

" A COMPARATIVE CASE STUDY OF THE EMPLOYMENT OF MANAGERIAL STAFF IN
LOCALLY-OWNED AND FOREIGN-OWNED MANUFACTURING ENTERPRISES
IN THE KLANG VALLEY REGION. "

by:

Ooi Chooi Chooi

School of Humanities

Universiti Sains Malaysia

1982

ABSTRACT

The managerial staff of any manufacturing firm, regardless of ownership, is the most important level of employees since they are the ones who formulate policies and manage the firm. Their ability to manage technology, discovery and changes will create profit and growth to that firm. It is this category of human talent that plays a vital role in the economic growth of the country as a whole.

The Klang Valley Region, being the most industrialized and populated region in the country, is also the focus of manufacturing enterprises of varying sizes and kinds. As such, it attracts management personnels from every States and, in fact, is the congregation of the largest force of management cadres in the country.

The objective of this research is, therefore, to explore the management situation by studying the differences in the characteristics and the employment structure as well as policy of the management staff of both the locally-owned and foreign-owned manufacturing enterprises.

From this research study, it was found that there exist qualitative differences between the locally- and foreign-owned enterprises in the mentioned aspects. Such differences are obvious in terms of their location, size of management force, its constituent, the preference of the firms in employing expatriates/ Malaysians to fill their management posts, the quality expected by the firms and possessed by the personnels, their salary, their

training opportunities and duration of training, the benefits provided, their preferences in working for local or foreign companies, and the performance of both these categories of firms.

With the discovery of such differences, backed with statistical data, primary and secondary informations, it was concluded that the hypotheses proposed (regarding the question of whether any differences exist between the locally- and foreign-owned enterprises, and that these differences will affect and influence the spatial distribution and pattern of the manufacturing enterprises in the Klang Valley Region) were found unable to be rejected. It was also clear from these differences found through the field research, that they will have geographical implications on the spatial variation of the manufacturing enterprises in the Klang Valley Region, and will continue to influence this spatial pattern and distribution in the future.

ABSTRAK

Pegawai-pegawai pengurusan mana-mana firma pengeluaran, tidak kira jenis hakmiliknya, adalah peringkat yang paling penting diantara pekerja-pekerja kerana merekalah yang merumuskan polisi-polisi firma dan menguruskan firma itu. Kebolehan mereka dari segi pengurusan teknologi, rekacipta baru dan perubahan akan memberi keuntungan dan pertumbuhan kepada firma itu. Kategori manusia yang berkebolehan ini memainkan peranan utama di dalam pertumbuhan ekonomi negara pada keseluruhannya.

Kawasan Lembah Klang, sebagai suatu kawasan yang pesat dalam perindustrian dan kepadatan penduduk di dalam negara, adalah fokus perusahaan kilang yang berlainan jenis dan saiz. Namun begitu, ia menarik pegawai-pegawai pengurusan dari semua negeri, dan memang adalah pusat pemusatan pegawai-pegawai pengurusan yang terbesar di dalam negara.

Objektif penyelidikan ini, namun, adalah untuk menyelidik situasi pengurusan dengan mengkaji perbezaan-perbezaan di dalam sifat-sifat dan struktur pekerjaan serta polisi pegawai-pegawai pengurusan untuk kedua-dua perusahaan firma-firma yang dimiliki oleh orang asing dan oleh orang-orang Malaysia. Tujuannya adalah mencari perbezaan antara kedua kategori perusahaan ini.

Dari pengajian penyelidikan ini, adalah didapati bahawa wujudnya perbezaan kualitatif diantara perusahaan yang dimiliki oleh orang dalam dan luar negeri dalam aspek yang telah disebutkan. Perbezaan ini jelas dari segi lokasi, saiz tenaga pengurusan, pemilihan pekerja-pekerja asing atau tempatan untuk memenuhi

jawatan-jawatan pengurusan, kualiti yang diharapkan oleh firma-firma dan yang dimiliki oleh para pegawai pengurusan, pendapatan mereka, peluang latihan dan lamanya latihan itu, faedah-faedah yang diperolehi, kesukaan bekerja untuk syarikat-syarikat tempatan atau asing, pelaksanaan pekerjaan mereka dalam kedua-dua kategori firma-firma itu.

Dengan penemuan perbezaan-perbezaan ini yang disokong oleh data statistik serta penerangan dasar dan tambahan, adalah disimpulkan bahawa hipotesis-hipotesis yang dikemukakan (mengenai persoalan samada wujudnya apa-apa perbezaan mengenai perusahaan tempatan dan perusahaan asing, dan bahawa perbezaan ini akan mengakibatkan dan mempengaruhi pembahagian ruangan dan corak pengurusan di Kawasan Lembah Klang) di dapati tidak boleh ditolak. Adalah juga ternyata dari perbezaan yang didapati melalui kajian luar, bahawa mereka akan mendapati implikasi georafikal dalam variasi ruangan untuk perusahaan firma-firma di Kawasan Lembah Klang, dan akan terus mempengaruhi corak ruangan dan pertaburan di masa hadapan.

ACKNOWLEDGEMENT

In the course of this whole exercise, I have received a great deal of assistance and advice, and it is a pleasure to acknowledge it here.

My debt to others is so great that it is hard to know where to begin and where to end acknowledgements. My greatest debt is to my supervisors, Prof. Madya Mahinder Kaur Nagreh and Encik Hassan Naziri; it was they who helped, encouraged and provided me with the guidance in setting up the framework and preliminary preparation for the survey. Their guidance is too large to be done justice to by a one- or-two sentence(s) acknowledgement here. I owe them my heartiest gratefulness.

I wish to thank the various officers of MIDA who furnished me with statistics and useful information for this study. My task has been considerably facilitated by the support of the staff of other government bodies such as the Registry of Companies, the P.K.N.S., the Survey Department and the Statistics Department, and the libraries of U.S.M. and University Malaya which are hereby gratefully acknowledged.

And to those kind people with whom I had interviewed in the course of my survey in Kuala Lumpur, I would like to express my sincere thanks for their hospitality, cooperation and time through which I was able to carry out this study with ease.

Last but not least, I must express my indebtedness to my husband, Wong W.L., for his patience, encouragement, support and advice throughout the long months of this survey. And also to my

parents for their understanding.

To all those mentioned, as well as to many others who were not, who helped make this study possible, the author extends her thanks. However, since the final decision about what was to be included in and what was to be excluded from this exercise was the author's, the usual disclaimer of course holds here: for all short-comings and mistakes that remain, she is solely to be responsible.

Ooi Chooi Chooi

Universiti Sains Malaysia

January 1981

TABLE OF CONTENTS

| | | |
|---------------|---|----|
| CHAPTER ONE | PURPOSE, SCOPE AND METHODOLOGY | 1 |
| 1.1 | Introduction | 1 |
| 1.2 | Objectives Of The Study | 3 |
| 1.3 | The Area Under Study | 3 |
| 1.4 | Concepts | 7 |
| 1.5 | The Literature Survey | 8 |
| | i. Foreign Management Employment Situations | 8 |
| | ii. Malaysian Management Situation | 12 |
| 1.6 | Research Methodology | 17 |
| | i. Enumeration | 17 |
| | ii. Sampling Procedures | 18 |
| | iii. Field Survey | 20 |
| CHAPTER TWO | MANAGERIAL EMPLOYMENT STRUCTURE | 23 |
| 2.1 | Locational Analysis | 23 |
| 2.2 | Size Of Management Force | 27 |
| 2.3 | Constituent Of Management Cadres | 28 |
| 2.4 | General Performance Of The Companies | 30 |
| CHAPTER THREE | MANAGERIAL EMPLOYMENT POLICY | 34 |
| 3.1 | Preference For Expatriates/Malaysians And Their Reasons | 34 |
| 3.2 | Quality Sought | 36 |
| 3.3 | Determinants Of Salary | 38 |
| 3.4 | Provision Of Training And Its Duration | 40 |
| 3.5 | Provision Of Benefits | 43 |

| | | |
|--------------|--|----|
| CHAPTER FOUR | CHARACTERISTICS OF THE MANAGEMENT STAFF | 46 |
| 4.1 | Academic Qualification Of The Personnels | 46 |
| 4.2 | Experience Of Management Personnels | 47 |
| 4.3 | Preference Of Working For Foreign-or Locally-Owned Enterprises And Their Reasons | 50 |
| CHAPTER FIVE | CONCLUSION | 53 |
| 5.1 | Relationships of Findings | 53 |
| 5.2 | Rational Behind The Hypotheses | 57 |
| APPENDIX 1 | | 61 |
| APPENDIX 2 | | 63 |
| APPENDIX 3 | | 65 |
| APPENDIX 4 | | 68 |
| BIBLIOGRAPHY | | 73 |

LIST OF MAPS

| | page |
|--|------|
| MAP 1 : Location of the Klang Valley Region in West Malaysia | 5 |
| MAP 2 : Location of the districts forming the Klang Valley Region | 6 |
| MAP 3 : Map of the Klang Valley Region showing the distribution of locally-owned and foreign-owned enterprises in each district and in the Federal Territory | 26 |

LIST OF TABLES

| | |
|---|----|
| TABLE 1 : Categorization of manufacturing enterprises according to paid-up capital | 18 |
| TABLE 2 : Percentage and number of enterprises selected from the population in each size group | 19 |
| TABLE 3 : Constituent of the Population and the Sample | 20 |
| TABLE 4 : Total manufacturing enterprises in each districts | 24 |
| TABLE 5 : Percentage of enterprises with management force of certain sizes | 27 |
| TABLE 6 : Percentage of enterprises with certain proportion of their management force occupied by expatriates | 29 |
| TABLE 7 : Performance of locally-owned and foreign-owned enterprises | 31 |

| | |
|--|----|
| TABLE 8 : Preference of locally-owned and foreign-owned enterprises in employing expatriates/Malaysians | 35 |
| TABLE 9 : Qualities sought for by locally- and foreign-owned enterprises | 36 |
| TABLE 10 : Ranking of qualities sought for by locally- and foreign-owned enterprises | 37 |
| TABLE 11 : Percentage of local and foreign firms providing different types of training programmes | 41 |
| TABLE 12 : Percentage of locally-owned and foreign-owned enterprises which provide the listed fringe benefits. | 44 |
| TABLE 13 : Academic qualification of management personnels in locally-owned and foreign-owned enterprises | 46 |
| TABLE 14 : Experience of management personnels in locally- and foreign-owned manufacturing enterprises | 48 |
| TABLE 15 : Prior management experience of the management personnels in locally-owned and foreign-owned enterprises | 48 |
| TABLE 16 : Preference of management personnels from locally- and foreign-owned enterprises in working for Malaysian or foreign companies | 51 |
| TABLE 17 : Reasons of management personnels for preferring locally-owned or foreign-owned companies | 52 |

LIST OF ILLUSTRATIONS

| | page |
|---|------|
| PIE GRAPH I : Percentage of distribution of manufacturing enterprises in each district | 24 |
| BAR GRAPH I : The percentage of locally-owned enterprises using the listed criteria in determining the salary scale of their management personnels | 39 |
| BAR GRAPH II : The percentage of foreign-owned enterprises using the listed criteria in determining the salary scale of their management personnels | 39 |
| BAR GRAPH III: The percentage of management personnels from locally-owned enterprises in the different salary range | 49 |
| BAR GRAPH IV : The percentage of management personnels from foreign-owned enterprises in the different salary range | 49 |

In Malaysia, there is no doubt that the manufacturing industry, the leading growth sector in the economy, assumes an increasingly important role for achieving the targets of each development plan and the objectives of the New Economic Policy. Industrialization is looked upon as a means to perpetuate growth in income and employment, and thus eventually resulting in the growth and development of the country. The urgent need to accelerate industrialization and sustaining its rapid rate of expansion

CHAPTER ONE

PURPOSE, SCOPE AND METHODOLOGY

1.1 Introduction

The decade of the Seventies has been one of rapid social and economic development in our country. New fields of socio-economic endeavour which has important geographical implications were injected into our society. Central to these endeavour is the human management of the tempo and trends of the nation's development.

In the past, human resources, as a critical factor in social and economic development, has not been accorded the attention it deserves. Constraints imposed by the shortage of administrative and managerial manpower have resulted in below expectation returns in spite of increasing investments in physical capital. Presently, however, the importance of management profession has been given emphasis to complement Malaysia's industrialization programme, and this is so marked by the establishments of many management training institutions and education at tertiary level.

In Malaysia, there is no doubt that the manufacturing industry, the leading growth sector in the economy, assumes an increasingly important rôle for achieving the targets of each development plans and the objectives of the New Economic Policy. Industrialization is looked upon as a medium to perpetuate growth in income and employment, and thus eventually resulting in the growth and development of the country. The urgent need to accelerate industrialization and sustaining its rapid rate of expansion

has made it imperative to undertake practical programmes designed to further social and economic progress. Management development and education are recent additions to the many techniques which have been successfully applied to achieve such objectives.

The managerial and executive level of employees in the manufacturing industries play a vital role in the formulation of policies and management of the industry, and their ability to manage technology, discovery and changes give us expectations of exceptional economic growth. Scientific management practices provide managers with a philosophy and a way of thinking to amalgamate the productive uses of inanimated capital assets and the employment of human talents for the creation of wealth for which the nation shared in greater prosperity.

Since the Malaysian economy is being run primarily on free enterprise principles, the private sector is, thus, the major dynamic force in development. This private manufacturing sector can be divided into the locally-owned manufacturing enterprises and the foreign-owned manufacturing enterprises, and this division creates the geographical variation in space. In order to question this variation, we need to look into the components of the structure of the firms, and one of the important components is the managerial staff. In view of this, it is of interest and relevance to make a comparative study of the characteristics of the management staff and the managerial employment structure and policy between the locally-owned and foreign-owned manufacturing enterprises.