

**TRANSFORMATION OF GOVERNMENT-LINKED
COMPANIES (GLCs) IN THE PERIOD 2001-2006:
THE CASE OF SEDCs IN THE HOUSING SECTOR**

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SECTOR**

by

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**TRANSFORMASI BAGI SYARIKAT MILIK KERAJAAN DALAM JANKA
MASA 2001-2006: KAJIAN KES BAGI PERBADANAN KEMAJUAN
EKONOMI NEGERI (PKEN) DALAM SEKTOR PERUMAHAN**

ABSTRAK

Di Malaysia, perusahaan awam telah digunapakai dengan meluas sejak 1969 dalam mencapai objektif-objektif sosioekonomi dan penyusunan semula masyarakat. Ini sememangnya benar di mana Perbadanan Kemajuan Ekonomi Negeri (SEDCs) telah ditubuhkan di 13 buah negeri antara 1964 dan 1973. Hampir lima puluh tahun kemudian, walaupun terdapat pelbagai dasar kerajaan yang mengancam kewujudan perusahaan awam, SEDCs masih wujud. Kajian ini mengintegrasikan Teori Institusi dan Perspektif Pergantungan Sumber untuk menentukan tekanan-tekanan yang dialami oleh SEDCs secara menyeluruh antara 2001-2006. Teori Institusi banyak memperkatakan tentang tekanan-tekanan luaran terhasil dari persekitaran organisasi-organisasi manakala Perspektif Pergantungan Sumber menyatakan bahawa sesiapa yang mempunyai kawalan ke atas sumber-sumber di dalam organisasi itu memiliki kuasa ke atasnya. Kajian ini menggunakan pendekatan kajian kualitatif pelbagai-kes. Data dikumpul menggunakan kajian soal selidik melalui pos, temuramah-temuramah dan sumber-sumber kedua. Empat SEDCs telah menyertai penyelidikan. Penemuan menunjukkan yang Ketua Menteri adalah peneraju dalaman dan paling berkuasa terhadap perubahan organisasi. Daripada tekanan-tekanan luaran, ekonomi dan persaingan memainkan peranan penting dalam perubahan terhadap empat kajian kes sepanjang tempoh kajian.

**TRANSFORMATION OF GOVERNMENT-LINKED COMPANIES (GLCs)
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THE CASE OF SEDCs IN THE HOUSING SECTOR**

ABSTRACT

In Malaysia, public enterprises have been used widely since 1969 in pursuit of socio-economic objectives and restructuring of society. This is particularly true of the State Economic Development Corporation (SEDCs) which were established in 13 states between 1964 and 1973. Almost fifty years later, despite various government policies which threatened the existence of public enterprises, SEDCs still exist. This study integrates the Institutional Theory and Resource Dependence Perspective to determine the forces experienced by the SEDCs between 2001-2006 inclusively. The Institutional Theory dwells on the external forces generated from the organisations' surrounding whereas the Resource Dependence Perspective states that whoever has control over resources within the organisation holds the power over it. This study adopted the qualitative multiple-case studies approach. Data was collected using postal questionnaire survey, interviews and secondary sources. Four SEDCs participated in the research. Findings indicate that the Chief Ministers were the most powerful internal drivers of organisational change. Of the external forces, the economy and competition played significant roles in the changes of the four case studies during the study period.

CHAPTER 1- INTRODUCTION

The subject of this thesis is the application of Institutional Theory and Resource Dependence Perspective to analyse the organisational change of SEDCs involved in the housing development in Malaysia between 2001-2006. This chapter provides a brief introduction to the research that was conducted. It begins with the industry background and followed by the theoretical background of the study. Subsequently, the chapter introduces the objective of this study. Finally, the chapter indicates the outline of the thesis.

1.1 Industry Background

According to Affandi (1966), almost every developing country in the 1950's and 1960's was engaged in the setting up and operating of economic enterprises of one type or another, with the explicit intention of accelerating economic and social development. The same was true of Malaysia. Beginning with 26 public enterprises during Independence in 1957, Malaysia had a total of 80 public enterprises by 1969. Within the short span of four years, from 1969-1972, 67 new public enterprises were further established. The rapid increase in public enterprises after 1969 was to redress regional and ethnic economic imbalances under the New Economic Policy (NEP) to achieve at least 30% bumiputera participation in all commercial and industrial activities (Milne, 1976; Abdul-Aziz et al., 2007). These public enterprises acted on behalf of bumiputeras as 'trustees' until such time as they are able to buy them from the state (Thillainathan, 1976; Abdul-Aziz et. al., 2007).

SEDCs were among the public enterprises that were established. SEDCs were incorporated in every state by their respective State Government Enactments to spearhead socio-economic development, inject bumiputera participation in commerce and industry at the state level (Thillainathan, 1976; Jomo, 1995). Almost fifty years later, despite the privatisation programme and GLC Transformation implemented by government, many public enterprises including the SEDCs still exist. Privatisation was first launched as an explicit national policy in 1983 to roll back the involvement in the economy and reduce government's financial and administrative burden (Salleh and Osman-Rani, 1991; Jomo, 1995; Mokhtar, 2008). Under this programme, the government chose selected government-owned enterprises to be privatised through transfer of ownership and management to the private sector. GLC Transformation exercise was launched in 2004, specifically for the 15 most significant government-linked companies (GLCs) (called G15) to improve the organisational and performance practices of GLCs in the next 5-10 years. Other GLCs were expected to follow suit.

It was against this background of the government's dissatisfaction with the performance of GLCs that this present research on SEDCs was initiated. Literature on SEDCs was mainly written in the 1970's as a consequence of their proliferation, focusing mainly on organisational structure, finance, economic activities and legal structure (Thillainathan, 1976; Singh, 1976; Herbert, 1976; Affandi, 1979). Soon after, scholars shifted their attention to other more pressing aspects of the economy such as the 'Look East Policy' (Spinanger, 1986; Bowie, 1988). In the mid-1990's, scholars once again became interested in public enterprises, especially on their poor

performance, but particularly its connection with privatisation (Salleh and Osman-Rani, 1991; Shaikh, 1992; Jomo, 1995; Heng, 1997).

1.2 Research Objective

Performance of organisations such as SEDCs are influenced by internal and external forces or agents (Donaldson, 1999). This study aims to determine the forces which were experienced by the SEDCs. According to Roeber (1973), organisations will change when the forces for change are present. Thus, the way to determine the forces is to look at the changes that occurred to the SEDCs. This study used the definition of organisational change by Nelson (2003) to mean moving from one status to a new, desired, configuration to better match the environments. The research objectives of this study are:

1. To examine the specific changes that took place in the SEDCs cases between 2001-2006.
2. To determine who or what triggered those changes.

1.3 Theoretical Background

This study used two theories in tandem to analyse the organisational change of SEDCs – the Institutional Theory which is more suited to explain external forces and Resource Dependence Perspective which is more suited to explain internal power. This section briefly describes the two theories.

There are two variants of the Institutional Theory – the ‘old’ and the ‘new’. This study relies on the ‘new’ variant because it helps to examine the direct pressure for change by institutions on organisations along three different dimensions – regulative,

normative, and cognitive (Scott, 2001). These three dimensions represent the three sources of pressures from institutional isomorphism that is emphasised by DiMaggio and Powell (1983) - coercive, normative and mimetic pressures. This contrasts with the 'old' approach described by Commons (1961) that only focused on regulative dimension represented by coercive pressure of institutions.

The modern Institutional Theory has captured the attention of scholars to examine how organisations are influenced by their environment (DiMaggio and Powell, 1983; Zucker, 1987; Bloodgood and Morrow Jr, 2002; Erakovic and Wilson, 2005; Bagdadli and Paolino, 2006). This Theory utilises the concept of isomorphism introduced by Hawley (1968) as a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions. These forces are coercive pressure (i.e. pressure exerted by government); normative pressure (i.e. pressure exerted by professional networks); and mimetic pressure (i.e. pressure exerted by uncertainties and crises) (DiMaggio and Powell, 1983).

The Institutional Theory does not focus on the forces of change within the organisation, even though scholars have come to recognise that organisational changes are affected by the forces from outside and within an organisation (Donaldson, 1999; Dawson, 2003). It is here that the Resource Dependence Perspective provides an important contribution. The Resource Dependence Perspective helps to explain how the internal power by administrators that comes from control over resources affects the decisions and actions of the organisations (Pfeffer and Salancik, 1978).

Both theories combined provide a complementary external and internal perspective to examine change – Institutional Theory focus on the coercive, normative and mimetic pressures which exist outside of the organisation, and the Resource Dependence Perspective which gives attention to the internal power-holders which shape the organisational decisions and actions. This was the theoretical approach adopted for the present study. Further elaboration on Institutional Theory and Resource Dependence Perspective are presented in Chapter 2.

1.4 Outline of Thesis

This chapter provides the introduction to the study. Chapter 2 reviews the literature on the Institutional Theory and Resource Dependence Perspective. Chapter 3 gives an overview of public enterprises in Malaysia. Chapter 4 provides details on how the study was conducted and the rationale behind the chosen approach. Chapter 5 and Chapter 6 present the findings and analysis of the SEDCs cases. Chapter 7 highlighted the key findings, followed by suggestions for the further study.

CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction

The overall purpose of this chapter is to review the literature on two organisational theoretical perspectives - Institutional Theory and Resource Dependence Perspective. It then describes the integration of two perspectives and the contribution of the Institutional Theory and Resource Dependence Perspective to other fields of studies.

2.2 Perspective on Organisational Change

Organisational change is a new way of organising and working, involving the alternation and transformation of the status in order to survive in the environments (Hage, 1980; Dawson, 2003). By environment, this study means that all phenomenon which happened in the surroundings of the organisation are potentially or actually able to influence the organisation under study. The environments act as source of forces for change that organisations have to adhere (Melin, 1989; Scott, 2004). An analysis of Hall (1996) examining the impact of the environment on the organisation found that all organisations are affected by their surroundings. This was because environments are not controlled by the organisations.

Dawson (2003) stated that the forces that trigger organisational change are both external and internal. According to Hall (1996), the external perspective can be seen from economic, legal, demographic, and technology forces, whereas the internal perspective can be viewed from an internal political force.

This study integrates the Institutional Theory (Meyer and Rowan, 1977; DiMaggio and Powell, 1983) and Resource Dependence Perspective (Pfeffer and Salancik, 1978) to elaborate the organisational environments. Both perspectives is to analyse the forces that unfolded in SEDCs.

2.2.1 Institutional Theory

Institutional Theory stated that organisations are strongly influenced by their environment (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Rowan, 1982; Tolbert and Zucker, 1983; Fligstein, 1985; Mezias, 1990; Scott and Meyer, 1992; Burns and Wholey, 1993; Haunschild, 1993; Havemen, 1993; Goodstein, 1994; Hoffman, 1999; Thornton, 2002). Thus, Institutional Theory provides a framework that is primarily concerned with an organisation's relationship with their environment (Dacin, 1997).

The institutional environments that described by the Institutional Theory provide organisations with support and legitimacy to affect organisational structures, practices, and processes (Scott and Meyer, 1991). According to the early empirical investigation of Zucker (1977; 1987), there were two different institutional environment definitions that have been proposed. In the first definition Meyer and Rowan (1977) described "positions, policies, programmes and procedures of modern organisation....are manifestations of powerful institutional rules which function as highly rationalized myths". Thus, in this situation organisations become a passive 'audience', because the rules are formed by the state or even world system, that are external and hierarchically superior to the organisation (Thomas and Meyer, 1984; Meyer and Hannan, 1979). The second definition by DiMaggio and Powell (1983)

identify in terms of increased density of interaction, information flows, and membership identification. Both definitions on institutional environment reflected pressures generated external to the organisation.

The institutional environments approach has led to significant insights regarding the importance of institutional environment which created pressures to influence the organisations structure and action (Burns and Wholey, 1993; Fligstein, 1985; Goodstein, 1994; Han, 1994; Haunschild, 1993; Havement, 1993; Tolbert, 1985; Tolbert and Zucker, 1983; Mezias, 1990). Those pressures included the state via law and regulation, professions, courts (DiMaggio and Powell, 1983; Tolbert and Zucker, 1983; Zucker, 1988), interests groups and public opinion (DiMaggio and Powell, 1983; Oliver, 1991) which are based on their widespread authority. In responses to the institutional environment, organisations will be guided by legitimate rules from standard operating procedures to professional certification and state requirement (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Rowan, 1982; Zucker, 1987).

Legitimacy has a central role in Institutional Theory as a force for change and pressures organisations to adopt managerial practices and organisational forms that earlier adopters have in the similar business (DiMaggio and Powell, 1983; Sherer and Lee, 2002). The study of Zucker and Tolbert (1981) on the adoption of civil-service reform in the United States found that change by early adopters were due to internal governmental needs, and strongly predicted by such city characteristics as the size of immigrant population, political reform movements, socioeconomic composition and city size. However, the late adopters were driven to conform to what had become

best practices (Scherer and Lee, 2002). Therefore, legitimacy act as powerful forces that emerge and lead them to become more similar to one another.

According to DiMaggio and Powell (1983), the isomorphism is the best concept to capture the phenomena of adoption of legitimacy among the organisations in the same line of business. Hawley (1968) described that isomorphism is a constraining process that forces one unit in a population to resemble other units that are under the same set of environmental conditions. The population here are organisations. Hawley's ideas may able to explain the organisations characteristics are modified in the direction of increasing compatibility with environmental characteristics but it does not present a fully adequate picture of modern world of organisations. Therefore, it must be supplemented of the introduction view of isomorphism by Kanter (1972) which discussed that the forces pressing communes toward accommodation with the outside world. Subsequently, Aldrich (1979) argued that organisations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness.

With isomorphism, the Institutional Theory gives considerable weight to the ability of environments to influence organisations to adopt practices consistent with institutional preference (Greening and Gray, 1994). According to DiMaggio and Powell (1983) the source of forces that make organisations increasingly similar can be described as coercive, normative and mimetic pressures.

In applying Institutional Theory to an analysis of a particular organisation, one should consider how the organisation adapts to its institutional context. For instance,

analyse the sources of pressures exerted by the environment on the organisation. Institutional pressures for conformity to institutional norms typically arise from a number of sources. For the purpose of this study, three institutional pressures from isomorphism are the focus in explaining the forces from the external perspective that are experienced by SEDCs involved in the housing industry. All these source of forces will be elaborated below.

2.2.1.1 Institutional Pressures

Institutional Theory demonstrated that the organisation responds to institutional pressure as it seeks to attain legitimacy from the source of forces. Thus, the institutional pressure that will be investigated is based on coercive, normative and mimetic pressures. Coercive pressures stem from governmental regulations or laws; normative pressures are associated with professionalisation; and mimetic pressures resulting from responses to environmental uncertainty (DiMaggio and Powell, 1983).

Coercive pressures are more relevant in order to understand the direct response of organisations to government mandate (i.e. maintain accountants and hire accountants in order to meet tax law requirements, and manufactures new pollution control technologies to conform to environmental regulation) (DiMaggio and Powell, 1983). It can be result from both formal and informal pressures exerted on the organisation by other organisations upon which they are dependent and by cultural expectation in a society in which the organisations function (DiMaggio and Powell, 1983; Amis, et al., 2002; Grimhed et al., 2006). Such pressures are usually imposed by the authority of state by exercising their legitimate power to formulate and enforce laws, regulation and standards, are able to shape organisations in similar ways (DiMaggio

and Powell, 1983; Scott, 1994). In other words, when pressures to conform comes from governmental regulations or laws, then the coercive pressure is at work (Hatch and Cunliffe, 2006).

Normative pressure consists of social pressures on organisation (Grimhed et al., 2006) and stems primarily from professionalisation where professional norms are transmitted to an organisation as forces for change (DiMaggio and Powell, 1991). These pressures come from cultural expectation or standard via education of organisational members through professional, trade, business and other key organisations, then normative pressure are work (DiMaggio and Powell, 1991; Hatch and Cunliffe, 2006). In other words, professional network will develop normative pressures that must be compromised by being members. Keeping membership by adhering to the normative pressures gain vital benefit for organisations (i.e. develop trust, networking, investment opportunities, reputation).

Mimetic pressures represent demands towards simulated by other organisations to cope with uncertainty such as economic, market uncertainty, and crises (DiMaggio and Powell, 1983; Davidsson et al., 2006). These pressures are found when an organisation feels compelled to respond to uncertainty by mimicking another organisation. In other words, organisational decision-makers may succumb to mimetic institutional pressures from the environment to economise on searched costs (Cyert and March, 1963), to minimise experimentation costs (Levitt and March, 1988), and to avoid risks that are borne by first-movers which have adopted other organisational structures, practices or outputs in order to conform to expectations (Lieberman and Montgomery, 1997; Hatch and Cunliffe, 2006).

According to the Erakovic and Wilson (2005), different organisations depending on their size, history, external relationships and institutional field, will respond in different way at different paces to environments pressures. However, Institutional Theory still can be used to analyse all types of organisations because all organisations are institutionalised organisations (Scott, 2004).

Institutional theory has developed no central set of standard variables (Tolbert and Zucker, 1994). Most of the studies centre on several themes - isomorphism transformation (Tolbert and Zucker, 1983), contradictions (Friedland and Alford, 1991), persistence (Zucker, 1988), diffusion (Tolbert and Zucker, 1983) and institutionalisation (Leblebici and Salancik, 1982; Mezias, 1990; Scott, 1991; Hoffman, 1997; Thornton, 2002) to address different questions to explain change. Several other studies have focused on the role of agency in examining institutional change.

For example, Seo and Creed (2002) have made an attempt to reconcile institutional embeddedness and transformational agency in institutional change, while Townley (2002) has highlighted change agent and their power in shaping process of institutional change; Greenwood, Sudday and Hinings (2002) in examining institutional change in professional organisations and Greenwood and Hinings (1996) have discussed the contextual pressures that constrain organisational change.

2.2.2 Resource Dependence Perspective

As mentioned above, the study applied the Institutional Theory to analyse the external forces for change - coercive, normative and mimetic pressures to the SEDCs. The active organisational role was addressed by Resource Dependence Perspective because it has brought the internal organisational decisions back into consideration.

Typically, survival of the organisation is partially explained by the ability to cope with environmental contingencies, and negotiation of exchanges to ensure the continuation of needed resources (Pfeffer and Salancik, 1978). The environments still remained as the key factor within the Resource Dependence Perspective. According to Pfeffer and Salancik (1978) environments can be understood on three levels: the larger environmental system, the organisation set, and the enacted environment. The larger environmental system represents the organisations entire surrounding, whereas the organisation set is limited to those individual and organisations directly interacting with the focal organisation. Finally, the enacted environment states that environment is not any more an objective entity, it becomes enacted by the organisational members. Organisations acquire needed resources from its environments such as raw materials, labour, capital, equipment, knowledge and outlets for their products and services (Hatch and Cunliffe, 2006). To survive, organisation must transact with others for necessary resources.

Resource Dependence Perspective addressed that the key to organisational survival is the ability of the organisations to acquire and maintain resources (Pfeffer and Salancik, 1978). Acquiring resource means the organisation are constrained by, and

depend on other organisations that control critical resources for them. This is because no organisation is able to generate all resources that it needs internally (Hall, 1996). For necessary resources organisation must interact with others who control resources, and control over resources provides others with power over the organisations (Aldrich and Pfeffer, 1976; Pfeffer and Salancik, 1978, Oliver, 1991). Through control, organisation is able to rule other social entities over the same activities (Pfeffer and Salancik, 1978). Therefore, whoever controlled the resources has the power to control over the organisation from the dependency.

For the purpose of this study, Resource Dependence Perspective moves attention to those environmental actors who have the power to affect the organisational dependency. This perspective helps to identify how that power may bring about organisational change. Power is, therefore, determined by the definition of social reality created by participants as well as by their control over resources (Pfeffer and Salancik, 1978; Hatch and Cunliffe, 2006). Those in power have the resources to maintain themselves in power (Hall, 1996). As defined by Pfeffer (1978), 'organisational politics involves those activities taken within organisations to acquire, develop, and use power and other resources to obtain one's preferred outcomes in a situation in which there is uncertainty about choice'. The environments give rise to uncertainty, uncertainty creates opportunities for power differentials among organisational units (groups), power differentiations are used to distribute formal authority. Those granted authority make key decisions that affect organisational action that change the environment (Hatch and Cunliffe, 2006).

Organisation theorists agree that there are many sources of power. Thus, this perspective provides the understanding of the choice made by emphasising on the interunit power linkage to environments. The organisational units that have the capability to cope with the environments are those that obtain the most power within the organisations (Hickson et al., 1971). However, the power of top positions in the organisation would appear to be most central to the strategic decisions that are made (Hall, 1996).

The environments constrain administrator's choices and shape the nature of responses and institutional power in organization (Campling and Michelson, 1998; Pfeffer and Salancik, 1978). With the Resource Dependence approach, although managerial choices are limited by environmental factors, the managers are still presumed to be capable of making choices (Provan, 1984). The power holders had the ability to formulate constitutions, rules, procedure and information systems that limit the potential power of others and ensure their own continuing control. For example, the political leaders frequently use their power first to change a country's constitution, claiming that this is a way of ensuring their continued tenure in office. Since the power conveys the ability to influence organisational decisions, it is likely that power will be used to influence the choice of the power holders. However, those in power should tend to select individuals who are capable of coping with critical problems facing the organisation. There will be a tendency, under certain conditions, for decisions maker to favour candidates who are similar to themselves (Byrne, 1969; Berscheid and Walster, 1969). In other words, those with more power would have more influence in the decision within the organisation.

2.3 Theory Integration

The study of Tiplic (2008) on managing organisation change during institutional upheaval found that not all organisations strictly conform to external pressures for change. Instead, organisations may respond by a variety of strategies driven by the decision-maker interpretation in order to comply with legal requirements, economic rationality, threats to organisational legitimacy, or periods of crisis (Oliver, 1991; Hardy, 1996; Scott, 2004).

As mentioned previously, the study has employed Institutional Theory and Resource Dependence Perspective to determine the forces that drive the organisational change of the SEDCs. Theoretically, both perspectives offer an explanation for why firms adopt certain structural modifications (DiMaggio and Powell, 1983; Pfeffer and Salancik, 1978; Oliver, 1991; Greening and Gray, 1994). Institutional Theory highlighted that an organisation structure is shaped by institutional environment and organisation decisions is responsive to external pressures. Resource Dependence Perspective indicates how organisation structure is shaped by agents who control critical resources and the internal agent constrain decision making process (Oliver, 1991; Sherer and Lee, 2002). Both perspectives play important role in the process of organisational change, thus play off one another (Sherer and Lee, 2002).

From the purpose of this study, both theories explain organisations change from different perspectives - Institutional Theory focuses on coercive, normative and mimetic pressures from the external perspective that creates forces for changes, on the other hand; Resource Dependence Perspective emphasise how the power derived from the decision-maker that determine the powerful influence in the organisations.

2.4 Empirical studies on Institutional Theory and Resource Dependence Perspective

The purpose of this review was to identify the previous studies that had considered Institutional Theory and Resource Dependence Perspective as one their main theoretical framework and published from 1996 to the end of the second quarter of 2005. The desk research was limited to few journals - Academy of Management Journal (AMJ), Administrative Science Quarterly (ASQ), Management International Review (MIR), Strategic Management Journal (SMJ), and MIS Quarterly (MIS). The refining processes were used to gather most relevant.

Table 2.1: Variables used to codify the reviews articles

Name of publication
Year of publication
Region or country of the setting
Research design (1. Longitudinal, 2. Cross-sectional)
Nature of the study (1. Quantitative, 2. Qualitative, 3. Combination)
Data source used in the study:
Historical Data (HD)
Archival Data (AD)
Survey questionnaires (S)
Interviews (I)
Documents (Doc)
Articles (A)
Reports (R)
Analytical Methodology
Statistical analysis (SA)
Case analysis (Case. A)
Content analysis (Cont. A)
Event analysis (EA)
Type of organisation used in the study
Focus of the study

Source: Farashahi, (2003).

Table 2.2 below showed the empirical studies that combine the Institutional Theory and Resource Dependence Perspective. Figures in the table show most of the studies involved more than single organisation and data was collected in multi-sources

evidence. The five selected empirical studies used statistics to analyse the findings. For the current study, the statistical analysis approach was not adopted due to the small sample population. Instead, the case analysis was chosen. However, scholars have spoken that none of the explanations are capable of standing on its own, rather than they seeks to explain the largest amount of variance that they can (Zinn, et. al, 1998; Sherer & Lee, 2002; Bardoel, 2003; Peng, 2004; Erakovic and Wilson, 2005). Each has its special insights and explicabilities. Correspondingly, there is widespread acceptance of the need to apply organisation theories as processes of competition, in organisational research moving through 1990's (see Table 2.3).

Table 2.2: Selected empirical studies on integrations of Institutional Theory and Resource Dependence Perspective

Authors	Year	Pub.	Region	Type	Q/Q	Data	Method	Organisation	Focus
Zinn, et.al.	1998	HSR	Chicago	Long.	Oual.	S, R, Doc, AD	SA	Nursing Home	Contextual Influence Nursing Home
Sherer & Lee	2002	AMJ	U.S.	Long.	Qn.	HD, I, Doc	EA	Law Firms	Scarce resource of innovative law firms has made them to legitimize change in institutional norms.
Mike W. Peng	2004	SMJ	China	Long.	Qual.	HD, AD, R	SA	Many Firms	Outside Director Influence Firm Performance
Bardoel E. Anne	2003	WMR	Australia	C/S	On.	S	SA	Many Firms	Formal and Informal Organisational Work-Family Responsiveness
Erakovic and Wilson	2005	BJM	New Zealand	Long.	Oual.	I, Doc, R,	Case. A Cont. A	State-Owned Enterprises (SOEs)	Radical Transformation

Notes:

- HSR: Health Services Research
- AMJ: Academy of Management Journal
- SMJ: Strategic Management Journal
- WRM: Women in Management Review
- BJM: British Journal of Management

Source: Research.

Table 2.3: Integrate of Institutional Theory and Resource Dependence Perspective with other selected theories

Authors	Year	Organisational Theories							
		Institutional Theory (Modern)	Resource Dependence	Old Institutionalism	Population Ecology	Adaptation Model	Financial Theory	Social Network	Open System Theory
Allmendinger & Hackman	1996	•							
Siciliano	1996		•						
Dacin	1997	•							
Westphal, et.al	1997	•						•	
Zinn et al.,	1997		•						
Zinn, et.al.	1998	•	•						
Hoffman	1999	•		•					
D`Aunno et.al.	2000	•		•					
Henisz and Delios	2001	•							
Sherer & Lee	2002	•	•						
Teo, et.al.	2003	•							
Bardoel E. A.	2003	•	•						
Mike W. Peng	2004	•	•						
Marvin & Ventresca	2004	•							
Buckley, et.al.	2005	•				•			
Harrison and McDowell	2005		•				•		
DiPaola & Tschannen-Moran	2005		•						•
Erakovic and Wilson	2005	•	•						

Source: Research

2.5 Summary

Scholars noted that Institutional Theory had focused on the direct impact of the forces generated externally that influence organisation changes. Organisations responses to the forces seek to increase the legitimacy, resources, and survival capabilities. Resource Dependence Perspective that focuses in this study was explained how the power controls the organisational decisions and actions. Integrating the perspective from Institutional Theory and Resource Dependence Perspective contributes to further understanding of the sources of organisational change.

CHAPTER 3 - PUBLIC ENTERPRISES IN MALAYSIA

3.1 Introduction

This chapter gives an overview of the public enterprises in Malaysia from pre-independent days until the present moment. This study borrows the concept of public enterprises as defined Hanson (1959), as “industrial, agricultural and commercial concerns, which are owned and controlled by the central government (in a unitary State) or by the central or regional governments (in a federation)”. Malaysian public enterprises have been expanding rapidly since independence. Many attributed the proliferation of public enterprises to the racial riot of 1969, but the reality is that they had existed even during the British colonial era.

3.2 Public Enterprises during British Colonial Years

In Malaya, the British colonial masters concentrated in the extractive industries, particularly in the production of rubber and tin (Singh, 1976). There were two major types of economic sectors in Malaya; (1) modern urban and rural sector concentrating on rubber production, and tin mining, which were controlled by the British and drew into its sphere most of the Chinese and Indian communities in Malaya, and (2) traditional rural sector which were dominated by the Malays and engaged in the production of padi and fish through traditional techniques. Colonial government did not use the public enterprises as a means of securing economic development on a grand scale. According to Affandi (1978), there were 26 public enterprises under the colonial government, 24 were established to carry out activities which could not be carried out satisfactorily by the private sector and yet were important to the community (three public utilities, five transportation and

communication agencies, 14 promotional and financing agencies and two cultural agencies) while the remaining two were established for redressing regional and ethnic imbalances (See Table 3.1) (Affandi, 1974).

Table 3.1: Public enterprises established during the British colonial years

No	Name of Public Enterprises	Year	Type	Purpose and Activities	
				Usual purpose	Regional and ethnic economic promotion
1.	Malayan Railway	1855	Transportation	Railway	-
2.	Telegraph office	1876	Communication	Telegraph	-
3.	Telecommunication	1891	Communication	Telephone	-
4.	Postal Service Department	1891	Communication	Postal services	-
5.	Sabah Railway	1896	Transportation	Railway	-
6.	Planters Loan Board	1915	Financing	Agricultural credit	-
7.	Rubber Research Institute of Malaysia	1925	Promotional	Rubber research for production	-
8.	Research Association of Natural Rubber Producers	1938	Promotional	Research for uses of rubber	-
9.	Post Office Savings Bank	1949	Financing	Small savings	-
10.	National Electricity	1949	Public utility	Electricity	-
11.	Rubber Export Registration Board	1950	Promotional	Rubber export production	-
12.	Social Welfare Lottery Board	1950	Cultural	Sell lotteries, finance welfare work	-
13.	Malaya Borneo Society	1950	Financing	Housing development	-
14.	Housing Trust	1950	Financing	Low cost housing development	-
15.	Employees Provident Funds	1951	Financing	Social insurance	-

Table 3.1 continued

16.	Rural Industrial Development Authority (RIDA)	1952	Promotional and financing	-	Commercial and industrial development of rural area
17.	Sarawak Electricity Supply Corporation	1952	Public utility	Electricity	-
18.	Rubber Industry (Replanting) Board Fund A	1952	Financing	Rubber replanting for smallholders	-
19.	Rubber Industry (replanting) Board Fund B	1952	Financing	Rubber replanting for estate	-
20.	Tin Industries (research and development) Board	1953	Promotional	Research and promotion for uses in tin	-
21.	Board of Administrators, Estate Scheme No.1	1955	Financing	Replanting rubber for estates	-
22.	Padi Planters Development Board	1955	Financing	-	Loan to planters (Rice) in Kedah, Perils and Selangor
23.	Penang Port Commission	1955	Public utility	Harbour management	-
24.	Sabah Credit Corporation	1955	Financing	Finance small and medium scale farming and fishing	-
25.	Board of Administration, Smallholders Planting Material Scheme	1956	Financing	Rubber replanting for smallholders	-
26.	Federal Land Development Authority (FELDA)	1956	Agricultural enterprise	-	Land development

Source: Affandi, (1978).

According to Affandi (1978), the use of public enterprises in transportation began in 1855 by the Perak state government to connect the rich tin mining area of Taiping to