

CHAPTER 1: INTRODUCTION

1.1 Purpose and Significance of the Study

Since the independence in 1957, Malaysia has transformed from an agricultural-based nation to manufacturing and serviced-based nation. One of the keys to this transformation is the initiative of the Malaysian government to attract massive influx of foreign investment into Malaysia (Wong, 2006). Introduction of the Investment Incentives Act 1968 has marked the first milestone, leading the surge of foreign direct investment (FDI) in the late 1980. To further attract FDI, Malaysian government has established free trade zones in the early 1970s, followed by the provision of export incentives. The introduction of open policy in the 1980s, has further put forward different incentives including allowing a larger percentage of foreign equity ownership in enterprise under the Promotion of Investment Act (PIA), 1986 (Karimi and Yusop, 2009). As a result, the inflow of FDI to Malaysia surged from 94 million USD in year 1970 to over 800 million USD in year 2008. The inflow of FDI has even recorded a whopping 7 billion USD in year 1996 (United Nations Conference on Trade and Development).

Malaysia received FDI from countries around the world, from Asian countries and as further as European countries and the United States. The main source of FDI changed over time for the past 30 years with United States being the major source of FDI since 1970s with over 50% of total FDI value (Wong, 2006) and has consistently invested in Malaysia FDI in the range of 20% to 40%. Similarly, FDI flow from European countries has been kept fairly stable in the range of 10% to 30%. Overall, the United States and countries from the

European countries are the important sources of Malaysia FDI (MOF, various issues)

The growth of FDI means more multinational companies (MNCs) are allowed in setting business operations in Malaysia. According to the Malaysian Industrial Development Authority (MIDA), more than 4000 international companies from over the world have set their presence in Malaysia as their offshore base (MIDA, 2009). Apart from generating monetary capital influx to the country economies, the increasing presence of MNCs in Malaysia is expected to lead to higher employment opportunities in Malaysian labour market (MIDA, 2008).

However, at the same time, the increase of MNCs establishment indirectly increases the volume of expatriates in these organisations. In fact, relaxation of expatriate employment is one of the incentives of Malaysia to encourage the setting up of local subsidiaries. MNCs that set up their local subsidiaries as operation headquarters, international procurement centres or regional distribution are allowed to assign key post to expatriates. In addition, MNCs that set up their offices as representative or regional offices are allowed to employ expatriates at managerial and technical level (MIDA, 2009).

Hence, in setting up local subsidiaries, MNCs will rely extensively on expatriate managers to be posted in host country. For Malaysia as the host countries, the relaxation of expatriates employment is aimed to facilitate knowledge transfer and managerial and technical development to Malaysians

(MIDA, 2008). On the other hand, MNCs headquarter would post expatriate in the local subsidiaries in order to exert control, as well as to monitor and evaluate the activities and behaviours within local subsidiaries (O'Donnell, 2000). As investment from the United States and European countries contribute significantly to FDI in Malaysia, these MNCs will take the advantage to send representatives, whom are typically dominant by the whites, to hold the decision power and autonomy of the local subsidiaries.

Problem may arise when these MNCs plan little or no succession plan for replacement by local employees, when these expatriates completed their assignment. Even if local employees are being promoted as a replacement to the expatriates, the supervisory autonomy would be lessened when compared to their white predecessors. These raise the perception of white superiority scenario in which the white people are believed to be superior to other racial groups. With this so-called "white supremacy culture" exists, it may unconsciously make it difficult for the expatriate and top management of these MNCs to open to other local cultural norms and standards. These could potentially hinder upward organisational mobility of Malaysian employees and to hold prominent decision-making role in MNCs. Nevertheless, there is no statistical data to show if this is happening in Malaysia, as such, this research could possibly shed some light on this issue in Malaysian context.

Thus, this research seeks to determine the correlation between white supremacy, a potential modern discrimination by MNCs imposed onto local

subsidiaries established in Malaysia, with the determinants contributed from individual, organization and society influence of Malaysia employees.

1.2 Research Questions and Objectives of the Study

The purpose of this research is to try to answer the interesting questions: Why do Malaysian employees not “moving up” as easily as European/American managers in MNCs? Why are those making promotion decisions not impressed, although Malaysian employees are in educational achievement and work ethic? I hope the result of the research will shed some light on the potential issues that influence white supremacy culture in MNCs local subsidiaries in Malaysia, which could potentially, hinders upward organisational mobility of Malaysian employees.

The objectives of this research are:

- a) To identify the existences of white supremacy culture, a potential modern discrimination within MNCs local subsidiaries in Malaysia.

- b) To identify the correlations between the determinants contributed from individual, organization and society influence to the existence of white supremacy culture within MNCs local subsidiaries in Malaysia.

Based on the objectives and literature review, three hypotheses have been developed to answer the research questions.

1.3 Scope of the Study

This research focuses on international business management of MNCs local subsidiaries and its relationship with local employees through an integrated concept from organizational and social psychology and management science. The target scope of the research is Malaysian employees working or have been working in any MNCs local subsidiaries that are:

- a) based in Klang Valley, and
- b) established or headquartered in the United States or the European countries.

1.4 Organisation of the Study

This research report is divided into five parts. Chapter 1 presents the introduction of the research describing the problem statement, the research questions as well as the objective of the research.

Chapter 2 comprises the literature review. This chapter presents the relevant theories. Central concepts of the theories are first defined, followed by a deeper discussion on the area when applicable, in which lead to the formulation of theoretical framework and hypotheses.

Chapter 3 discusses the research methodology and designs. This is followed by Chapter 4, where results from the surveys will be analyzed and discussed.

This final part of this research report, Chapter 5, presents the conclusion and discussion of the research. Limitation, implication and further research suggestion are included in this chapter as well.

1.5 Conclusion

This chapter has introduced and presented the rationale for the study. The industrialisation and modernisation of Malaysian economy have not only brought positive growth to the nation, but also attracts more white expatriates from MNCs. The expatriates-friendly policy employed by Malaysian government was, among others, aimed to train, empower and strengthen local expertise.

However, as time goes by, the decision power and autonomy of the local subsidiaries of MNCs are still being dominated by the white expatriates. This situation may potentially hinder upward organisational mobility of Malaysian employees. Therefore, this exploratory study seeks to identify issues that influence White Supremacy Culture in local subsidiaries of MNCs in Malaysia.