1-1-2005

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Abstract

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Keywords

Exploratory, Study, Turnaround, Chinese, Malay, Firms, Malaysian, Context

Disciplines

Business | Social and Behavioral Sciences

Publication Details

Sim, A. (2005). An exploratory study of turnaround in Chinese and Malay firms in the Malaysian context. In A. Gupta (Eds.), 4th Global Conference on Business & Economics. Proceedings (pp. 1-9). Oxford, UK: Oxford University.

An Exploratory Study Of Turnaround In Chinese And Malay Firms In The Malaysian Context

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ABSTRACT

While research on turnaround in the Asian context is a recent phenomenon, there is little research on firms of different cultural and ethnic background within Asian countries. This paper reports the findings of an exploratory study on the impact of different ethnic background, ownership types and role of government on corporate recovery and turnaround using case studies of a Chinese and a Malay firm in Malaysia. The findings reveal turnaround characteristics similar to those reported in recent literature on Asian turnaround as well as differences between the Chinese and Malay firm. These findings are discussed and implications for future research indicated.

INTRODUCTION

In recent years there have been increasing attention to the study of recovery and turnaround in Asian firms. In the past, research focus had been on western firms in developed countries. Research attention on turnaround and recovery in the Asian context gained momentum following the aftermath of the Asian financial crisis (e.g., Serapio & Shenkar, 1999; Haley & Richter, 2002). Recent research work was carried out by Bruton, Ahlstrom & Wan (2001, 2003) to examine turnaround strategies in Asian firms compared to western firms found differences in turnaround characteristics and strategies. An issue of the Asia Pacific Journal of Management focussed on turnaround in Asian firms (Bruton & Ahlstrom 2004) where it concluded that "fundamental knowledge on turnaround in developing economies is limited, precluding reliable conclusions on how processes and outcomes differ from those in more developed economies" (p. 6). Hence more research on turnaround in developing economies, particularly in Asia, is warranted.

This paper attempts to contribute to this research area with research on turnaround in Malaysia, a rapidly developing economy. While the current literature's emphasis is on differences between Asian firms and western firms, this research will extend this to include and focus on differences between local firms within an Asian country. It specifically reports on the findings of an exploratory study on the impact of ownership and ethnic background (particularly Chinese and Malay) on turnaround strategies using case studies. The differential role of government in turnaround of these firms is also examined. This paper will follow with a brief literature review, research methodology, findings and discussions. Areas for future research are also indicated.

LITERATURE REVIEW

Research on recovery and turnaround strategies of firms which have declined severely has traditionally focussed on firms in the west, particularly in the United States and Britain (see for example, Schendel, Patton, & Riggs, 1976; Hofer, 1980; Bibeault, 1982; Gringer, Mayes & McKinnon, 1988; Slatter, 1984; Hambrick & Schecter; 1983; Pearce & Robbins, 1993; Barker & Duhaime, 1997; Foster & Ketchen, 1998; Castrogiovanni & Burton, 2000). Research studies generally focussed on issues of causes and decline (e.g., Argenti, 1976; Hambrick and D'Aveni, 1988, McKinley & Scherer, 2000), turnaround actions (e.g., Pearce & Robbins, 1994; Barker & Mone, 1998; Sim, 1990; Barker & Patterson, 1996), and outcomes (e.g., D'Aveni, 1989; Bowman et al, 1999; Sudarsanam & Lai, 2001). While there is a wealth of knowledge and research from a western perspective, the same cannot be said for Asian firms. Recent research attention has begun to focus on turnaround in the Asian context. Attention has particularly been placed on whether such western-based models and strategies are applicable to Asian firms.

A notable recent study was Bruton, Ahlstrom & Wan (2001) which indicated differences between western and Asian turnaround in various turnaround areas such as problem recognition, the

use of retrenchments, replacement of CEO and the speed of turnaround. For example, they found that in the East Asian firms surveyed, the recognition of problems took longer, the use of retrenchment is limited, there were more limitations on CEO replacement, and the turnaround effort would be slower when compared to the western firms. Their study was based on interviews of a sample of Chinese owned firms and consultants in Thailand and Hong Kong. Extending their study to an empirical study of 90 firms in Hong Kong, Singapore and Taiwan, Bruton, Ahlstrom & Wan (2003) concluded that the "utility of the predominantly U.S. model of firm turnaround has limits in East Asia" (p. 579). The Asian context places constraints on their use, limiting their applicability outside western countries.

A significant constraint is the different cultural context of business in Asia. In Asia (particularly East Asia), the Chinese and Confucian way of doing business varied significantly from the west (Hofstede & Bond, 1988; Redding, 1990; Weidenbaum & Hughes, 1996; Chen, 2001). The Chinese emphasis on "face" encourages a reluctance to admit failure and would slow the response to a declining situation or problem. This fear of failure could result in strategies that are more risk averse (Tan, Luo & Zhang, 1998). Another characteristic of Chinese business is the extensive reliance on personal relations of guanxi (Luo, 2000; Kao, 1993). These relationships among Chinese businessmen, built up over a long period of time, facilitated business, but also involve mutual obligations. Such mutual obligations and the desire to maintain and not to jeopardise good relationships often constrains turnaround actions which involve curtailing of supply, retrenchment, and strategies of change (Ahlstrom & Bruton, 2004). For example retrenchment is not used with the same ease as in the west. The use of formal retrenchment is conventional practice and advocated in the west; yet the western literature is not in agreement on its use, with some studies (e.g., Robbins & Pearce, 1992) supporting its use, and others (e.g., Barker & Mone, 1994) not. In the Asian context, this situation is complicated further by the cultural environment.

This cultural and business environment in Asia also limits the removal of CEOs, a usual turnaround strategy in western firms (Bibeault, 1982; Slatter, 1984; Barker & Patterson, 1996). In the East Asian context, the removal of the CEO (who is often the chair of the board of directors as well) is often difficult (Bruton, Ahlstrom & Wan, 2001, 2003). The removal of the CEO could impact adversely on the business and political connections, which are generally very valuable (Peng & Luo, 2000). In addition, removal of the CEO may be difficult as many of the businesses are family owned or linked, and often run by the owner-manager (Ahlstrom et al., 2004; Chen, 2001). Even if firms are publicly listed, the CEO (or family interests) often still has a controlling interest. This management and ownership structure constrains any turnaround process in the Asian context.

In terms of ownership, O'Neill, Rondinelli and Wattanakul (2004) studied the impact of different types of ownership structures on turnaround (or crisis coping) in a sample of 28 Thai firms. They found significant differences between privately-held enterprises (PEs) and state-owned enterprises (SOEs) in terms of corporate entrepreneurial behaviour and in work efforts. PEs were more innovative and proactive in their entrepreneurial actions than SOEs. In terms of work effort (e.g., motivation), PE's had higher levels than Mixed Enterprises (ME's), and ME's more than SOE's. Hence they concluded that ownership structures impact on firm's turnaround, with government owned or linked firms more likely to be restricted in their recovery efforts. The authors argued that changes in ownership (via privatization) can be a "potential means for triggering organizational changes" (p. 49) as PEs are more responsive to turnaround and changes.

In Asian firms, another critical constraint on the turnaround process involves the institutional context, particularly the role of government. At a broader level, institutional failure (of legal entities, regulatory bodies, government, etc) leading to corruption and various forms of opportunistic behaviour have been attributed as causes of the Asian financial crisis as well as placing constraints on turnaround and restructuring (Fisher, Lee and Johns, 2004; White, 2004; Low, 2002; Haley & Richter, 2002; Bruton, Ahlstrom & Wan, 2001). In the Asian context, governments have much more active role and impact on firm's strategic activities, including turnaround, than in more developed countries (e.g., Kim et al., 2004; White, 2004; Peng, 2000). For example, in Malaysia, the Government provided assistance in loan servicing and debt management to financial institutions and large corporate firms adversely affected by the Asian financial crisis. In his study of Thai firms, White (2004) concluded that major stakeholders, including government interest, constrains restructuring in Thailand. Maheshwari & Ahlstrom (2004) in their Indian case study stressed the importance of leadership, the management of multiple stakeholders and legitimacy building as key issues in the turnaround process. Ahlstrom & Bruton (2004) suggested that future research should examine the role and impact of government and

regulatory institutional differences on the turnaround process. Hence the institutional as well as the cultural context in turnaround are potential and pressing areas for research in Asian firms.

While the literature above emphasized the differences between western and Asian firms, there is little focus on extending this comparison to turnaround within Asian countries. The impression is that the Asian situation or context applies uniformly to all firms within an Asian country. However there are differences within most Asian countries. For example in a multi-racial country like Malaysia, will firms of Chinese and Malay ethnic background exhibit the same turnaround pattern? If there are differences, how are they compared to the western context? This research focuses on this, while continuing with the current western versus Asian theme. Research on corporate recovery in Malaysia after the Asian crisis was mainly of a macro nature, particularly from an economic perspective (e.g., see Jomo, 2001, 2003; Ismail, 2002). Published research on the turnaround process at the firm's level in Malaysia is sparse, and mainly of companies' reports in the business magazines and periodicals. To the author's knowledge there is no published comparative study on the turnaround process of Malaysian firms of Chinese and Malay origins. It would be interesting and instructive to examine the impact of ethnic origins on turnaround in Malaysian firms. In the management literature on Malaysia there had been a tendency to assume cultural homogeneity in "Malaysian management". Even Hofstede's (1991a, 1991b) research and Kennedy & Mansor's (2000) GLOBE (global leadership and organizational behaviour effectiveness) study did not explicitly measure Malay and Chinese characteristics in their studies on Malaysian management. There are evidence of differences between Malay and Chinese behaviour (e.g., Sendut, Madsen & Thong, 1990; Adbullah, 1992; Lim, 1998; Saufi, Wafa & Hamzah, 2002; Ahmad, 2004). For example, the Malays have higher levels of power distance and uncertainty avoidance and lower scores on masculinity and long term orientation (Lim, 1998; Saufi, Wafa & Hamzah, 2002). These differences might manifest themselves in the turnaround process and strategy of Malay and Chinese firms. As empirical data on this is scanty, this exploratory research hopes to gather preliminary data as a basis for further more extensive research, including propositions and hypotheses testing. Hence this is an exploratory study on the impact of different ethnic (cultural) background, ownership, and government role on recovery and turnaround in a Malaysian context. In particular a comparative study of an ethnically Chinese firm and a Malay firm in their turnaround process is reported here. Their different ownership characteristics and the role of government are examined as well.

RESEARCH METHODOLOGY

A case study approach was utilized for this exploratory study. This approach was used to collect holistic and comprehensive data (Eisenhardt, 1989; Yin, 1994) about firms in the recovery and turnaround process. This will provide data for more extensive subsequent research and testing of propositions and hypotheses. A Chinese and a Malay firm undergoing the turnaround process were chosen for this initial study. The Malay firm studied is Pernas International Holding Berhad, a government linked firm and until recently largely owned by the government. Substantial ownership is now sold to and largely managed by private Malay interest. The Chinese firm studied is described as Firm C here, as the firm requested anonymity and confidentiality as a condition of participation in this research and is disguised accordingly. The reluctance of firms (particularly Chinese firms) to participate in this type of "sensitive" research is a common problem of research in Asian countries. A comparison of these two companies' turnaround will yield considerable knowledge and insight into their recovery and turnaround and the impact of different ethnic and political backgrounds and provide the basis for subsequent more extensive study.

Data was primarily drawn from interviews with senior executives of the two firms, supplemented and cross-validated with published sources such as annual reports, prospectuses, circulars to shareholders, presentations to security analysts and bankers, and other publications. The use of various sources allows for data checking and verification and to ensure validity. Case data was prepared, tabulated and analysed along the lines indicated by Miles & Huberman (1994).

BACKGROUND OF CASE FIRMS

Pernas International Holdings Berhad (Pernas), listed on the Kuala Lumpur Stock Exchange (KLCE), is a diversified firm with operations in hotel, properties, plantations, sugar manufacturing, trading and other businesses. Originally incorporated to carry out hotel business (under the Hilton banner) in 1965, it was subsequently acquired (on a majority basis) by Perbadanan Nasional Berhad, a

government body, and then listed on the KLSE (Kuala Lumpur Stock Exchange) in 1990. With the injection or privatization of other assets by the parent government body, the company (in 1996) changed its name to the current one to reflect the group's diverse businesses. Control was also taken over, via a management buyout of a controlling stake, by a group of Malay executives and officials. However as a consequence of the Asian financial crisis and the poor performance of Pernas, the purchase agreement for the management buyout could not be fully implemented and was ended with the Perbadanan National Berhad taking back the ownership and control of Pernas in 2001. In late 2002, another private Malay investment group purchased the controlling interest and installed a new board and management team. Pernas is largely a Malay owned and managed company. With its links to government, it can still be regarded as a government linked corporation (GLC).

In 2002, Pernas had a total asset of MR1.39 billion and a turnover of MR1.08 billion. (The Malaysian ringgit is pegged at MR3.80 to the U.S. dollar.) Its performance since the Asian financial crisis of 1997 has not been good. It has incurred losses every year since then with a high of MR393.5 million in 1997. Losses were being trimmed since 1999 (MR8.5 million), but it increased to MR153.4 million in 2002, reflecting changes in ownership, management and also accounting reporting standards. The causes of the decline were attributed to the impact of the Asian financial crisis leading to severe downturn in the global and Malaysian economy. As a result losses were incurred in its hotel, property and trading businesses. Even its oil palm business was underperforming due to the inability to match production to take advantage of cyclical price changes. Significant debt, amounting to MR2.5 billion was accumulated as a result of previous acquisitions and this had serious adverse effects on the company performance due to excessive financial changes. Write downs and asset diminution exacerbated the financial position. The company was asset rich but earnings and cash flow poor. The company is still in the recovery process and management expects the turnaround will occur in the next two years.

The Chinese company, Firm C, listed on the KLSE, is also a diversified firm in properties, construction, hotel, timber, timber moulding and trading. Originally started to manufacture and trade building materials and property development by Chinese businessmen in 1969 and listed on the KLSE in 1970, it has evolved to its present varied mix of businesses. It is still largely Chinese owned and managed and the main shareholder is a Chinese businessman with more than 30 years experience in the property and leisure industry. The company is managed by a group of senior executives of Chinese extraction appointed or approved by the major Chinese shareholder. In 1997 it had a net total asset value of MR482.7 million and a turnover of MR255.2 million. However, poor performance and decline has diminished its total net assets to MR455.4 million and turnover to MR95.2 million in 2002. However, it recorded a net profit after tax of MR39.9 million in 2002, a sign that it has recovered or turned around after incurring losses since 1998. The company attributed the decline largely to the Asian financial crisis that seriously depressed the Malaysian economy, particularly the property, construction and hotel sectors. Its forays into timber concession and timber moulding overseas (in Africa and Indonesia) were failures due to political and financial problems, eating up to MR50 million of cash reserves. In addition, the numerous investments and acquisitions aggressively pursued during the good years and even after, and funded by debt financing (largely short term) led to a very high debt equity ratio (1.33 in 1998), putting very severe pressures on cash flows and financing charges. All these contributed to the decline from which the company is recovering from.

Analysis of the two case studies indicates that the causes of decline are broadly similar. Both are caused by adverse external conditions and aggravated by expansionary investment, aided by relatively easy access to funding and a "Malaysia can" attitude fostered by the government. They also reflected management inadequacies.

TURNAROUND RESPONSES AND ACTIONS

In Pernas, the response to the decline was an attempt at rationalization to streamline all businesses into four divisions, hotels, plantation, properties and manufacturing in 2000. A new Chief Operating Officer was appointed to assist the Chairman and CEO. Some efforts were made to dispose of non-synergistic businesses and assets to unlock capital appreciation and reduce borrowings. For example, the 30% equity stake in Malaywata, a steel company, was disposed of. A practice of no retrenchment was followed. Refinancing of bank borrowings with issue of bonds and warrants so as to reduce short term borrowings was undertaken. In spite of continuing losses, a dividend was still being paid out (largely motivated by management need for funds to pay interest charges to service the

leverage MBO), and dividend payment was only suspended in 2001. There seemed to be considerable hope and expectation that eternal market factors will improve to help the company.

However, performance did not improve significantly. Instead the September 11 2001 terrorist attack depressed markets, particularly the hotel market, further. To make things worse, the contract with Hilton Hotels ended and Pernas embarked on a re-branding of its hotels to a new name "Mutiara". A major renovation and refurbishment of the Mutiara Hotel in Kuala Lumpur was started but progress was delayed due to financing and other operational difficulties. It was reported that the renovation was started even before all the required financing were in place. As a result of a deteriorating situation and losses, majority control was returned to the government body, Perbadaran Nasional Berhad, who bought back the controlling stake in 2001. As a result, the chairman and CEO (Tunku Tan Sri Dato' Shahriman) relinquished his executive CEO role but remained as a non-executive chairman. A new CEO was appointed, together with several new directors. In 2002 (October), a new Malay business group took over the controlling stake from Perbadaran Nasional Berhad. Tunku Tan Sri Dato' Shahriman resigned as chairman after about 26 years, with most of it at its helm, from Pernas. A new chairman, CEO and board took over. A larger number of senior management positions were replaced with younger, more aggressive and professional executives from outside.

A new restructuring exercise was initiated to prune businesses (particularly debt ridden ones) and to restructure debt to reduce the interest bill by MR60-70 million. Plantations without mills were to be sold. Properties, including the Esso Building (named after the tenant), were sold and the proceeds used to retire debt. However, land in Johor with good potential for residential development was bought as a measure to stimulate future revenues. A cost cutting exercise was implemented including moving the corporate offices from Kuala Lumpur central business district to a cheaper rented building in Cheras outside Kuala Lumpur. It was claimed that 20% of administrative costs was trimmed. A more professional management approach was fostered with greater delegation, a situation which senior executives indicated was more open and democratic than the "subservient culture" of the past where one person (the long serving CEO) made all the key decisions. At the time of the survey, Pernas was seriously embarking on a turnaround program which is more ambitious and aggressive than previously undertaken. There are high expectations and optimism of recovery within the next two years.

In the Chinese Firm C, response to the decline was also not immediate, with drastic action taken only in 2001. Management was hoping for things to improve and pursuing perfunctory cost cutting. With cash flow problems becoming more acute, the company decided to return to its core businesses of properties and hotel. The timber concession venture in an African country was divested and the timber moulding business in Indonesia was sold at big losses in 2001. The travel business, other investments and assets in Malaysia and overseas which could be sold were disposed of. The company is still trying to sell off one of its key building asset in the Petaling Jaya area to retire debt but has not been successful due to a depressed property market. One round of redundancy (mainly voluntary), particularly at the management level, was carried out. The re-organisation was undertaken to reduce cost. In January 2002, both the chairman and the CEO were replaced by the largest share owner, a Chinese businessman, who had not been active in the management of the company previously, but now assumed both positions. However, both the previous Chairman (a Malay) and the CEO (a Chinese) were retained as corporate advisors for their valuable contacts and connections. The previous CEO had been running the company for about 14 years and had build up a great deal of business experience and contacts. In 2003, the previous Malay chairman reassumed the chairmanship so as to utilize his connections and to separate the position of chair and CEO. The new CEO and Chairman took decisive actions and replaced the top management layer with new directors and managers, who were mainly from within the company. Familiarity with these internal executives was a key motivation in these new appointments.

As a result of permanent write-down of the group investments and requirements by bank creditors, a capital reduction and share consolidation exercise was carried out in 2001, resulting in a reduction of capital value of all shares by 25%. A debt restructuring exercise was also implemented via extension of the tenure of 60% of the RM212.1 million debt and the balance converted into redeemable secured bonds. A rights issue of warrants was also undertaken to raise additional capital. As a result of these turnaround actions, the company recovered and reported a profit in 2003. While this does not strictly represent a turnaround requiring two to three years of positive profit improvement, it does represent a halt to decline and a return to positive performance.

ROLE OF GOVERNMENT

Unlike the benign role of government in corporate recovery in the west, the government tends to be very interventionist in Malaysia, as well as in other parts of Asia. In response to the Asian financial crisis, the Malaysian government launched a National Economic Recovery Plan in 1998 to stabilise the currency, restore market confidence, maintain financial stability, strengthen economic fundamentals and to restore adversely affected sectors. Capital controls were imposed and the Malaysian ringgit was pegged at MR3.80 to one U.S. dollar, which remains until today. An Infrastructure Development Fund was established and development expenditure increased to stimulate the economy. Two special agencies were set up to assist recovery in the financial sector. Danaharta was set up for the purchasing and rehabilitation of bad debts and Danamodal for the recapitalizing and strengthening of the financial institutions. These two agencies had been successful in their twin roles. A Corporate Debt Restructuring Committee (CDRC) oversees voluntary corporate debt workouts and had supervised many large companies in their restructuring efforts. Hence creditors and companies involved have to work with the CDRC in large debt restructuring plans. In addition, the government continues to support firms that it considers strategically important. For example, there was buy-back of previously privatized stakes from Malaysian Airlines, PUTRA (Light Rail Transit Company) and Pernas. For other companies outside the orbit of government influence and support, they have to undergo restructuring on their own. Our Chinese firm (Firm C) is a case in point. Firm C had to work very closely with its financial creditors to restructure its debt without government involvement. Large and influential Chinese-based firms (e.g., Lion Group) did receive support from the government in their restructuring plans.

DISCUSSION

From the above case descriptions, it is evident that the response to the decline took a considerable time to materialize. Both Pernas and Firm C had an optimistic attitude and placed considerable expectation on external economic recovery. Both companies really became committed to serious remedial action in 2000/2001, a few years after the initial decline. This delay could also be attributed to the fact that the CEOs in both firms were still in charge until 2002 (January for Firm C and October for Pernas), leading to inertia to act decisively. This problem recognition period is longer than Western turnaround efforts and this is similar to earlier findings by Bruton, Ahlstrom and Wan (2001). No significant differences between the Malay and Chinese case study firm emerged in this area, thought the Chinese firm acted decisively about a year earlier.

In terms of strategies, the initial response of both sample firms was operational in nature, involving tightening of expenditures and costs, followed later by a rationalization exercise. Pernas' initial responses were largely internal rationalization and streamlining operations. Turnaround efforts became more pressing and serious when the new group of businesses took over the controlling stake in 2002. The changes in ownership and the accompanying board and management realignment actually did delay decisions and the process of recovery. Hence actual retrenchment (sell-off of assets) strategy took place after 2001. This lends support to O'Neill et al. (2004) contention that changing to less public (or government) ownership can facilitate restructuring and change, though it did not help in the first privatization attempt. The Chinese firm C was quicker in trying to refocus its strategy by returning to its core businesses in terms of properties and hotel. It was also not encumbered by changes in ownership and government involvement. The main owner could reassert his authority quickly after the decision to intervene was made. However it was hampered by the difficulties of off-loading businesses (e.g., timber and moulding) in a depressed market situation. The new management was more decisive and aggressive in its restructuring efforts. It also faced the consequence of its decline directly by accepting the diminution in company (shareholders') value by formally taking the loss via a share capital reduction exercise. Whether this more decisive action can be attributed to its ethnic background, such as higher masculinity scores (hence, more assertiveness and decisiveness) among Chinese compared to Malay managers (Lim, 1998; Saufi, Wafa & Hamzah,2002), cannot be ascertained in two case studies and should be the subject of further larger scale research and hypotheses testing.

Previous research (e.g., Ahlstrom & Bruton, 2004) indicated constraints on retrenchment in terms of personnel layoff in the Asian context. In Pernas, a practice of no layoffs was followed. Attrition was the main source of downsizing. Layoff in a government or government linked enterprise is a rather sensitive political issue as most employees are Malays and layoff is not relied upon. This is

different in the Chinese case firm where limited retrenchment, voluntary retirement and attrition were used. Hence constraints in layoff varied by firm of different ethnic background. In terms of top management and particularly CEO changes, reluctance seemed to prevail. In the Pernas case, Tunku Tan Sri Dato' Shahriman is a prominent Malay businessman and was not removed from the top position until a fresh new external Malay group took over. Political connections and historical relationship retarded quick removal of top personnel. In the Chinese case firm, the situation seems to be similar as it took awhile before the CEO was replaced and then retained as an advisor. This is the classic case of "guanxi" or relationship at work, though it also applies to the Malay case in Pernas. This might be reflective of the high collectivism attribute noted among Malay managers (Lim, 1998; Saufi, Wafa & Hamzah, 2002) as well. However the political dimension of the connection is dominant in the Pernas case. It did not feature in the Chinese firm C. Hence relationship applies to other Asian ethnic groups as well, though the literature has emphasized Chinese ethnic groups and their guanxi. While some differences did emerge in our two case studies (particularly the political content of the relationship), the dynamics of relationship and turnaround strategies among different ethnic groups within Asian country merit further research attention.

Political and government impact was greater on the turnaround of the Malay case firm, Pernas, than on the Chinese firm. The government "rescued" the original MBO group of investors and took back the controlling stake. This gave Pernas breathing space before another private Malay group took over to try its hand at turnaround. This is to be expected as Pernas was based on a government body, dedicated to the advancement of "bumiputra" (son of the soil) economic advancement. No government support was given to the Chinese Firm C in its turnaround efforts. However it must still satisfy institutional and governmental regulations in its recovery processes. This study illustrates the differential impact of governmental and institutional factors (both in terms of opportunities and constraints) on firms of different ethnic background in Malaysia. Further research on such differences would enhance understanding of the turnaround process in the Asian context as well as in comparison with western models.

CONCLUSION

This study on recovery and turnaround in two case studies in Malaysia provides further evidence to support findings in the literature that turnaround in the Asian context is different from the west. The context, particularly socio-cultural and institutional factors, provides both constraints and opportunities for turnaround efforts. The extension from current literature to focus on a comparative study of a Malay and Chinese owned and managed firm indicated some differences in their turnaround situation and approaches. Differences in the use of personnel layoff and downsizing, the nature and speed of the turnaround once remedial action was recognized and committed, and the impact of ownership and government were found and linked (speculatively) to cultural attributes. Also the Chinese firm has turned around while the Malay firm is still in the midst of it. However there are also similarities in both their recovery processes, which are consistent with that described in the literature on Asian turnaround in general. Whether the above findings are peculiar characteristics in our two specific case studies can only be determined by a larger scale study of turnaround in Chinese versus Malay firms in the Malaysian context, particularly linking turnaround to specific cultural attributes or dimensions such as those of Hofstede. Such study can be extended to cover firms of different ethnic or cultural groups in other Asian countries (such as pribumi versus Chinese firms in Indonesia and Filipino versus Chinese firms in The Philippines). Our study is only an exploratory one to examine this area and is limited to only two case firms. Hence any generalization is not possible. But the findings here can provide the basis for further more rigorous research. The above are fruitful avenues for future research as previous research has mainly focussed on Chinese-based firms in the Asian context. Comparison of the dynamics of turnaround in firms of different ethnic and cultural backgrounds in Asia would yield considerable insights and enhance the understanding of the recovery and turnaround process in both Asian and western contexts.

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