

**GOVERNING BY BUMIPUTERA IDEOLOGY:
CORPORATE GOVERNANCE REFORMS IN MALAYSIA**

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ABSTRACT

Purpose - This paper reflects on the political and economic factors which have led to the pre-eminence of a particular political ideology in Malaysia and the effect of this on the country's corporate governance reforms.

Design/methodology/approach – Our theoretical approach is informed by the diverse works on ideology which guided us to a definition of ideology and an ontological and epistemological method in our attempt to establish *Bumiputera* as the Malaysia's dominant political ideology. We then relate the reflection of the theory of ideology and discourse with a periodisation analysis of corporate governance reforms using data collected from secondary sources.

Findings - Corporate governance apparatuses in emerging economies such as Malaysia are a constitutive of multiple programmes of economic and political reforms. The study shows how political ideology *Bumiputera* established a power base in the country's corporate governance mechanisms through substantive representation by the Malay.

Research limitations/implications – The need for researchers to explore in greater detail how ideology and accounting enmesh with the political, the economic and the ethnic in different contexts as the global protagonists proceed with their interests and programmes.

Originality/value - This paper marks an alternative way of looking at corporate governance issues through its ideological treatment of the corporate governance literature, vis-à-vis an emerging economy.

Keywords - Corporate governance; political ideology; Malaysia; *Bumiputera*; Malaysian Code on Corporate Governance; Asian economic crisis

Paper type – Research paper

1. INTRODUCTION

Accounting research examining corporate governance in emerging markets or less developed countries has adopted research methods and theories (often archival modelling and agency theory) without paying due attention to the national institutional context. In developed economies, because ownership and control are often separated and legal mechanisms protect owners' interests, the governance conflicts that receive the lion's share of attention are the principal-agent (PA) conflicts between principals and agents (Young et al., 2008). In emerging and less developed economies, however, the institutional context enforces agency contracts and creates idiosyncratic practices. However, researchers often implicitly assume that institutional conditions found in developed economies are also present in emerging countries (Wright et al., 2005). This assumption suffers an ontological flaw.

What is real is that, despite the proliferating effects of globalization, corporate governance practices vary from county to country with episodic changes over time (Gourevitch and Shinn, 2005: 7). Focusing on the relationship between social politics and corporate governance in the seven richest nations, Roe (2003) argued that this is because of the influence of country politics on how social conflicts are settled, how authority is divided, and how firms are owned. This bears a resemblance to subsequent political readings in corporate governance. Gourevitch (2003) observed that political forces account for the difference in choice of corporate governance models among advanced industrial countries. Gourevitch (2003) and Roe (2003) argued that corporate governance arrangements inside the firm interact with a nation's politics and that the change in corporate governance structures is triggered by political decisions leading to a mixture of laws, rules, regulations, and their degree of enforcement. Taking a rather critical view, Letza et al. (2004) observed that the economic rationalities of corporate governance practices tend to mask the importance of irrationality, emotion, value, belief and ideology, which often play a significant role in shaping such practices. Resembling these views, more recently, Ezzamel et al. (2007) provided a graphical illustration of how changes in Chinese political ideologies from Maoism to Dengism produced different accounting approaches and policy choices. Being motivated by this work, we aim to close a gap in accounting research - the neglect of political significance of corporate governance policies and practices. In particular, we are concerned with how ideologies are shaped by structural factors such as politics and history, and how these constructed ideologies shape corporate governance practices in emerging economies such as Malaysia.

This paper examines how *Bumiputera* ('sons of soil'), as a particular political ideology, has gained its prominence in Malaysia, and how this political ideology has permeated the country's corporate governance territory to shape its ownership structures. Because it defines the country's political system and influences the everyday life of the people, *Bumiputera* ideology provides an unbending platform for studying multifaceted social and political phenomena. *Bumiputera* ideology reflects a desire to redress economic disparity prevalent in Malaysia and a recognition that unless the government adopts programmes addressing the concerns of people economically marginalised, it would be difficult to have social cohesion, stability and order in the country. Concerning the issue of corporate governance issues in Malaysia, this ideology provides epistemological and ontological rationales for studying how *Bumiputera* ideology made the country's corporate sector amenable to a dominant ideology. Also, this is a fascinating structural discourse (Bourdieu, 1991) that unpacks the political history that constructed this ideology, which strived to protect indigenous

peoples' (i.e. Malay) rights, and which is also reflected in corporate ownership structures.

Nevertheless, *Bumiputera* ideology has received little attention in accounting and corporate governance research in Malaysia. Being masked by the economic analyses of the 1997/98 Asian crisis, most Malaysian corporate governance studies inadvertently neglected the implication of *Bumiputera* ideology (e.g. Becht et al., 2005). Bridging this gap, we argue that, although there is an economic angle in their analysis, as a dominant political ideology, *Bumiputera* provides indispensable lenses for studies in corporate governance in Malaysia, for this ideology persisted long before the 1997/98 Asian crisis. By any means, this cannot be neglected for it acts as the dominant ideology, reflecting the country's national economic policy, which has direct implications for apparatuses of corporate governance. We argue that corporate governance is a social process - it cannot be isolated from social and other non-economic conditions and factors such as power, legislation, social relationships and institutional contexts (Letza et al., 2004).

The *Bumiputera* ideology, expressed through national economic policy, aims to reduce the economic gap between ethnic factions in Malaysia. Amongst other things, the ideology influences corporate governance by specifying certain targets for equity ownership in public corporations. Our analysis shows how the ideology affects ownership, while shaping the country's corporate governance practices. The analysis also shows that, even without ownership, corporate governance practices are still affected by the ideology through its political presence. Moreover, we analyse how the ideology becomes functions to moderate the practices when Malaysia responded to external pressures to adopt the Anglo-American corporate governance initiatives, especially in the post-Asian crisis era.

The contribution of this paper is its ideological treatment of the corporate governance literature, vis-à-vis an emerging economy. Our illustration of how the Malays who felt aggrieved by the prevalent economic disparity were assimilated with this dominant political ideology, and how the resultant political power devised a "protection policy" that determined the ownership structure (to some extent) of the country's corporate sector and shaped its forms and practices of corporate governance, marks an alternative way of looking at corporate governance issues.

This paper is structured as follows. Section 2 presents the broader approach to this study combining the ideas of ideology and the procedures of methodology. This is followed by Section 3 which describes the historical context of Malaysia which gave rise to a particular political ideology. This proceeds to Section 4 which analyses the impact of this ideology on corporate governance practices. Section 5 concludes the work.

2. THE THEORETICAL AND METHODOLOGICAL APPROACH

Our theoretical approach is informed by the diverse works on ideology (Althusser, 1971; Gramsci, 1971; Laclau, 1977; Mouffe, 1979; Foucault, 1980; Hall, 1983; Larrain, 1983, 1991; Purvis and Hunt, 1993) which guided us to a definition of ideology and an ontological and epistemological method in our attempt to establish *Bumiputera* as the Malaysia's dominant political ideology and its effects on the country's corporate governance practices.

Despite the literature on ideology being contentious, as Purvis and Hunt (1993: 476) defined, provisionally, "ideology typically figures the ways in which forms of consciousness condition the way in which people become conscious of their conflicting interests and struggle over them". This "forms of consciousness" view

resembles Larrain's (1983: 27) Marxian view that ideology is "the language of real life" in which subordinate classes produce ideas and reproduce dominant material relation. In this way, ideology has a role of *directionality* in that it works to favour some and to disadvantage others (Purvis and Hunt, 1993). It is thus a sociological concept which explains social effects or consequences in terms of 'ideological effects'. Emphasising this Marxian view, Purvis and Hunt (1993: 478-479) contend that "ideology is 'real', or material rather than fictional or delusory, and is thus unavoidable in that it simply describes the framework of meanings and values within which people exist and conduct their social lives". Hence, ideologies produce ideas and shape people's everyday lives, but under socio-economic and political conditions of a particular time and space. Consequently, people live in 'common sense' without thinking of it.

When defining ideology one cannot ignore the relationship between ideology and discourse (Ezzamel et al. 2007). As ideology can be regarded as "the language of real life", it is also about the participants' engagement through "specific linguistic and semiotic vehicles" (Purvis and Hunt, 1993: 476). Althusser (1971) argued that ideology is 'lived experience' through which subjects are constituted – thus ideology provides a contesting terrain for opposing classes to engage in and express their conflicting views through competing ideological formations. Althusser called this process 'interpellation' – a mechanism that constitutes people as subjects. As Hall (1983) viewed, this is opening the gate to a more linguistic or 'discursive' conception of ideology and putting on the agenda the whole neglected issue of how ideology become internalised. Thus interpellation has a role to play in the constitution of the social and of social subjects – the construction of ideological effects through social movements that refuse one discursive space and open up a new one that "aim(s) to unite disparate and dispersed discursive elements into (a) cohesive popular movement" (Purvis and Hunt, 1993: 484).

As the effects of *Bumiputera* on corporate governance reforms in Malaysia resemble these 'ideological effects', the epistemological guides of discourse theories are useful for our purpose. It is important to discern that the ideological effects of discourses are produced through the medium of language. According to Hall (1977: 322), it is "sets of ready-made and pre-constituted 'experiencings' displayed and arranged through language". Similarly, to Purvis and Hunt (1993: 485), discourse "refers to the individual social networks of communication through (the) medium of language or non-verbal sign systems". Hence, discourses provide the people with limits for what can be said and what can be done in relation to their experience, and the meanings of such experience. However, these limits are set up under certain socio-political conditions. Avoiding ideology and emphasising how the modern disciplinary society emerged, Foucault said that it is "both much more and less than ideology. It is the production of effective instruments for the formation and accumulation of knowledge: methods of observation, techniques of registration, procedures for investigation and research, apparatuses of control" (Foucault, 1980: 118). Beyond the 'ideas' and 'self-consciousness', according to Foucault, these are much of material processes which can be counted as 'truth'. He argued that "the problem is not changing people's consciousness but the political, economic, institutional regime of the production of truth" (Foucault, 1980: 133). To emphasise the significance of discourse in the social, he relates power to discourse: for him, power is inscribed within discourses so "discourse is the power which is to be seized" (Ibid. 58). For Foucault's power thesis that "where there is power, there is resistance", discourses can provoke resistance which can lead to alternative discourses. To Foucault, this

happens through a series of “discursive formations” which are linked to institutionalised sites of discourse production, e.g. corporate governance reforms.

While we now see that this discursive formation produces ideological effects within a broader political ideology project such as *Bumiputera*, we can draw much from Laclau (1977) and Mouffe (1979). Central to their discursive formation project is articulation: in a social and institutional context, different elements are combined to give specific discourse its ideological effects whilst every discursive formation is subject to dispersion, choice and opposition (Mouffe, 1979). That said, discourse is constitutive of social relations within which “shared and communicable meanings” are provided to knowledge, talks and arguments. However, in an articulation process, there can be meaning which would never be fully secured. Instead, different discourses can occur which can lead to the play of alternatives and of struggle. However, how this articulation can occur without limits is a political question.

The answer to this political question leads us to find a definition for ‘political ideology’ within which the above actions of discursive formation take place. Hall found Gramsci’s notion of ‘common sense’ a solution. Gramsci (1971: 348) showed that the philosophical innovation of ideas is “not (to) be conceived solely as the ‘individual’ elaboration of systematically coherent concepts, but also and above all as (a) cultural battle to transform the popular mentality and diffuse the philosophical innovations that will demonstrate themselves to be ‘historically true’ to the extent they become concretely – i.e., historically and socially – universal. Given all this, the question of language...must be put in the forefront of our investigation”. Hall (1988: 55) pointed out that Gramsci “used the term ideology as a conception of the world that is implicitly manifest in art, in law, in economic activity and in all manifestations of individual and collective life...preserving the ideological unity of an entire social block; of providing individuals and groups with their various ‘conceptions of the world’, that influence and modify their actions; and, above all, as a means to organise human masses and create the terrain on which they move, acquire consciousness of their position, struggle, etc.”. The entire social process of ‘innovation of ideas’ is thus inherently political, and the ideas so generated are socially institutionalised.

What we can see from this reflection is that the theory of ideology can be considered as a supplement to discourse theory. We have some interrelated epistemological implications. One is the notion of ‘ideological effect’. We show that the concept of interpellation of subject operates to reinforce and reproduce dominant social relations, like in the case of the development and substance of *Bumiputera* in Malaysia. How the *Bumiputera* ideology produced its ‘ideological effects’ on the country’s corporate governance reforms is investigated. Another is *discursive formation* which provides a supplementary epistemological guide for understanding the ways in which meaningful and truth claims are produced through linguistic and semiotic practices and within the material process of power-knowledge relations. As we see later in the paper, the ideology *Bumiputera* had deployed such practices to establish ideological effects on corporate governance structures. Moreover, the process of *articulation* is also an epistemological guide: it brings diverse ideas under a unitary slogan which might be subject to a variety of opposition. This is linked to the Gramscian approach to ideology which strives to construct a ‘common sense’ through developing a ‘historical bloc’.

We relate this reflection of the theory of ideology and discourse with a periodisation analysis of corporate governance reforms in Malaysia. As shown in Table 1, the first phase - from 1957 to 1969 – is a period of developing a ‘common sense’ through a ‘historical bloc’ where *Bumiputera*’s representation in governance

territories was minimal but profound. The second phase – from 1970 to 1997 – witnessed ‘discursive formation and ideological effects’ where new economic policy and privatisation policy were used as ‘semiotic vehicles’ for communicating ‘shared meanings’ under the catalyst leadership of Mahathir Mohamad. This led *Bumiputera* to insert their substantive, discursive power on equity ownership and board representation. The third phase – from 1997 to 2009 – represents an era of ‘articulation’ of diverse ideas under the predicaments of Asian economic crisis, and external and internal pressures, where *Bumiputera* continued their presence on the Chinese board significantly, even though they failed to reach the target 30% representation in equity ownership.

Table 1: Ideological phases of *Bumiputera* Constructive Protection

IDEOLOGY ELEMENTS	IDEOLOGY PHASES	CORPORATE GOVERNANCE EFFECTS
PHASE 1 - ideology as the result of realm of the lived, or the experienced of the <i>Bumiputera</i> , rather than thinking - language or discourse was used by the <i>Bumiputera</i> in providing their various conceptions of the world that influence their actions	Common Sense through Historical Bloc	<i>Bumiputera</i> representation in governance was minimal but profound
PHASE 2 - element of <i>directionality</i> as the policies work to favour <i>Bumiputera</i> and disadvantaged the non- <i>Bumiputera</i> - policies as <i>discourse</i> ; communication through the medium of written language or text	Discursive Formation and Ideological Effects	Significant, discursive power inserted by the <i>Bumiputera</i> on the equity ownership and board representation
PHASE 3 - policies subject to dispersion, choice and opposition, i.e. articulation of diverse ideas - Different elements of internal and external pressures affecting the discourse	Articulation	<i>Bumiputera</i> continued presence on Chinese board significantly, even though failed to maintain substantive representation in equity ownership

To perform this periodisation analysis, we collected data predominantly from secondary sources such as local publications, official documentation, biographies, and the public press. Having drawn on a special attention to important political and social events in Malaysia from pre-independence to recent times, we explored historical speeches by politicians and influential biographies/profiles by influential figures which enabled us to sketch the contours of the social and political impulsions in the development of the dominant *Bumiputera* ideology. The data collected from official documents, government websites, press releases, government officials' speeches, and reports from international organizations, showed how the political ideology, so developed, became embedded in national economic policies. To ascertain the relationship between this political ideology and the social significance of corporate governance practices, we relied much on the web-based information on Malaysian regulation, the codes of corporate governance, previous studies, and company annual reports. Some relevant newspaper articles complemented this effort.

Our research method conformed to a narrative analysis with an emphasis on our collective reflexivity. In particular, in-depth readings and iterative reflections with the theoretical ideas of political ideology became a useful exercise in this process. As Ahrens and Chapman (2006) observed, this was an ongoing reflection of the data to position ourselves against our theoretical framework, coupled with the periodisation. The core issues we addressed included the development of the Malay dominant ideology, major changes that occurred in the practices of corporate governance since independence, the effects of government policies on the *Bumiputera*, and the processes which occurred, and individuals involved, in promulgating rules and guidelines for corporate governance.

3. THE CONTEXTUAL ACCOUNTS OF BUMIPUTERA IDEOLOGY

The emergence of the *Bumiputera* ideology links to several events which occurred in the pre-independent Malaysia. Firstly, the 'divide and rule' political strategy adopted by the British administration¹ accounted for much. This happened when the British brought in a large number of skilled and unskilled Chinese people to work in the tin mines and Indians to work in rubber estates, while the Malays² were pushed to the rural areas (Jesudason, 1989). Mining settlements then increased in size and Malay political control weakened substantially. This happened when there was a rough balance between Malay and the migrant populations. The "divide and rule", however, began to separate Malay from immigrant communities physically and economically. Consequently, this political strategy led to suspicion and separatism between the two communities (Lim, 1985) and exaggerated a 'common sense' among people which encouraged the indigenous people to be distinguished from the non-indigenous.

Secondly, the British administrators' economic policy had effects on the maintenance of the *Bumiputera* ideology. With its rich resources, Malaya emerged as an export economy and by 1920 became the dominant producer of rubber in the world.

¹ Before European intervention, the Malay Archipelago was an active trading area for centuries with Malacca. It was colonised by the Portuguese in 1511, by the Dutch in 1641, and by the British in 1874 (Jesudason, 1989). J

² Malays include other Malayans such as Javanese, Buginese, and Minangkabau (from Indonesia) and in designing their policies, British define Malays as "a person belonging to any Malayan race who habitually speaks the Malay language or any Malayan language and professes the Muslim religion" (Siddiqui and Suryadinata, 1981).

However, the British and Chinese entrepreneurs were the main beneficiaries of the growing economy and the Malays were being economically marginalised. Moreover, the Chinese rather than the Malays were advantaged by the concept of business organizations, “quangxi” - an association of individuals from the same dialect group and the same area of China who held shares in co-operative ventures. When the Europeans’ banks entered Malaya to capture trade financing activities, Chinese businessmen also diversified into banking so these banks did their business principally with the Chinese community, and more specifically, with particular clan groups (Jesudason, 1989: 33-5).

Thirdly, the attitude of the British towards the traditional mode of production in Malaya had further effects on the Malays and galvanised them to *Bumiputera* ideology. The Malays in the colonial economy, for the most part, kept to their traditional agricultural activities, such as rice cultivation, fishing, small cottage industries, and coconut growing. While the British were concerned to retain the Malays in rice cultivation, they did not make substantial effort to boost production. When Malay peasants responded positively to the more profitable cultivation of rubber, the colonial government prevented the conversion of rice to rubber land. All these were done under the pretence of protecting Malay special rights as the indigenous people of Malaya. This protective policy for Malays was not aimed at modernizing traditional Malay society or at raising the standard of living of the Malays. Instead, it was intended to preserve traditional Malay society and grossly limit the traditional despotic power of sultans (Horii, 1991). The British used the term “protection” to mask their true intention to divide and rule society. Malay peasants and fishermen would be “protected” in their traditional occupations and hence prevented them from engaging in modern economic activities which left them behind while economic growth advanced (Lim, 1985).

Fourthly, the customs and legislations on land ownership contributed much to the *Bumiputera* ideology. Under the system of Malay aristocracy, foreigners were regarded as infidels and were not entitled to land rights. The British changed this and introduced the concept of private property which was later formalized under the Torrens Land Laws. This move aimed to benefit the British and Chinese miners and planters. Under this law, land titles were issued, providing the landholders with permanent, heritable, and transferable rights to land (Lim, 1985). In 1913 the British introduced the Malay Reservation Enactment as another “protection” for Malays, prohibiting non-Malays from holding mortgages on Malay Reservation Land. With this law, the value of Malay Reservation Land was depressed as it was not acceptable as collateral by non-Malays and the law also did not protect the poor Malay land from being acquired by richer Malay peasants and landlords (Lim, 1985). Furthermore, the lands approved as Malay Reserved Land were mostly in rural areas and in the jungle where the British knew there were no minerals. All the lands with rich mineral potential were acquired by either the British or Chinese. The British also further “protected” the Malays economic activities by introducing the Rice Land Act, which prohibited Malay peasants from cultivating any cash crop other than rice on Reserved Land as their way of preventing Malay peasants from planting rubber and becoming a threat to the British plantation industry.

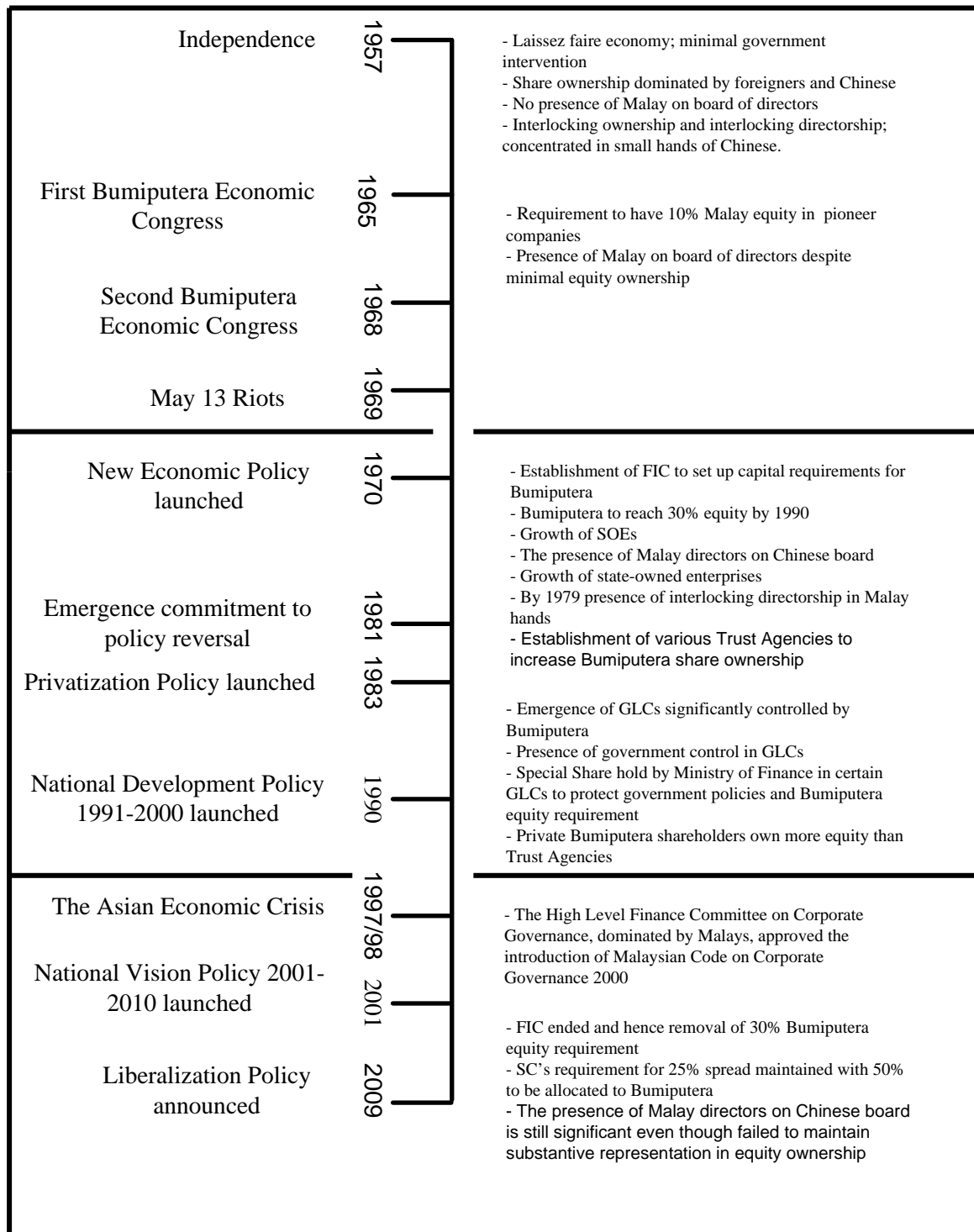
Consequently, as an emerging economy, the post independent Malaysia has emerged with considerable divisions in ethnicity, religion and language. Although Malaysia is no longer under British colonial rule, there is still a need for differentiating *Bumiputera* and non-*Bumiputera*. The rationale is based on three premises; first, the basis for division lies on the belief that *Bumiputera* does not have a

share in economics that reflects their proportion in the population and their status as indigenous; second, government policies should be oriented to redress this perceived economic imbalance; and third, it is believed that more equitable participation in *Bumiputera* will help promote political stability (Siddique and Suryadinata, 1981).

4. POLITICAL IDEOLOGY AND CORPORATE GOVERNANCE

Our discussion of how the *Bumiputera* ideology effected the ways in which corporate governance in Malaysia was reformed lay in a periodisation analysis of three consecutive policy reform phases (see figure 1). Firstly we argue that the 1960s Malaysia's post-nationalistic impulses established a power base in the country's corporate governance mechanisms through substantive representation by the Malay; secondly, the *Bumiputera* became implicated in the 1970s 'new economic policy', the 1980s emergent commitment policy reversal and from the 1980s and the 1990s national development policy which creased the Malay's representation in equity ownership and corporate governance mechanisms; and thirdly, despite post-Asian economic crisis and the subsequent liberalisation policy, and external and internal pressures to change the nations' competitiveness through significant corporate governance reforms, *Bumiputera's* representation continued to be preordained in that the presence of Malays on boards of directors is still significant, even though the Malay's representation in equity ownership has not reached the target 30%. We shall now closely look at this development.

Figure 1: Ideology Development and Corporate Governance Impact



4.1 The Historical bloc in the Post-Independence Era (1957-1969)

The post-independent Malaysia, like many ex-colonies, was much more prone to political struggles stemming from the country's ethnic composition. This was one of factors that led a particular political ideology to emerge. This happened gradually but profoundly in a particular political context.

When Malaysia became independent in 1957, the ethnic composition of 6.28 million populations was 50% Malay, 37 % Chinese, 11% Indian, and others 2%. Despite being independent, the Malays still found it difficult to prosper economically: they were marginalized by the non-Malay through discrimination and denied access to employment. Most secondary and tertiary education of which the medium of instruction was English was, by and large, inaccessible to the Malays as those schools were mostly located in urban areas (Chakravarty and Roslan, 2005). Moreover, in 1970, 64.8% of Malay households lived under poverty level compared to only 26.0% Chinese and 39.2% Indian. The prevailing *laissez-faire* economic policy hailed from the British did not help the Malays to prosper.

As the *laissez-faire* system promotes minimal government intervention, foreigners and Chinese continued to dominate the economy. Foreign presence was most pronounced in the manufacturing sector where, in 1970, they controlled almost 60% of the share capital in manufacturing. Very few Chinese corporations incorporated Malay partners or hired Malay employees as their family basis of establishment, i.e. the “*quangxi*” inhibited them from engaging outsiders (Jesudason, 1989: 64). Consequently, from corporate governance perspective, the Malay presence on corporate boards was very low.

Bumiputera Economic Congresses

Upon independence, the “softness” approach adopted by the UMNO elite further weakened the Malays economically and socially. Consequently, a group of young Malay nationalist within the UMNO felt that they must champion the Malay cause. Also, by the mid 1960s, Malay businessmen started to exert pressures on the government through their connections with political and administrative elites. The First and Second *Bumiputera* Economic Congress held in 1965 and 1968, respectively, marked this development. The congresses produced a bulk of suggestions which were consolidated into policy which guided training opportunities for *Bumiputera* expertise, strategizing *Bumiputera* expansion in the economy, and solving the problems of the *Bumiputera* businesses (Khoo, 1987).

The Government organised the First *Bumiputera* Economic Congress held in Kuala Lumpur in 1965 in which key players participated, including the Minister of Education, the Governor of the Central Bank; the Secretary-General and two other members of the House of Representatives; and Permanent Secretaries to three key ministries. The rest were prominent members of the *Bumiputera* business community, or the heads of developmental agencies. The Congress comprised of seven subcommittees headed by high level public servants or prominent figures. Its objectives were to generate an interest among the *Bumiputera* to participate in commerce and industry; to provide facilities for training those interested in the two fields; and to find ways and means of securing those objectives. The congress produced resolutions on, among others, the reconstituting of RIDA into MARA, the establishment of Bank Bumiputera, and ‘Look East Policy’. Khoo (1987) documented one of the delegate’s statement that captured the essence of the Congress’s objective: “...if the Malays have no stake in this country...[it] is certain that the non-Malays will find it difficult to carry on their economic activities in peace and security”. Similarly, Lim (1985) quotes from the First Congress: “If *Bumiputeras* do not own their companies or do not share in the ownership of Malaysian companies, then this policy is a failure”. The Second *Bumiputera* Economic Congress held in 1968 continued to reinforce the first congress’ aims and made new proposals to expand the *Bumiputera*’s role in the nation’s economic life.

Following the First Congress in 1965, the Ministry of Commerce and Industry urged pioneer companies to reserve at least 10% of their shares for Malays in order to be granted licences for operation. This created a space for the Malays for both ownership and directorship. Although Malay share ownership in large corporations was still minimal, the Malays' representation in boards began to be relatively significant (see Lim, 1981). In 1969, for example, Malays only held 1.5% of the share capital of limited companies compared to 22.8% by Chinese and 62.1% by foreign interests, but 10% of the directors of pioneer companies were Malays of whom 60% were former bureaucrats and/or politicians (Lindenberg, 1973, cited by Lim, 1985). This was because, for the economy where government is a major client and with the increase of government's regulations towards the private sector, prominent Malays, especially politicians or former civil servants, were needed on their boards (Lim, 1985). However, The Second Congress criticized this practice as the directorship was monopolized by only few prominent Malays (Lim, 1985).

The May 13, 1969 Incident

Between 1957 and 1969, Malay's involvement in the country's corporate sector was minimal. Although initiatives were made through the convening of the first and second Congresses to kick off Malay's interest in corporate sector, they did not have much impact. Furthermore, although by 1969, the presence of Malay on corporations' board of directors was quite high relative to their share ownership, the appointments were political and concentrated in the hands of very few influential Malays.

Then in May 1969 after the general election, an ethnic clash rooted in concerns about economic disparity, occurred between Malays and Chinese. The event had a huge impact on Malaysian politics and the economy. The country was put under a state of emergency on May 14. National Operations Council (NOC), a special body to coordinate executive actions was created under the leadership of the then Deputy Prime Minister, Tun Abdul Razak, since the Prime Minister had lost much credibility with the Malays (Jesudason, 1989). The Council was composed by Malays in majority. Even after the emergency state was lifted in July 1969, the NOC continued to act until February 1971 when parliament was restored under new constitutional rules. During this time, with young nationalists' influence, new pro-Malay economic policies were put forward.

The May 13 incidence induced young Malay nationalist's ideology while the election setback had increased pressure for the resignation of the Prime Minister, Tunku Abdul Rahman. Following the release of the 1969 election results, key UMNO campaigners proposed their own list of recommendations for the new Cabinet, including depriving the MCA of their two portfolios of Finance, and Commerce and Industry. Mohamad (2008) explains the clash of ideology between the young nationalist within the UMNO party and the Malay elite leaders. One of these Malay nationalists is Mahathir Mohamad, who later became the fourth prime minister of Malaysia.

Mahathir was a member of UMNO since its inception in 1946. Following the 1969 riots, he was expelled from UMNO because of his open criticism of the Malay leadership in UMNO at that time (Mahathir, 1970) including sending off an open letter to the Prime Minister demanding for his resignation. Mahathir later expressed his ideology through his 1970 controversial book "The Malay Dilemma" which highlights the importance of racial harmony in Malaysia. He commented on the causes of the May 13, 1969 riots in Kuala Lumpur, why Malays are economically

backward, and how issues were related to ethnicity. Having worked out carefully the effects of heredity and environmental factors on the Malay race, he proposed a politico-economic solution in the form of “constructive protection” (Mahathir, 1970, p. 31). He argued that racial equality is a pre-requisite for racial harmony and national unity.

We now have shown that, although the post-independent Malaysia witnessed minimal involvement of the Bumiputera in the country’s corporate sector, the Bumiputera had drawn much from colonial as well as postcolonial experience in the Malays’ effort towards developing a “common sense” on a political ideology. We have shown that the “common sense” on Malays’ need of political power in economic apparatuses was mobilised in the two congresses which attempted at forming an ideological unity of Bumiputera and, in turn, establishing a “historical bloc”. Following this historical establishment, the May 13 riot proliferated the country’s economic and political reforms, with some initial influence on corporate governance apparatuses. We can argue that this initial phase promoted necessary nationalistic impulsions and thus established a power base in the country’s corporate governance mechanisms through substantive representation by the *Bumiputera*. We can discern that the “historical bloc” so developed can lead to the revitalization of the *Bumiputera* ideology through discursive formation and ideological effects in the subsequent phase for there was an increased *Bumiputera* participation in both the equity ownership and corporate governance mechanisms.

4.2 Discursive Formation and Ideological Effects

The New Economic Policy (1970-1997)

The 1969 incidence had significant political impact – it contributed to the demise in the influence of older UMNO leaders who traditionally favoured the Chinese and enabled the younger leaders who were more sympathetic to the plight of the Malays to improve their economic power. With the aim of reducing economic gap and inequality to avoid ethnic unrest the government introduced New Economic Policy (NEP) in 1970 which sought to protect *Bumiputera*’s interest.

The NEP had two major strategies: (1) to reduce absolute poverty irrespective of race through raising income levels and employment opportunities for all Malaysians; (2) to restructure society towards eliminating economic imbalances and race-identities attached to economic activities. This led to a corporate governance reform towards achieving 30 percent *Bumiputera* equity in corporate sector by 1990. For the Malaysian government’s policy aimed to help *Bumiputera* while safeguarding the non-*Bumiputera*, the share of the *Bumiputera* equity interest was to be increased while the absolute value of the non-*Bumiputera*’s share also to be increased (see Chua, 2003).

Alongside the NEP the government established the Foreign Investment Committee (FIC, 1974) under the Prime Minister’s Economic Planning Unit. It gives guidance on the acquisition of interests, mergers and takeovers by local and foreign interests. Among the equity conditions, FIC required companies with less than 30% *Bumiputera* equity to increase the *Bumiputera* equity to at least 30%. Companies with *Bumiputera* equity shareholding of 30% or more, but less than 51%, were required to maintain at least 30% *Bumiputera* equity at all times. Moreover, companies which already had *Bumiputera* equity shareholding of 51% or more were required to maintain at least 51% *Bumiputera* equity at all times. Companies seeking listing on the Main Board or Second Board of Bursa Malaysia, were required upon listing to have at least 30% *Bumiputera* equity (Foreign Investment Committee, 2008).

In addition, government created a number of other mechanisms to encourage Malay involvement in the corporate sectors, including the establishment of PERNAS in 1969 and the *Bumiputera Investment Foundation* and its investment company Permodalan Nasional Berhad (PNB) in 1978. Through PERNAS, Malay bureaucrats were to receive managerial experience and Malay workers were to be given industrial employment opportunities in the state-owned companies (Geoffrey and Stafford, 1997). Between 1971 and 1980, it acquired equity of over RM500 million in mining, construction, trading, plantation and finance industries. In the mid 1970s, it started to acquire controlling interests in Sime Darby Holdings and London Tin Corporation, one of the largest plantations and the largest tin mining corporation in Malaysia, respectively. With a partnership with Chartered Consolidated, London Tin Corporation was reconstituted to become the Malaysian Mining Corporation (Lim, 1985). PNB was formed to sell government's assets to private *Bumiputera* interests. In 1981, PNB became one of the leading *Bumiputera* investment institutions, having acquired RM487 million shares in 60 companies. Lim (1985) concludes that Malaysia's affirmative action programme stands as one of those cases of success if success is measured purely in terms of the extent to which it has brought about an improvement in the economic position of *Bumiputera*.

The NEP's impact on corporate governance practices in Malaysia is considerable. When the government first launched the NEP in 1970, foreign directors still dominated the Malaysian boards. In 1974, although foreigners still dominated and Malaysians constituted only 33 % of the 579 directors of the top 100 corporations, relative to Chinese and to their share ownership, Malay directorships, however, were significant: 12% by the Malays as opposed to 19% by Chinese. However, these Malay directors were "functional directors" - a designation for non-executive and non-owner directors. However, their services are sought after because they perform extra-economic functions for the corporation. Sometimes, they were put there to symbolically represent the *Bumiputera*. Also, their presence was politically significant to secure contracts, tenders, licences, or concessions from the state (Lim, 1981). Mahathir (1970) commented on this that this development was a result of NEP. He noted the lack of equity ownership and limited participation of Malays in corporate affairs. However, he saw this was an opportunity for the Malays to become familiar with business affairs. Perhaps more importantly, "their mere presence on the boards prevent bias against the Malays in general, and employing Malays in particular, from being as absolute as it was in the past" (Mahathir, 1970: 43)³.

The introduction of the NEP in 1970 also witnessed a growth of state-owned enterprises (when the government started buying the foreign interests) which provided more opportunities for employment, managerial training, and customers for goods and services supplied by private Malay companies (Haggard and Low, 2000). The political party UMNO also deepened its involvement in business during the 1970s partly to reduce its dependence on Chinese financing through the MCA: previously UMNO relied on MCA for financing (Haggard and Low, 2000). Examining the correspondence between stock ownership patterns and interlocking directorates among Malaysia's top limited corporation in the 1970s, Lim and Porpora (1987) found that patterns of interlocking directorates in Malaysia correspond to patterns of stock ownership which, in turn, follow ethnic divisions among Chinese, Malay, and British owners. Comparing before and after the NEP, their findings show that the lack

³ Before the NEP was launched, it was difficult for the Malays to work in Chinese companies. The educated Malays mostly worked with the government and others were left in rural areas as farmers or fishermen.

of Malay capital before 1970 is reflected in the pattern of interlocking directors at the time where none of the cliques identified were held together by Malay directors. The influence was only in one clique which was held together equally by Malays, Chinese, and foreign directors. However, by 1979, as a result of the NEP and the Government's partnership with Charter Consolidated which then bought up London Tin group of companies and part of Yeap group, the change in pattern occurred where those distinct cliques collapsed into one extremely dense clique (Lim and Porpora, 1987).

Ezzamel et al. (2007) show that the dominant ideology under Mao was never a total mechanism assimilating in the all factions of society, and it had been contested by academics and practitioners. This happened in Malaysia also: the dominant ideology has been constantly contested by the opposition parties, academics, as well as foreign media. This was because the effort by the government to help reduce the economic gap between the Malays and non-Malays had created unhappiness among the non-Malays. The Malays consider that their privileges are protected by the 1957 Constitution.

The Privatization Policy

In 1983, two years after Mahathir Mohamad became the fourth Malaysian Prime Minister, as a new approach to national development, the privatization policy was launched, becoming part of the government's strategy to promote *Bumiputera's* participation in the corporate sector and required privatised companies to allocate 30% of their equity to *Bumiputera*. The policy also required concessionaries in any privatisation to allocate at least 30% of contractual works to *Bumiputera* contractors and to offer employment to the *Bumiputera* (Department of Foreign Affairs on Trade, 2005, p.79).

This was also accompanied by a government policy which guaranteed large government contracts for *Bumiputera* companies and a minimum of 60% of government procurement, contract work, and other related projects for *Bumiputera* entrepreneurs (Department of Foreign Affairs on Trade, p. xiii, 79). This had to be done because government is the only source for *Bumiputera* entrepreneurs to get businesses and gain experience: being marginalized and denied access to the economy even before independence, it was impossible for the *Bumiputera* to secure contracts from the Chinese - the Chinese way of doing business kept things within their race (see for example, Jesudason, 1989, Joshua Chin Yee, 2006).

The privatization policy marks the emergence of Government Linked Companies (GLCs) and *Bumiputera* businesses. GLCs have a primary commercial objective and the Malaysian government has a direct controlling stake. Hence, the government has the ability to appoint members of the board of directors, senior management, make major decisions including awarding contracts and financing, for the GLCs either directly or through Government-Linked Investment Companies or GLICs⁴. Government also influences the appointment of board members and senior management (Khazanah Berhad, 2009). With the use of a Special Share, the Ministry of Finance also aim to ensure that government policy and *Bumiputera* capital participation are protected.

⁴ GLICs are defined as Federal Government linked investment companies that allocate some or all of their funds to GLC investment.

The privatisation policy had profound influence on corporate governance reforms. In the year 2000, from a total of 180 privatized companies, *Bumiputera* managed and control 109 companies with RM8.1 billion or 28% of the total equity of companies privatized while the non-*Bumiputera* controlled 28 companies with equity of RM5.3 billion or 15.6%, and the Government controlled 43 companies with the equity of RM16.5 billion or 56.4% of the total equity of the privatized companies (Malaysia, 2001, para. 4.29). However, from those privatized companies, only 40 listed on Bursa Malaysia with *Bumiputera* equity of 21%, non-*Bumiputera* of 27%, foreigners of 10.2%, and the Malaysian government of 41.8% equity (Malaysia, 2001, para. 4.30). The Malaysian government continued to have a strong presence in the economy through the control of 40 listed government-linked companies or GLCs. In 2004, the GLCs accounting for approximately 34% of the total market capitalization of Bursa Malaysia (Department of Foreign Affairs on Trade, 2005, p. xiii). The policies adopted by the Government resulted in progressive increase in the Malay share capital. Table 2 below presents the share of ownership in Malaysian limited companies for periods starting 1969 to 2004. The figures do not add up to 100% as there are holdings by nominee companies.

Table 2: Ownership of share capital in limited companies (1969 – 2004)

	1969	1970	1975	1985	1990	2000	2004
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Malay	1.5	2.4	7.8	18.5	20.3	18.9	18.9
Other	23.7	28.3	29.1	49.1	45.9	40.4	40.2
Malaysian*							
Foreign	62.1	63.3	54.9	24.0	25.1	31.3	32.5

Sources:

Second Malaysia Plan, 1971-1975 (Malaysia, 1971, p. 40)

Third Malaysian Plan, 1976-1980 (Malaysia, 1976, p. 184)

Fourth Malaysian Plan, 1981-1985 (Malaysia, 1981, p. 61)

Sixth Malaysian Plan, 1990-1995 (Malaysia, 1990, p. 13)

Ninth Malaysian Plan, 2006-2010 (Malaysia, 2006, p. 336)

* Other Malaysian includes only Chinese and Indian; nominees and others are not included here.

We have seen that the above historical phase has produced “ideological effects” of *Bumiputera* in the form of policies developed to promote their interests. Being the dominant political ideology, the *Bumiputera* were ascendant through the New Economic Policy, the catalyst leadership by Mahathir Mohamad, and the privatization policy and increased the *Bumiputera*’s representation in equity ownership and corporate governance mechanisms. The policies act as discourses where communication is made through the medium of written language or text. It shows element of “directionality” as it works to favour the *Bumiputera* and disadvantages the non-*Bumiputera*. As a result, a significant, discursive power was

inserted by the *Bumiputera* on the equity ownership and board representation in the Malaysian corporate sector. On the other hand, the directionality and discursive power of the policies then become one of the elements that caused the disadvantaged non-*Bumiputera* to contest the policies. This is covered in the next section where we see an articulation of the ideology with different elements of internal and external pressures.

4.3 Articulating multiple programmes and responding to various pressures

Outbreak of the 1997/98 Asian Crisis

The period following the launch of the NEP witnessed high economic growth at 8.5% and a low unemployment rate at 2.6% for a decade, and Malaysia was labelled 'miracle economy' by the World Bank (World Bank, 1993). However, when the country was hit by the Asian economic crisis in 1997/98, the economy fell into deep recession and contracted by 6.7%; inflation rose to 5.3% and unemployment rate jumped to 3.9% (Thillainathan, 2001). It was alleged that Malaysian firms not only had taken too much credit risk but also maintained a weak political economy (Pillay, 2000). The kind of Malaysian corporate structure also contributed to the problem: Malaysia is characterised by concentrated shareholding, non-competitive product markets, complex cross holding, poor debt management, and weak legal protection (Thillainathan, 2001, Khatri et al., 2002).

Malaysian response to the 1997/98 crisis was different from its neighbours approach and resulted in being criticized by western media, analysts and academics. Malaysia stood out as a country that refused IMF assistance and advice. Without relying on the IMF,⁵ Malaysia designed its own policies. Instead of further opening its economy, Malaysia imposed capital controls, in an effort to eliminate speculative trading in its currency. While the IMF mocked this approach when adopted, the Fund later admitted that it succeeded. The country managed to recover in a very short time period (Kaplan and Rodrik (2001). Malaysian policy was more successful in accomplishing an immediate reduction in interest rates, stabilizing the currency, and stemming financial panic. Contrary to few authors such as Jomo (2006), who accused the country of practising cronyism; and Gul (2006) who also sees capital control as a ploy to assist politically connected firms, Kaplan and Rodrik (2001) suggest the steps taken by Malaysia were implemented transparently and with remarkable efficiency.

The Asian crisis had forced the regulators to undertake significant reforms to address the issues raised by the international communities. Concerning corporate governance, the government took initiative and planned for reforms⁶. In March 1998, the government announced the establishment of the Malaysian Institute of Corporate Governance (MICG) and of a High Level Finance Committee on Corporate Governance (HLFC), chaired by the Secretary General of Treasury (Ministry of Finance) with members drawn from the Securities Commission, Financial Reporting Foundation, Malaysian Accounting Standard Board, banking, stockbroking and corporate associations. The HLFC published a Report on Corporate Governance in March 1999 that covers three broad areas, which are the development of the

⁵ Three of the worst affected countries that resort to IMF-programmes are Thailand, South Korea and Indonesia (Kaplan & Rodrik, 2001).

⁶ The Malaysian corporate governance at the time was better (at least on paper) than the other four worst hit countries (i.e. Thailand, Philippines, Indonesia, and Korea) as the country had initiated measures to strengthen and modernise its regulatory framework for the corporate sector and capital market well before the outbreak of the Asian crisis; the only major problem was on poor compliance and enforcement (Capulong, et. al, 2000).

Malaysian Code on Corporate Governance, reform of laws, regulations and rules, and training and education (Finance Committee on Corporate Governance, 1999). Following the recommendation of the Report also, the Minority Shareholder Watchdog Group (MSWG) was established in August 2000 to encourage independent and proactive shareholders participation.

A working group, called the Working Group on Best Practices in Corporate Governance (or JPK1) was then set up to develop the Code which was then approved by the HLFC and released by the SC in the year 2000. This is accompanied by the released of the Revamped KLSE Listing Requirements on 22 January 2001, a major milestone in Malaysia's effort to promote better corporate governance among public listed companies, to bring into effect recommendations of the HLFC which relate to the Listing Requirements. The principles underlying the Code focus on four areas which are: board of directors, director's remuneration, shareholders, and accountability and audit. Part 1 of the Code sets out the principles of corporate governance; Part 2 is on best practices; Part 3 covers the principles and best practices for other corporate participants; while Part 4 provides explanatory notes.

The Code's best practices cover the board of directors, accountability and audit, and shareholders. To constitute an effective board, the Code recommends that the roles of Chairman and chief Executive should be separated. A decision to combine the roles should be publicly explained. Further, independent non-executive directors need to form at least one third of the Board membership and this have to be disclosed on an annual basis. The Code also spells out the importance of directors training. The Board should establish an audit committee (AC) of at least three directors, a majority of whom are independent (this is subsequently revised in 2007). The Chairman of the AC should be an independent non-executive director. The Board should establish an Internal Audit Function (IAF); however, this is not compulsory (new requirement related to this is introduced in 2007). If the function does not exist, the Board should assess whether there are other means of obtaining sufficient assurance of regular review and/or appraisal of the effectiveness of the system of internal controls within the company.

In the 2008 Malaysian Budget Statement, the then Prime Minister Dato' Seri Abdullah Badawi announced the government intention to further improve the Malaysian corporate governance framework by undertaking two more initiatives; the first is to revise the existing MCCG to include criteria for qualifications of directors and strengthening of the AC as well as IAF of public listed companies (Soon, 2007). The second initiative is to establish a Public Companies Accounting Oversight Board (now known as Audit Oversight Board or AOB) under the auspices of the SC which will be responsible to monitor auditors of public companies to ensure that the quality and reliability of audited financial statements is enhanced. This is aimed to prevent corporate accounting scandals and improve investor confidence.

On 1 October 2007, the SC released the revised Code on Corporate Governance. This MCCG (Revised 2007) supersedes the existing regulations issued in March 2000. The Code aims to strengthen Malaysia's corporate governance framework and brings it in line with current global best practice. Its main revisions strengthen the roles and responsibilities of Boards of Directors and ACs and aimed to ensure the effective discharge of their duties. The related amendment to the Listing Requirements of Bursa Malaysia was then made on 28 January 2008 with the objective to enhance the corporate governance framework by enhancing the effectiveness and independence of AC and mandating the IAF by companies. The key amendment to the Listing Requirements includes requiring all AC members to be

non-executive directors, in which PLCs need to comply by 31 January 2009. The amendment is also made to mandate IAF by PLCs and requiring the IAF to report directly to the AC. This also needs to be complied by 31 January 2009. Companies also are required to disclose in their annual report, for financial year ending on or after 31 January 2009, pertaining to the IAF, i.e. whether the IAF is performed in-house or is outsourced and the costs incurred for the IAF in respect of the financial year. Effective 1 April 2008, AC has to review the adequacy of the competency of the IAF, and effective immediately, AC has the right to convene meetings with external auditors, internal auditors, or both without the presence of other directors and employees (Bursa Malaysia, 28 January 2008).

However, given all these reforms, there are still concerns by foreign investors on Malaysian corporate governance including its board quality (Hee, September 30, 2009). Since Chinese were dominating the Malaysian corporate sectors, their form of governance has become crucial component of the country's pattern of governance. Their practice of "quangxi" creates interlocking ownership and interlocking directorship among the Malaysian firms. And those successful business people have protected their positions by securing the political patronage of indigenous elites. This phenomena, later, complicates the reform process since they depends heavily on "quangxi" rather than more transparent commercial practices that associated with good governance (Beeson, 2001).

The End of Protection?

As mentioned earlier, Malaysia is becoming less competitive in attracting foreign investment. Although Malaysia is ranked 4th in protecting investors, but its ranking in Transparency International's Corruption Perception Index has worsened (Transparency International, 2009). In 2005, the FDI to Southeast Asia increased by 45%, however, FDI to Malaysia decreased by 14% (UNCTAD). A longer term outlook shows a similar trend. UNCTAD ranked Malaysia as the sixth largest destination for FDI in 1995; based on final 2005 figures, Malaysia now ranked 62nd. 2006 FDI rebounded and increased by 52.8% and Malaysia maintained its rank at 62nd.

In April 2009, the newly appointed Prime Minister of Malaysia, Najib Tun Razak, announced the liberalization of 27 services sub-sectors as an effort to attract more foreign investments and bring more professionals and technology as well as to strengthen competitiveness of the sector. This is followed with another announcement, which is less sensitive, on liberalization of the country's financial sector which is consistent with the objectives committed under the Financial Sector Master Plan (FSMP) issued in 2001 to develop a resilient, diversified, and efficient financial sector (Bank Negara Malaysia, 2009). The partial opening up of Malaysia's services sector to unrestricted foreign investment and non-*Bumiputera* equity condition imposed are expected to impact the *Bumiputera* business community especially the medium and larger *Bumiputera* companies (Lee, April 23, 2009). The announcements were more welcomed by the non-*Bumiputera* business community. Furthermore, they called for the opening up of more sectors, lift the equity restrictions placed on companies that tender for government's projects, and even drop the *Bumiputera* policy altogether (Lee, April 23, 2009). And in June 2009, the government announced a major reform where the 30% *Bumiputera* quota requirement that has defined the country's political system for 37 years is removed. The FIC that contained the *Bumiputera* policy was also ended as it had failed to achieve its objectives. Instead, the government realized the need to ensure high standards of ethical conduct and practice of good corporate governance and also the need for effective enforcement against corporate crime and

securities offences. Hence, the enforcement powers of the SC on corporate governance transgressions will be strengthened through the far reaching amendments to the Capital Market Services Act which will be tabling in Parliament soon. The government also sets up a new investment institution called Ekuiti Nasional Berhad (Ekuinas), a private equity fund, to make strategic investments for *Bumiputera* by focusing its investments in high growth potentials (Najib Tun Razak, June 30, 2009).

The steps taken by the Government in removing the *Bumiputera* equity requirement shows that they are now facing increasing pressures from both internal and external. From external, there are more pressures from global players as they demand for more information such as complete biodata of directors, improvement of voting system at companies' meetings, as well as more progress in the government selling down their interests in companies (Bernama, October 19, 2009). From within the country, the pressures come from non-Malays who are not happy with privileges given to the Malays as discussed in the previous section. Although the policy has been in place for almost four decades, but the voice of unhappiness became louder only recently when the government was not as strong as under the Mahathir administration. Ezzamel et al. (2007) shows the importance of personal authority in pursuing one's ideology.

It remains a question now how this recent move could further shape corporate governance in Malaysia, i.e. on both structures and practices. One could expect to see not many Chinese companies that have Malay on their board especially if the government contracts are open to all and no more requirement for *Bumiputera* quota. Although the government is hoping that the true Malay entrepreneurs would be created and would partner with the Chinese in competing with the overseas businesses especially those from China, but we doubt this will be the case considering the Chinese way of doing business that always favours themselves ("quangxi"). For example, Joshua Chin (2006) suggests that partnerships in the construction sector are often driven by the need to secure lucrative government projects, which require *Bumiputera*'s participation. He also suggests that the partnership is more an "Ali-Baba partnership" as the transfer of technical and managerial know-how from Chinese to *Bumiputera* is relatively limited. Even though that study focuses on small and medium-sized enterprises, but the same could be said about bigger companies as well. However, if there is really a genuine partnerships happen between Chinese and *Bumiputera* in future, then the way board operates might be different with Malays may involve more in decision making and not just as rubber stamping or sleeping partner.

Finally, we see how the "articulation" of ideology operates when policies are subject to dispersion, choice, and opposition due to external and internal pressures. It can be argued that, despite the Asian economic crisis and the external and internal pressures, *Bumiputera*'s representation continued to be preordained in that the presence of *Bumiputera* directors on Chinese boards is still significant even though the *Bumiputera* failed to reach their equity target set earlier. And despite the announcement of the liberalization policy, *Bumiputera* interest is still being protected through quite different measures with little evidence to prove a demise of *Bumiputera* ideology, hence a political irreversibility. *Bumiputera*'s presence in the Malaysian corporate sector and corporate governance mechanisms will still be a relevant focus in a political economy analysis of ideology and corporate governance.

5. CONCLUSION

We turn to the central issues raised at the commencement – how political ideology shapes corporate governance apparatuses. This was unpacked into several questions. The first question concerned a construction of a ‘historical bloc’ that induced a political ideology of the Malay’s messianic propagation towards the problematisation of colonial legacy of socio-economic and political ramifications in the 1960s and 1970s. The programme came to be inspired by the ideology that ‘sons of soil’, i.e. *Bumiputera*, must take the lead in the management of economic and political apparatuses in Malaysia. Being socially and politically disruptive, the programme was subject to severe conflicts and confrontations but with some assenting results for gaining pedantic power in Malaysian corporate boards through the devices of post-independent political movements, value-laden economic policies and ethnic-based civil riots between the Malays and non-Malays. While we concur with Ezzamel et al. (2007) who argued that there is a link between accounting and ideology, our concerns establishes a more refined view that this relationship can be indirect and convoluted for the above events and incidents act as mediating mechanisms between ideology and accounting - corporate governance in our case. It is an institutional environment of multiple events – be they legal, political, economic and insurgent – which gave form to the political ideology *Bumiputera*, and it is this political ideology which shaped the contours of corporate governance reforms in post-independent Malaysia.

The second question concerned an interpellation of this political ideology through the confirmation of the previous discourses. In a discursive formation agenda, the interpellation came to effect on the 1970s NEP initiative, the 1980s policy reversal programme of privatisation, and the 1990s National Development Policy. Being enmeshed with the magnitudes of these dispersed programmes, the ideology *Bumiputera* came to tie up their massy, loose ends of socio-political debates; coordinated diverse ideas, semiotics and semantic views into a single political ideology; and operated to favour the *Bumiputera* and disadvantaged the non-*Bumiputera*. The discourses of economic ideals and their underlying development rationales came to be linguistic tools which manufactured texts and speeches towards creating consensual spaces for the ideology *Bumiputera* to be transformed into ‘ideological effects’. The ‘effects’ were effective enough to intersperse the power of the political ideology in corporate governance apparatuses which became a manufactured space for ethnic-based board representation and equity ownership. The revitalisation of this effect as ‘ideological effect’ was also linked to the state apparatuses in which *Bumiputera*’s representations and their politico-ethnic hegemony came to be significant. While mainstream corporate governance literature has been busy discovering the economics of governance, such socio-political concerns point to a viable leverage for gearing up the literature into a political economy ilk. Being coloured by the Malaysian post-independent political and economic history and contemporaneous global pressures and local acts, our analysis paves a way forward in this direction.

The last question concerned the articulation of such contemporaneous programmes and their inherent strains and pressures. The articulation took place to combine different elements including radical reforms of the use of corporate governance codes and to disperse the opposing forces that disrupt the harmonisation of economic and governance apparatuses. Being a severe political programme, the articulation became constitutive of multiple social relations in that “all knowledge, all talk, all argument” took place in a particular discursive context, as Laclau and Mouffe (1985) expected. The type of Malaysian discursive context towards the end of the

century was decorated by a series of global ideas of corporate governance mechanisms and financial and economic management tools which became indispensable in the aftermath of Asian economic crisis. Apparently, the ideology *Bumiputera* was reassessed and understated; state governance mechanisms for corporate governance received a new life. Nevertheless, the ideology *Bumiputera* is still inevitable and irreversible in that the Malays' representation in Chinese boards continues to be hegemonic, despite the preventive mechanisms operated through clan-based controls by Chinese owners. This sustenance of embedded political ideology coincides with what the former Malaysian Prime Minister, Tun Mahathir's remark on the globalisation issue: "the Malay should ensure that their political power stays strong and stable so that the rights and privileges will not vanish easily" (Bernama, 2009b). Accounting studies in emerging economies must not deviate from such ideological embeddedness.

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