managers & Trade Union Executives
31. Management of Labour Relations - An Advanced Course
32. Labour Relations for Top & Senior Executives
33. Industrial Relations for Trade Union Executives
34. Industrial Relations for Supervisors
35. Industrial Conflicts & Remedies

#### Tailor-Made Courses

36. Plantation Management for Managers
37. Plantation Management for Conductors

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Courses	(a)	(b)	(c)			
	No. of Managers	Estimated No. of Mgrs in 1976	Course Rating			
			4	3	2	1

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Any Other Courses, Local  
Or Overseas:



APPENDIX D  
ContinuedPART VII: MANAGEMENT TRAINING PREFERENCES

## 1. Length

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Level	2-3 days	1-2 weeks	One month	Three months	Longer	Evening	Other
Senior Management							
Middle Management							
Junior Management							

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2. Subject Matter


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Subjects	Senior	Level Middle	Junior
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---

(a) Production

Quality control  
 Work Study  
 Production Control  
 Layout, Scheduling  
 Maintenance  
 Stock control

(b) Finance/Control

Financial planning  
 Costing & Cost Relationships  
 Budgetary Control  
 Investment Appraisal  
 O & M

(c) Personnel

Personnel Management  
 Industrial Relations  
 Human Relations  
 Supervisory Training

(d) Marketing

Marketing Profitability Analysis  
 Sales Training & Control  
 Forecasting

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QUESTIONNAIRE, 1976

APPENDIX E

PRIVATE AND CONFIDENTIAL

SURVEY OF MANAGEMENT DEVELOPMENT NEEDS IN WEST MALAYSIA

Please complete and return this questionnaire by July 23, 1976  
to Miss Bryony Conway at

Malaysian Institute of Management  
15th Floor, Fitzpatrick's Building  
Jalan Raja Chulan  
Kuala Lumpur 05-10

Note

A manager is defined as an executive above the grade of foreman or supervisor who contributes to the decision-making process, exercises some control over the use of resources, and in some way directs the activities of others. Throughout this questionnaire the term manager is understood to include management trainees.

1. Name and address of company or establishment:
  
2. Total number of employees on 31.12.75: .....  
(For your reference the figure you quoted  
in your 1971 return was .....)
3. Total number of managers (including  
Executives and executive trainees)
  - (i) on 31.12.75 .....
  - (ii) estimate for 31.12.80 .....
4. Number of managers in 3(i) who are:
 

Malay	.....
Chinese	.....
Indian	.....
Other	.....

## 5. Recruitment

---

Sources of Recruitment	Number of managers (excluding expatriates) recruited from each source in 1975				
	Malay	Chinese	Indian	Other	TOTAL

---

Promotions from within  
from non-managerial grades

Direct recruitment of  
experienced managers from:

- (i) Private sector
- (ii) Public sector

Direct recruitment from:

- (i) School
- (ii) Technical College\*
- (iii) University

---

\* If you have recruited managers from university or technical college  
please list the institutions where they were trained

6. What is the position/title of the person responsible for the training and development of managers in your company ?
7. How do you select managers for training and the types of training they require ?
8. Total number of managers who have undergone any form of formal management training in 1975:

Malay	_____
Chinese	_____
Indian	_____
Other	_____
TOTAL	_____

9. Types of training	Number of managers undergoing each type of training in 1975*			
	Malay	Chinese	Indian	Other
Systematic on-the-job training				
Local in-company courses each of at least one week's duration (or equivalent)				
(i) In Malaysia/Singapore				
(ii) Overseas training				

\* It is understood that any one man might have gone on various different types of training and therefore these figures will not add up to those given in 8.

10. If you run any local in-company courses for your managers in 1975, please list these below:

Course Title	Length	Level of Managers Attending (please tick)		
		Senior	Middle	Junior

11. If you have sent any managers on external courses in Malaysia or Singapore in 1975, please list these below

Course Title	Training Institution	Length	Level of Managers Attending (please tick)		
			Senior	Middle	Junior

12. Please describe any overseas training on which you sent managers in 1975, its duration, its nature, the managerial level of those attending and the objectives of the training.



13.

Post-Experience Training Institutions	Rate your satisfaction with the training provided by each institution by circling your response			
Malaysian Institute of Management	excellent	satisfactory	disappointing	bad
National Productivity Centre	excellent	satisfactory	disappointing	bad
Singapore Institute of Management	excellent	satisfactory	disappointing	bad
Asian Institute of Management	excellent	satisfactory	disappointing	bad
Others (please specify):				
.....	excellent	satisfactory	disappointing	bad
.....	excellent	satisfactory	disappointing	bad
.....	excellent	satisfactory	disappointing	bad
(If necessary continue overleaf)				

14. How do you think the training provided by the post-experience training institutions above could be improved to meet your needs ?

15. Do you have any formal system for assessing the performance of your managers?

a) If yes, please describe what formal system(s) you use

b) If no, please describe the way in which you assess their performance

16. What do you consider the priorities for the improvement of management training in your company

## 17. Management Training Preferences

- i) Length  
(Please tick the most suitable length of course for your company at each level of management)

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Level	2-3 days	1-2 weeks	One month	Three months	Longer	Evening	Other
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Senior Management

Middle Management

Junior Management

- 
- ii) Subject Matter  
(Please tick the subject areas in which you would like courses to be organised and the levels at which you would like to see them provided)

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Subjects	Senior	Level Middle	Junior
----------	--------	-----------------	--------

---

(a) Production

Quality control  
Work Study  
Production Control  
Layout, scheduling  
Maintenance  
Stock control

(b) Finance/Control

Financial planning  
Costing & Cost Relationships  
Budgetary Control  
Investment Appraisal  
Organisation & Methods

(c) Personnel

Personnel Management  
Industrial Relations  
Human Relations  
Supervisory Training

(d) Marketing

Marketing Profitability Analysis  
Sales Training & Control  
Forecasting

(e) Other (Please Specify)

.....  
.....

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