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Chinese-Bumiputera partnership in technology-based industries in post NEP and post NDP Malaysia[1]

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Abstract: This paper discusses Chinese-Bumiputera partnership in technology-based industries in post National Economic Policy (NEP) and post National Development Policy (NDP) Malaysia. Throughout the NEP (1971-1990) and the NDP (1991-2000) period, the government of Malaysia has been trying to social-engineer a Bumiputera Commercial and Industrial Community (BCIC). To expedite the development of the BCIC, The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) was also asked to help transfer Chinese entrepreneurial skills to Bumiputera. An important strategy at the micro-level was to encourage joint ventures with local Chinese investors in the technology-based manufacturing sector. The joint ventures were expected to serve as vehicles for the transfer of technical and managerial know-how to Bumiputera partners.

The objective of this paper is to explore and to explain some key sociological aspects of the development of Chinese-Bumiputera partnership in technology-based industries. This paper discusses the advances, constraints and prospects important to the development of Chinese-Bumiputera partnership, as well as the business practices and management of inter-ethnic joint ventures. This paper also provides understanding of the social dynamics of inter-ethnic business partnerships at the level of the increasingly important SMI sector, which is largely dominated by the Chinese.

Keywords: *Chinese, Bumiputera, and partnership*

Background

This paper will discuss the recent important developments in Chinese-Bumiputera partnerships in technology-based industries encouraged by the Government under the National Development Policy (NDP). One important macroeconomic strategy of the NDP (1991-2000) to keep Malaysia internationally competitive was to restructure industry towards more technologically sophisticated and better quality products that are integrated with the markets of the developed countries. In line with this strategy and in order to advance the Bumiputera Commercial and Industrial Community (BCIC), the Government encouraged and provided assistance to Bumiputera entrepreneurs to venture into the strategic aerospace, automotive, machinery and engineering, petrochemical and telecommunications sectors (Malaysia 1996: 13). To enable the transfer of entrepreneurial skills to Bumiputera, an important strategy at the micro-level was to encourage joint ventures with non-Bumiputera or foreign

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investors. A special effort was undertaken by the Government to encourage the formation of these joint ventures in order to expedite the development of Bumiputera entrepreneurship. The joint ventures were expected to serve as vehicles for the transfer of technical and managerial know-how to Bumiputera partners. It was envisaged that Bumiputera 'technopreneurs' would become active in such sectors as advanced electronics, equipment/instrumentation, biotechnology, automation and flexible manufacturing systems, electro-optics and non-linear optics, advanced materials and software engineering, food production and food processing, aerospace, optoelectronics and alternative energy sources production (Malaysia 2000: 43).

Objectives

The main objective of the this paper is to explore and to explain some key sociological aspects of the development of Chinese-Bumiputera partnership and major issues related to this joint venture in technology-based industries. This study will investigate company profiles and documents, in order to discern: (i) year of establishment, share capital formation, and inter-ethnic equity sharing; (ii) the chairpersons, directors, and CEOs of the joint ventures so as to determine the structure of power in the company; (iii) the partners' personal and social profiles, as seen from their professional qualifications or business experiences, and connections to government; (iv) the extent of acquisition of technology and know-how in the technology-based industries; (v) types of industries and products; and (vi) the years of partnership to trace the growth of companies such as annual turnover and profit. By investigating these various aspects, it is hoped that we can draw such conclusion on the development, sustainability and long-term prospects of inter-ethnic Chinese-Bumiputera partnerships.

Literature review

Since the end of the 1980s, inter-ethnic 'integration' in business operations has improved especially in the industrial sector (Rasiah 1997: 11, 15). Just integration but there was no co-operation in manufacturing sector yet. However, to date, there has been very little integration of Chinese-Bumiputera joint ventures at the SMI level and in technology-based industries.

The few sociological studies of SMIs include those by Rugayah Mohamed (1994), Sia (1994) and Chin (2004). Rugayah's study provided structural analyses of two Sino-Malay business organizations in food-catering services industries and leather-shoes manufacturing industries. She discussed two firms that involved both Chinese and Bumiputera partners that hold share equity and responsibility. Both companies were established at a time when Malaysia's economy was fast growing. Sia's study was a brief profile of a company, majority-owned and managed by Bumiputera staff of Yeo Hiap Seng (M) Berhad. This company operates independently from Yeo Hiap Seng (M) Berhad and the rational was to capture the Bumiputera segment of the drinks market. Chin's study of Chinese-Bumiputera partnerships shows notable shifts in such joint ventures from involvement mostly in construction to manufacturing that has resulted in significant acquisition of technology and know-how. These new 'strategic' partnerships, officially endorsed as 'genuine' joint ventures, initiated by the Government in 1995, signal not only a major evolution in the character of Chinese-Bumiputera partnerships but also significant outcomes for government policies and the efforts of the business communities. Chin's findings contrast with that of Gomez (2002), whose study of ownership patterns of long-established firms of the top 20 companies in the KLSE in 2000 argued that inter-ethnic business relationships may not be sustainable and cannot be state-driven.

With so few studies of SMI inter-ethnic joint ventures available, it is necessary to conduct forth investigations. This study attempts to fill that gap, especially, it focuses on developments in Chinese-Bumiputera SMI joint-ventures from a sociological perspective that pays attention, among other things, to questions of culture and SME management, work relationships, ethnic equity considerations, and responses to the Government's encouragement for participation in new industries and strategic partnerships.

Methodology: concept and methods

The concept of partnership here refers to both parties holding share equity and directorships in the company. The term Bumiputera includes Malays and natives; and Chinese refers to Chinese Malaysian. This study is different from other studies on "Sino-Malay economic cooperation in Malaysia" that involved Bumiputera-Taiwanese co-operation (Toh, 1994). This paper focuses on the small and medium technology-based enterprises in the manufacturing sector that are private companies, limited by shares.

The data obtained in this research is subjected to statistical and qualitative analyses. One of the difficult tasks in this research is to identify the Chinese-Bumiputera partnership companies, especially in the manufacturing sector. An interview was conducted with the chairperson of the Genuine Joint Venture Promotion Council (GJVPC) cum Deputy Secretary-General of the Associated Chinese Chambers of Commerce and Industries of Malaysia (ACCCIM). Information acquired from the interview helped to clarify the nature and scope of Chinese-Bumiputera partnership in business today.

The subsequent data collection started with a list of fifty Chinese-Bumiputera joint venture companies obtained from the bulletin of the ACCCIM. Out of these fifty companies, 32 are technology-based manufacturing companies. However, only 23 companies are listed in the Registry of Companies' (ROC) computer database and record. Later search of joint venture companies were acquired through the Small and Medium Industries Development Corporation (SMIDEC). We requested the officer at SMIDEC to select companies that are joint venture in their database. The officer was kind to provide us a list of over 300 joint venture companies. A systematic search of over 250 company profiles and documents in the SMIDEC list was then conducted at the ROC between May 2004 and June 2005. Out of these 250 companies, only 121 companies are Chinese-Bumiputera companies in various types of business; the rest are joint venture companies either with foreigners or with other ethnic groups. From the 121 joint venture companies, 68 companies that were involved in different types of technologies were selected for this study. A number of companies in this study have stopped submitting reports to the ROC, and were classified as inactive. Therefore such companies cannot be found in the ROC's computer database and are stored at the ROC's archive. Many hours were spent digging out old files and viewing the microfilms to acquire the necessary information for these inactive companies. Over all, a longitudinal approach was used to collect data to permit the observation of directors, shareholders, and capital shares of joint venture companies for over an extended period. The internet was also used to collect additional information on these companies.

Data analysis

Distribution of the year of incorporation and the beginning year of partnership

Cross tabulation of the number of companies by year of establishment in Table 1 shows that most companies were incorporated between 1989 and 1996, a period of rapid economic growth in Malaysia before the 1997 financial crisis set in. The average GDP growth rate during these periods was 9.1% (Jomo 1998).

Table 1: Distribution of Companies by Year of Establishment

Year	Number of Companies
1960-1969	1
1970-1979	6
1980-1988	8
1989-1996	42
1997-2001	11
Total	68

From these 68 companies, 33 were started and owned by the Chinese, and six started and owned by the Malays. Later on, all of these 39 companies incorporated other partners of different ethnic groups. The other 26 started as joint-venture companies at the date of incorporation. The analysis of the beginning year of partnership is shown in Table 2.

Table 2: Distribution of Companies by Beginning Year of Partnership

Year	Number of companies
1960-1969	0
1970-1979	1
1980-1988	6
1989-1996	39
1997-2003	22
Total	68

The only joint venture company established in the 1960s was started by the Chinese and entered into partnership with Malay partners only in 1993. The distribution also shows that inter-ethnic joint ventures increased gradually during the NEP and NDP years, and reached its peak towards the early 1990s. Due to the 1997 financial crisis and difficulties in securing bank loans, fewer joint ventures were established thereafter. Twenty-three of these companies were established through the GJVPC under the auspices of the Ministry of Entrepreneur Development in three different phases in 1995, 1997 and 1998[2].

Distribution of Location and Industry

Location

The distribution of industry by location in Table 3 shows that the majority of the joint ventures were established in the Klang Valley located in the state of Selangor and the Federal Territory of Kuala Lumpur, Malaysia's major economic hub. Of the remainder, 10 joint ventures are located in Penang. Out of the 43 joint ventures established in the Klang Valley, 17 are involved in the electrical and electronics (EE) sector, five in the basic metals and fabricated metal sector, five in the automotive sector, and four in the paper, printing and publishing sector.

Table 3: Distribution of Companies by Location

Year	Number of companies
Kedah	1
Penang	10
Perak	7
Kelantan	1
Terengganu	1
Pahang	2
Selangor	29
Johor	2
Kuala Lumpur	14
Sabah	1
Total	68

Penang is well known as a 'Silicon Island' where many multinational semiconductor companies have set up their

[2] See Chin (2004) for details of the 23 joint venture companies.

plants. Out of the 10 joint venture companies operating in Penang, six are in the basic metals and fabricated metal sector[3], three in the EE sector and one in the automotive sector. The location of the majority of joint ventures in the Klang Valley and Penang has to do with the availability of the most developed infrastructure facilities and economic opportunities in these two areas.

Industry

Overall, the joint ventures are mostly involved in the heavy industry, especially in the EE sector (22), basic metals and fabricated metal sector (16), automotive components sector (7), plastics products (4), chemicals (3) and rubber products (2). Only a few joint ventures were engaged in the light industries: food processing (1), paper, printing and publishing (5), and wood and furniture (2).

Being involved in the heavy manufacturing sectors, skill, knowledge and technologies are fundamental. It is difficult to trace the source of technology accumulation and/or the people responsible for technology accumulation in these companies. The company search shows that there are two Malay partners who have the title 'DR' (whether they are medical doctors or Ph.Ds is not clear). There are two other qualified engineers, one carrying the 'IR' title. These four hold directorships and shares in four different companies. In the first case, Dr. Ibrahim is the director of a company that manufactures trim and form machinery and precision engineering tools, dies, and moulds for the semiconductor, electrical and electronic industries. In the second case, Dr. Ishak is a director of a manufacturing company that engages in metal stamping, tools and dies casting. The third case, involving an 'IR in a paper, printing and publishing company, while the fourth case, an engineer was engaged in a company that produces precision metal stamping, tension springs, and tension and compression springs.

Table 4: Distribution of Companies by Industries

Year	Number of companies
Food Processing	1
Rubber Products	2
Paper, Printing and Publishing	5
Basic Metals and Fabricated Metal Products	16
Automotive Components	7
Plastics Products	4
Electric and Electronics	22
Wood and Furniture	2
Industrial Chemicals and Chemical Products	3
Construction	2
Miscellaneous	4
Total	68

These four cases indicate that the four Malay partners involved possessed technical and technological knowledge which they brought into the joint ventures with Chinese partners. Moreover, nine of the 68 joint ventures also involved foreigners partnering Chinese Malaysians and Malays. All of these companies are involved in heavy industries: three in the metals sector that manufacture high precision metal, tooling, and stamping of engineering components; two in the automotive sector, two in the EE sector that produces capacitors and air-conditioners and one in the rubber product sector that make rubber compound and moulded rubber parts. One of the foreign partners was Korean while the others were Taiwanese. It is likely that these partnerships probably involved some transfer of skill and technology from the foreign partners. However, there is lack of qualitative data to assert that these four cases are joint ventures that involved real contribution of knowledge and skill from the Malay partners.

[3] In 2004, there were 301 metal products companies in Penang (SMIDEC).

Distribution of Share Capital, Ownership and Control

Distribution by Capital-Size

Table 5 (see Appendix 1) shows the capital size of Chinese-Bumiputera joint ventures. The distribution of authorized capital of most companies (79.0%) at the set-up stage are at RM500,000 and below. The pattern of small capital size is also observed in the paid-up capital, 80.6% started with paid-up capital of less than RM10.00 when the companies were first incorporated. By and large, this is because at the preliminary stage of a company, the founders tend to fulfill the minimum requirement for setting up a company which would be as little as a few ringgit paid-up capital. This also happened in joint ventures with foreign investors in Malaysia (Hara 1994). Indeed it is also a common phenomenon in newly set-up companies in Malaysia.

In this study, any company with paid-up capital of RM500,000 and below is considered a small-scale industry, a company with paid-up capital of between RM500,001 and RM3,000,000 is regarded as a medium-scale industry, and a company that exceeded RM3,000,000 in paid-up capital is considered a large-scale industry. If we adopt this measure, the 68 companies in operation in our study may be divided into: 52.9% involved in the small-scale industries, 36.8% in the medium-scale and 10.3% in the large scale. Overall, about 90% of the Chinese-Bumiputera joint ventures in this study are SMIs. In 1998, SMIs made up 91% of all manufacturing establishments in the country; of these, more than 80 per cent were established by the Chinese (Productivity Report 2002). This indicates that the Malays are encroaching into the sector, which is dominated by the Chinese. Putting together the type and scale of industries as shown in Table 4 and Table 5, it appears that the Malays are making inroads into these sectors by means of partnership with the Chinese.

When the paid-up capital was classified according to group and size by shares ownership, the results in Table 6 (see Appendix 1) show that joint ventures involved in the large-scale industry are dominated by the Malays. While six (or 20.7%) of the 29 Malay-controlled companies have paid-up capital exceeding RM3 million, only 3 (or 9.4%) of the companies controlled by the Chinese fall in the same category. A reason for this pattern could be because the Malay partners have easier access to financial support, especially from the government. Indeed, the Chinese partners are aware of this advantage of having Malay business partners. For example, under the GJVPC, a joint-venture company with at least 30 per cent Bumiputera shareholding is eligible for project financing. Joint ventures can also tap the vast resources of the Government Link Companies (GLCs). I suggest that the increase in the number of joint ventures is directly related to this access to financial support on the part of a Malay partner. In this regard Chinese partner brings into the joint ventures their experience, knowledge and expertise (Chin 2004). Such a partnership can be likened to Searle's (1999) notion of "capital integration", by which he means "financial and ownership integration." Further analysis on the ownership of share capital shows the presence of GLCs in these joint ventures, especially in joint ventures controlled by Malays.

Capital Shares and Government Link Companies (GLCs)

Of the 68 companies, three companies received capital investment from the GLCs. In the first case involved Khazanah Nasional Berhad (KNB)[4]. It holds

[4] Khazanah Nasional is the investment holding arm of the Government of Malaysia and is empowered

71,000,000 shares, RM1.00 each, in one of Malaysia's largest steel manufacturing company, WSteel[5]. This company is much larger than the SMIs classification but a private limited company with RM1,000,000,000 authorized capital in operation. It is interesting to study this company with over RM600 million in paid up capital. Wsteel is controlled by a listed company that is majority Chinese-owned and three other private limited companies that are equally owned by Chinese and Malays[6].

In the second case, MWF Sdn Bhd, engaged Bumiputera and Technology Venture Capital Berhad (BTVCB), a company in which the Penang Development Corporation has invested. The primary objective of BTVCB is to create Bumiputera entrepreneurs to be involved in high technology industry. It also encourages the setting up of joint venture projects between Bumiputera and non-Bumiputera with the objective of exposing Bumiputera entrepreneurs to good management practices, technical expertise and international marketing.[7] BTVCB hold 400,000 shares, RM1.00 each, in MWF Sdn Bhd, a manufacturing company that produces metal windows and floor frames. This company, started by a Chinese and Malay in 1997, a two ringgit company, is equally owned by a Chinese and Malay. In July 1998, the company's paid up capital increased by RM399,998 to RM400,000; the Chinese had put in RM300,000, while the Malay put in RM100,000. By the end of 1998 the company's paid up capital reached RM700,000 when BTVCB invested RM300,000. In 1999, BTVCB injected another RM100,000 and increased the company's paid up capital to RM800,000[8].

The third case involved Perbadanan Usahawan Nasional Bhd (PUNB)[9], a GLC under the Ministry of Entrepreneur and Cooperative Development. PUNB took up 600,000 shares, RM1.00 each, in AMM Sdn Bhd, a steel fabricating company controlled by Malays. PUBN's investment in AMM Sdn Bhd lasted nine years, from 1996 to 2004, with paid-up capital of RM2.8 million and turnover of RM46.7 million in 2003.

Ownership and Control

Ownership refers to shares ownership and control refers to control over companies. "To have control over a *company* is to have the capacity to determine the policies and course of action of that *company*. These policies range from the most basic and general to the most specific" (Lim 1981: 4). Here, where most companies are small and medium-scale, a simple majority of shares ownership of over 50% by any individual or group of shareholders is considered as their having the capacity of control.

In this study of inter-ethnic partnership, ownership and control are divided into three different groups, the Malays, Chinese and foreigners. The distribution of the number of companies by ownership and control in Table 7 shows that about 43% of the joint ventures are controlled by

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as the Government's strategic investor and trustees to the nation's financial assets.

[5] This is a pseudonym.

[6] See Chin (2003b) for more details on WSteel.

[7] See details about BTVCB at Http://www.btvc.com.my/#Anchor-48133.

[8] Soon after, there was no more information available at the ROC.

[9] PUNB was established on July 17, 1991 with an authorized capital of RM 300 million of which 250 million is fully paid up. It is a commercial-oriented organization wholly-owned by Yayasan Pelaburan Bumiputera (Bumiputera Investment Foundation). It is also the secretariat of Project for Bumiputera Entrepreneurs in Retail Sector (Prosper), a scheme launched in 2000 to increase the number of Bumiputera in the retail industry. As of August 17 2004, a total of 558 projects with a total value of RM150.6 million have been approved.

Malays; 23 by individual Malays and 6 by corporate bodies controlled by Malays. The distribution suggests three changes in Malaysian business culture. First, there is a shift from the conventional practice in which Chinese were perceived as the dominant partners in an inter-ethnic joint venture, especially in the Ali-Baba partnership. Second, a transformation of Chinese business culture in Malaysia from intra-ethnic to inter-ethnic ownership is apparent. The traditional business ties based on family, clan and ethnic group members have been breached. Third, as the majority partner, the Malays have their way to influence company policies, management philosophy and financial control. In other words, the Malays dominate management and have the power to make decision and to control these joint venture companies. All these observations provide evidence to suggest that the Ali-Baba partnership phenomenon is on the way out and 'genuine partnership' have emerged (Chin 2004) especially in post NEP and the post NDP periods.

Table 7: Number of Companies by Ownership and Control

Ownership and Control	Number of companies
By individuals who are citizens	
Malays and natives	23
Chinese	26
Equal shares by each ethnic (50/50)	5
Corporate bodies controlled by	
Malays and natives	6
Chinese	6
Foreigners	2
Equal shares by each ethnic (50/50)	0
Total	68

Distribution of Pattern of Partnership and Years of Partnership

Patterns of Partnership

The pattern of partnership at the preliminary stage are classified into three categories; completely Chinese-owned, completely Malay-owned, and equal Chinese-Malay joint ventures at the date of incorporation. The data presented in Table 8 shows that in 33 joint ventures started by the Chinese, Malays were subsequently invited to hold shares and appointed as directors of these companies. Only nine companies established by Malays brought in Chinese partners to these companies at a later stage. About 38% (26) of these joint ventures were jointly established and equally owned by the Malays and Chinese.

The pattern of establishing joint venture partnerships suggest that the government's policy has created some impact to expedite the formation of a BCIC via business partnership with the Chinese. The data also suggest that there are changes in Chinese thinking about business philosophy and ownership, since, nowadays, Chinese bring in other ethnic groups as shareholders in businesses first started by them.

Table 8: Number Companies by Ownership at the Preliminary Stage

Pattern of ownership	Number of companies
Ownership since the date of incorporation	
Completely Chinese-owned	33
Completely Malays-owned	9
Chinese-Malays joint venture	26
Total	68

Years of partnership

There is no clear cut definition of what a successful joint venture partnership entails. However, the duration of a partnership can be considered as a useful measure. In this study I also considered the sustainability of the 68 inter-ethnic joint venture companies. As shown in Table 9, 13.2% of these companies had a lifespan of less than two years, 60.3% exceeded four years of partnership, while 33.8% worked together for more than nine years.

Table 9: Distribution of Number of Companies by Years of Partnership

Years of partnership	Number of companies
< 2	9*
2-4	18
5-8	18
9-12	17
13-16	4
> 16	2
Total	68

*Two companies started in 2002 and one in 2003. All three are still in operation.

The analysis of the data also shows that 23 of the 68 joint ventures were badly affected by the 1997 financial crisis; 16 (or 69.6%) of these 23 companies started their partnerships between 1995 and 1997. Out of the 23 companies, six conducted no activities currently and were classified as dormant companies; three have wound up, while there is no information since 1999 on the remaining 14 companies in the ROC's computer database. Therefore, it is safe to conclude that these companies had probably suffered as a result of the financial crisis. In a separate study, I (Chin 2003a) showed that the crisis persisted for several years and affected SMIs negatively on several fronts. A total of 45 companies have survived the extended crisis, but eight can no longer be considered inter-ethnic joint ventures: seven are completely owned by a single ethnic group, three by the Chinese and four by the Malays, one is a joint venture between Chinese and foreigners (without Malay participation any more).

Shareholders and Directors

Shareholders

There are different types of shareholders and the role and significance of each type. Two major categories are delineated—the personal shareholders and the institutional shareholders (Lim 1981: 35). Here, the first category consists of ordinary shareholders and director shareholders by ethnic groups. The second category consists of private companies controlled by different groups and government link companies.

The data and analysis in Table 10 (see Appendix 1) shows that 85.2% of all 289 shareholders in 67 joint ventures in this study are personal shareholders, of whom 54.7% are director shareholders and 30.5% are ordinary shareholders. This category of shareholders holds 73.0% of the total values of shareholdings. Amongst these personal shareholders, Malays hold 31.1% and Chinese 39.5% of the total amount of shareholdings. Further analysis by ethnic groups shows that of the ordinary shareholders, Malays have a larger value of shareholdings than the Chinese. On the other hand, Chinese shareholders hold a larger value of shareholdings than the Malays in the director shareholders category. Conversely, institutional investors who account for only 13.4% of all shareholders own 27.0% of total shareholdings, of which Malays hold the largest value of shareholdings, followed by the Chinese and foreigners. Overall, Malay partners have put in 43.9% of the total value of shareholdings in these 67 joint ventures. This indicates that Malay partners are source of financial capital for inter-ethnic partnerships.

Directors

"Directorship is a position associated with the performance of certain duties. It is a role. Normally a director is expected to participate in making broad policies for a company and to oversee the execution of these policies [but] directorship does not always imply control..." (Lim: 1981: 39). Out of the 68 joint ventures, there are 180 Chinese and 127 Malay directors. As shown in Table 10, 60 of the Malay directors are also shareholders. Bumiputera directors appeared in 54 joint ventures: eight are dominated completely by Malay directors, eight have majority Malay directors, 28 have minority Malay directors, and ten have equal members of directors of each ethnic group.

Although 127 Malays are involved in the 68 joint ventures as directors, it is possible to conclude that the Malay partners are involved in the management of joint ventures in some ways. Similarly, based on the total shareholdings (39.9%) owned by Malay directors, either as personal or institutional shareholders, it is not inaccurate to say that Malays owned, controlled and managed some of these companies.

Conclusion

The results from this research suggest new development of inter-ethnic business partnerships at the level of the increasingly important SMI sector.

First, the government-led development and modernization projects throughout the NEP and NDP era has resulted in the emergence of inter-ethnic partnerships in the technology-based industry that is picking up new dynamism in the post NEP and post NDP era. These joint ventures have shifted from the Ali-Baba construction and project-based partnerships to technology-based partnerships which involved long-term investment that require knowledge, skill, experience and capital from both partners.

Second, inter-ethnic joint ventures in the SMI sector signals that Malays are encroaching into the manufacturing sector which had been dominated by the Chinese previously. This also indicates the impact of the government policy to expedite the formation of a Bumiputera Commercial and Industrial Community by means of joint ventures with the Chinese. As for the Chinese, these joint ventures have opened up new opportunities to raise capital investment via Malay individuals and government link companies.

Third, the government policies have impacted upon the business cultures of both the Chinese and the Bumiputeras. Chinese entrepreneurship has become more plural in the post NEP and post NDP era. Even though exclusive or intra-ethnic practice persists, there is a new development. Chinese business culture in Malaysia is going through a process of evolution, gradually breaking away from family-owned and managed business as to inter-ethnic partnerships. Control and ownership in substantial joint ventures are also in the hands of Malay partners, which in turn means domination of the day-to-day functioning of these joint ventures by Malays.

Fourth, is the question of sustainability; about half of the inter-ethnic joint ventures in this study have survived the 1997 crisis though turnover rates and profit margins have been fallen quite significantly. If not for the financial crisis, more joint ventures might have survived and more joint ventures established. Joint ventures prospered during the Malaysian economic boom in the early 1990s, in this context suggesting that sustainable economic growth promotes sustainable inter-ethnic business joint ventures. Overall, inter-ethnic joint ventures promoted by the government, encouraged by the ethnic-based chambers of commerce, and supported by local financial institutions, have created a stimulating environment for business partnerships. Though there were cases of failure due to the financial crisis, rates of success are still significant.

Finally, the research findings suggest that entrepreneurial culture is not static but dynamic, taking new forms and constantly adapting to the local political, socio-economic and cultural environments.

Following this argument, both Chinese and Malay entrepreneurship in Malaysia will continue to change as they adapt to the changing scenario which is increasingly coming under the influence of neo-liberal globalization, especially as promoted by the WTO, IMF and WB.

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Appendix 1

Table 5: Distribution of Companies by Capital-Size

Capital (RM)	Authorized Capital		Paid-up Capital	
	Set-up	In Operation	Set-up	In Operation
Less than 10	0	0	50	7
10-50,000	11	3	5	9
50,001-200,000	25	12	1	10
200,001-500,000	13	15	4	10
500,001-1,000,000	6	13	0	12
1,000,001-2,000,000	1	0	0	8
2,000,001-3,000,000	0	1	0	5
3,000,001-5,000,000	3	15	0	3
5,000,001-10,000,000	2	3	1	1
10,000,001-20,000,000	0	1	0	1
More than 20,000,000	1	5	1	2
	62*	68	62*	68

*No information available for six companies on share capital at the set-up stage.

Table 6: Distribution of Companies and Ownership by Paid-up Capital of 68 Joint Ventures

	Shares ownership			
Group and capital size	Shares ownership of > 51%			50% Malay
RM	Chinese	Bumiputera	Foreigners	and 50% Chinese
Small-scale < RM500,000	19	12	1	3
Medium-scale RM500,000-RM3,000,000	10	11	1	2
Large-scale > RM3,000,000	3	6	0	0
Total	32	29	2	5

Table 10: Distribution of Number of Shareholders, value of shares in 67 companies by types of shareholders*

Types of Shareholders	Number of Shareholders	Per Cent	Value of All Shareholdings (RM)	Per Cent
Individuals	**88**	**30.5**	**17,876,511**	**21.6**
Chinese	49	17.0	7,636,854	9.2
Malays	30	10.4	8,269,935	10.0
Indians	2	0.7	275,000	0.3
Foreigners	7	2.4	1,694,722	2.1
Directors	**158**	**54.7**	**42,510,975**	**51.4**
Chinese	98	33.9	25,080,442	30.3
Malays	60	20.8	17,430,533	21.1
Companies controlled by	**39**	**13.4**	**20,538,255**	**24.9**
Chinese	16	5.5	8,184,767	9.9
Malays	18	6.2	10,598,489	12.8
Foreigners	5	1.7	1,754,999	2.2
Government Link Companies	4	1.4	1,708,000	2.1
Total	289	100	82,633,741	100

*Wsteel Sdn Bhd is not included since its paid-up capital far exceeds that of an SMI.