

The Role of Culture in Strengthening Chinese Business Survival during Malaysian New Economic Policy

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Abstract. Majority of Chinese community migrated to Malaya came from the Southern part of China and they were divided into groups based on periods of migration, dialects and places of origin. Most of them were from the merchant groups (*Huashang*) and possessing a good skill in business. Even after they migrated to new places like Malaya, their business skill remains intact and their business connection among themselves either in Southeast Asia or Europe continues. One of the major reasons is due to their family ties and clannish attitudes networked, through the spirit of *kinship* and nurtured by the value of *filial piety*. Through these networking activities the businesses continue to flourish although under certain circumstances they have to face certain unfavourable policies imposed by the government. In this article the role of the networking activities in strengthening the Chinese business survival is investigated especially when the government imposed the new economic policy in 1970. From the textual analysis, through the spirit of *kinship* and *filial piety* they managed to strengthen their business though sometimes they have to face many obstacles.

Keywords: Chinese ethnic, Kinship, Filial piety, Family oriented, New Economic Policy, Malaysia.

1. Introduction

Chinese community in Malaysia possess a distinct culture which is quite different from the Mainland traditional Chinese. They inherited a type of culture originated from the Southern part of China known as merchant culture. The southerners form their own culture due to their status of merchant viewed as a low class in the eyes of traditional Chinese [1]. Although there are noticeable differences between traditional Chinese culture and merchant culture, they share the basic building blocks of Chinese culture. The most obvious ones are the value of *filial piety*, worship of ancestors, strong emphasis of education, Chinese heritage, arts and certain forms of Chinese life [2]. Even after they had migrated to new territories such as in Southeast Asia or Europe their way of life and their way of thinking remained intact. However, it is difficult to ascertain whether they still retain the original form of their identity because of their eclectic attitudes and dynamic behaviour. This changing attitude also occurred when they were in the mainland. According to Wang Gungwu [3, 1], the Southerners did not have a concept of permanent identity, however, what is obvious the attitudes and behaviour that portray of their *Chineseness* in term of values and elements of *Chineseness*. How adamant they are in showing off their *Chineseness* depend on the surrounding factors like the government policy, the reaction of the local people and the percentage of their population. One of the strengths of this merchant group was their business acumen and in the new territories their business activities flourish backed by intricate ethnically based network or clan based network sometimes known as bamboo network. The link with the mainland business continues and under the new open policy of the Chinese government the activities are thriving.

The Chinese Diaspora either in South East Asia or in Western Europe, due to different periods of migration, is not homogenous in nature. There were four phases of migration and, the first phase before 1850 was due to trading activities, and the cohort was known as Chinese merchants (*Huashang*). The second phase which was between 1870-1920 the migration was due to mass labour requirement and they came with government work contract. This group is known as Chinese labourer (*Huagong* or *Singkeh*). The third phase between 1920-1960, and the group was known as Overseas Chinese (*Huachiao*). They were those who came and resided in the new territories. There was a group of Chinese who had assimilated to the local culture and

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accepted as citizen. They did not use the Chinese name, however Chinese identity remains intact and this group is known as Citizen Chinese (*Huayi*) [1]. Although they came at different periods they realized that they share the same Chinese values which are the source of unity among them in facing the pressure coming from the locals or non-Chinese groups [3, 4].

With a limited survey carried out, among the studies that discuss on Chinese culture and Chinese civilization are the work of Gernet [5] in his book, *A History of Chinese Civilization*, Dawson, R.[6] who wrote on *Western Conceptions of Chinese Civilization and Legacy of China*. Another prominent author on China is Fairbank [7] who discusses on the development of the traditional Chinese culture in his book titled *The Chinese World Order: Traditional China's Foreign Relations*. On the local front, Lok Chong Hoe [2] elaborated on Chinese culture and civilization in his book titled *Tamadun Cina: Falsafah, pandangan Hidup and Aspek aspek Kesenian (Chinese Civilization: Philosophy, outlook and aspect of life aspects of the Arts)*. On the influence of Chinese culture in business Chin Yee Wah [8] wrote in his book titled *Budaya dan Keusahawan Cina di Malaysia (Chinese Culture and Entrepreneurship in Malaysia)*. However, in his writing no discussion was highlighted on the attitude of Chinese while interacting with non Chinese. The same situation can be seen in the work of Gomez [9], which elaborated on Chinese business development.

In this work, the author tries to investigate the influence of Chinese cultural values in strengthening and managing the business activities. Since the writing is focused on the strength and the survival of Chinese business in Malaysia, the attention is on their strategies in maintaining their domination in business while facing the implementation of the New Economic Policy (NEP) by the government in order to prop up *Bumiputera* economic equity.

2. Chinese Culture and Business Ethics

To the Chinese, the civility of a nation is viewed based on how strong they practice the elements of Chinese culture. This is the belief of both the merchant and traditional groups. This perception arises due to surrounding factors as well as elements that build the Chinese culture and civilization which in turn generates values such superior, pragmatic and deep *Sinocentric* feeling. According to Moore [13], the Chinese worldview is pivoted on value of *filial piety* or obedient to family. This value then percolates in the family life which gives a strong emphasis on family ties or *kinship* [10, 11, 12]. It is believed that this type of thinking is contributively nurtured due to environmental factor in the mainland which is isolated to the outside world and their ability to develop their civilization without outside assistant.

The feeling of superiority as Han race is buttressed by the belief the mainland is '*the middle kingdom, Chung-Kao or Central States*'. Therefore, it was assumed this middle kingdom to be the source of human civilization and states outside this Chinese zone are considered uncivilised or sometimes termed as barbarian [7]. This worldview is also shared by the Chinese in the South. Compared to the Northern Region, Southern Area is more exposed to natural disasters besides unfertile land with high density of population always stricken with poverty and diseases [13]. In facing this hardship, family ties through the concept of *kinship* and *filial piety* are very much nurtured. As a result it inculcated a strong sense of group centric or clannish attitude. This attitude also influences in business dealings and economic domination [11, 14, 15]. When they expanded their business, their work ethics very much flavoured by their cultural values which generate attributes such as discipline, hard working, risk taking and strong family or clan connections, which in turn it creates a strong economic circle within the community [1]. In relation to religion, either Buddhism, Confucius, Christian or Hinduism it is not the pillar in the Chinese thinking and spiritual fulfilment. The expansion of business through family and *kinship* ties continues in the new migrated territories like Malaysia. In the new territories a Chinese from a different clan can be accepted based on honesty, hard working and thrifty [16].

Based on those attributes, they have been very successful in business in Western Europe, South East Asia. In Malaysia the spirit of Sino-centric and the ability in risk taking were the tools used in facing the government initiative in implementing the New Economic Policy.

3. New Economic Policy and Chinese Business

Due to indecisive victory of the Alliance in the General Election on 10 May 1969, and the election parade organized by the Chinese based parties with strong Chinese sentiment, the ethnic conflict between the Malays and the Chinese erupted in 13 May 1969. However, if one digs deeper into the causes of the problem, the election result was just a straw that broke the camel back. The root causes of the problem were due to large economic disparity between the Malays and the Chinese. To address the problem, after the riot the government introduced a new policy known as the New Economic Policy (NEP) with the specific aim of improving the Malay economic participation and addresses the imbalances with the hope eventually it will foster unity for this plural society [17]. Although NEP was not well received by the Chinese community and viewed it as a mean to protect the Malay community alone, it was a wrong perception because the overall objective was to address the economic disparity and to eliminate job identification with ethnicity [17].

Since the policy was viewed to be discriminatory in nature, the Chinese groups, their business associations and bangs came up with strategies to protect their economic circle from the government intrusion and domination. To some extent they were successful in enhancing their economic grip in the country. To facilitate the new policy, the government introduced a new policy known as Industrial Coordination Act (ICA) in which companies with capital of more than RM 100,000 or with workforce of more than 25 is required to employ 30% of their staff from *Bumiputera* [18]. This act was viewed as a treat, especially among the small industries, and through business chambers like Association of Chinese Chamber of Commerce and Industry Malaysia (ACCCIM), they protested against the act. Some had switched their business from manufacturing to commerce, property development which can make fast return on investment. There were also those who divested their business to the extent there was significant 'capital flight' at the end of 1970 [19]. Those who remained in the country in order to face the new policy, the pragmatic approach were applied to the fullest.

For the middlemen and retailers, they dominated the business through ethnically based network, as a way to go against the policy. As a result, dialect based investment companies were set up. Hokkien group established Hok Lian and Fui Lan Holdings, and Teochew group formed Teochew Holdings. This corporatisation exercises had attracted ACCCIM to protect Chinese economic interest by establishing trustee and investment companies, to facilitate Chinese business groups on the business opportunity under NEP, and coordinate business activities managed by the Chinese Associations, and help them to expand at the international level [9].

However for some, they made contact with Malay leaders or among the Malay elites, in order to obtain business licenses and contracts which were reserved to *Bumiputera* normally monopolized by the handful of elites. Most of the sectors involved were transportation and property development, in which the elites provide the capital and the Chinese run the business or sometimes known as '*Ali Baba*' [18]. The partnership between the Malays and the Chinese not only has created a new class of *Bumiputera* entrepreneurs in 1980 to 1990, but also has strengthen Chinese ownership because they were given opportunity to participate in wholesale retail and services sectors during NEP. As a result, in 1980 Chinese ownership in wholesale business was 81.8 per cent compared to 66.2 per cent in 1970. In term of equity share of Chinese listed companies, Chinese ownership increased from 27.2 per cent in 1970 to 45.5 per cent in 1990 [21]. Normally Chinese corporate figures that have strong link with the Malay politician benefited a lot during NEP. However this position sometimes threatens by the changing fortune of the politician. For instance, the fate befallen to Khoo Kay Peng of Malayan United Industries (MUI) known to have aligned to Tengku Razaleigh Hamzah, faced trouble when the later defeated in United Malays National Organization (UMNO) election [20]. Besides that, some of the Chinese tried to avoid the act by fragmenting their business and assigned it to their family members. Through this way, they can avoid employing *Bumiputera*.

However, there were some who were receptive to the government call by restructuring the business, especially in corporate sector and set aside 30 per cent of their business for *Bumiputera*, such as exemplary Robert Kuok [18]. By following the need of NEP, and at the same times maintaining the Chinese sentiments, Kuok group not only able to maintain two flagship companies in Malaysia, which are Perlis Plantations Berhad (PBB) and Federal Flour Mills, but also manage to expand Shangri-La Hotel chain abroad, mostly in China. In 2005, this group had around 51 Shangri-La Hotel worldwide of which 21 were in China [22]. In 2006, PPB oil managed to cooperate with Singapore-based Wilmar International Ltd. Then the group

managed to expand the business and became a global agro-business network and marketing, especially China [23]. Besides that, there were also a group of Chinese businessmen who relented rather than fighting the government by selling their equity after they had found that the government had acquired a certain amount stake in the company like the action taken by Lee Loy Sang in selling his stake in Highland & Lowlands Bhd. [22].

Based on the above accounts, it can be seen that, how the family and ethnic based associations with pragmatic attitudes save the Chinese business from the government policy [23] and not only that within that period several big Chinese corporations emerged [9]. The government objective of increasing the *Bumiputera* equity to 30 per cent with the stipulated period failed to achieve the full target and the cooperation between the Malays and Chinese in business was still not encouraging. One of the major factors was the closed attitude of the Chinese towards other ethnics [9, 24].

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5. Conclusion

The ability of the Chinese business to thrive even under unfavourable conditions or policy such as the New Economic policy is due to the strong support from their family, clan and ethnic based associations. Their long history in forming associations is directly linked to the mind of Chinese which is based on loyalty to the family or *filial piety* especially in facing challenges and hardship. Besides that, their pragmatic attitude which is another well known trait of Chinese or sometimes known as eclectic make them very adaptable and versatile in facing a changing environment. Coupled with hardworking mind-set they managed to ride out the challenges due to the New Economic Policy and till now still the most dominant ethnic group in economic activities in Malaysia.

6. References

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