Chinese overseas family businesses generally lack longevity. In addition to difficulties in transiting towards professional management they are susceptible to state pressures. However, Robert Kuok, the richest man in Southeast Asia who heads a vast business empire, has been able to surmount both challenges. This study shows how Kuok successfully turned three important sources of identity into strengths: family, dialect, and the state. These three sources are set against his Johor Bahru background, the changing domestic political landscape, and shifting regional economic influence.

INTRODUCTION

Many successful firms in Southeast Asia today are family businesses and amongst them is the firm headed by Robert Kuok. Robert Kuok is Southeast Asia’s wealthiest businessman. His business empire provides a study of how a family business emerged and dealt with the challenges of expansion, succession and longevity. There is considerable scholarly interest in the longevity of family business but most studies focus on the West. There is thus a need for studies of East Asian family firms, particularly of the ethnic Chinese in Southeast Asia who value the continuation of family control after the passing of the founder.

Such is this desire for longevity that Colli and Rose write that the failure of the firm even if the family no longer has any formal stake can feel like death!1 Sharma, in a survey of 217 peer-reviewed articles on family business firms, states that a majority of family firm leaders are ‘desirous of retaining family control past their

The need to fulfil family values, preservation of the family name, and exploitation of the advantages of family business are important reasons for retaining family control. Howorth, Rose, and Hamilton further noted the desire in Britain and in Mediterranean societies to nurture and pass on the business as a family estate. In India, the family is at the core of culture and business, and represents a source of social identity. Among overseas Chinese Confucian values explain the central role of family business. As the status of Chinese in many parts of Southeast Asia is that of resented minorities they cling to the family as a means of survival.

Nevertheless, the record of family firms surviving the first generation is not impressive. One half of family business start-ups fail during the first five years. Only one third of all family businesses survive into the second generation and only one third of those carry over to the third generation. Chinese family businesses in Southeast Asia probably fare no better. There is a saying that ethnic Chinese businesses do not last for more than three generations. A few scholars have pointed to this phenomenon. One reason advanced is that the successors often prove to be wastrels and squander the family fortune. Others may take up professions like medicine, law, and accountancy, leaving the family business untended. And yet others, in their attempt to run the family business, show none of their father’s ability.

Other countries or communities have similar problems, yet have their businesses survive for three generations or more. Hence there must be other reasons for Chinese failure. Howorth, Rose and Hamilton drew attention to the need to understand the institutional and legal environment. This environment reflects a ‘complex historical process, underpinned by cultural forces at both the regional and national level’ and affects the choices and development of family firms. The growth and survival of family business is dependent on changes in this environment. Chinese overseas businesses often struggle to adapt to this environment. Several scholars have pointed to the failure of family business to modernize and take on professional management. This is often due to the desire of the founders to keep ownership and control in the family.

In Malaysia there is an added dimension where traditional Chinese businesses function along dialect group lines. Those speaking the same dialect come from the same region in China, reinforcing group solidarity. Furthermore, dialect

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2 Sharma, An overview, p. 19.
3 Howorth, Rose, and Hamilton Definitions.
4 Loy, Dynasting across cultures.
6 Chung, Changes and continuities, pp. 259–68.
7 Ford in America and Mitsui and Sumitomo in Japan have families dating back many generations.
8 Howorth, Rose and Hamilton, pp. 225–47.
10 Tan, Socio-cultural diversities, pp. 37–70.
groups have been identified with economic activity. In many industries, the dialect group that dominates excludes ‘outsiders’ from other dialect groups. This is all the more so when the founder has built his business empire with the support of his dialect group, and feels obliged to hire from within that group. Whilst the founder may have a larger recruiting pool in his dialect group than his immediate family, recruitment is still based on ascriptive rather than achievement criteria, hindering the adoption of professional management.

Chinese overseas businesses also are susceptible to state pressures. Except in states where the Chinese are in the majority (Singapore) or are assimilated (Thailand), their businesses are vulnerable to outright seizure with little or no compensation. Also, they could be pressured to surrender, through sale at unfavourable prices, their business to the state or state-favoured personalities from the dominant indigenous racial group, through political restrictions on expansion of their businesses. Such actions encourage owners to keep their business small and within the control of the family to lessen the temptation of state takeover. This then is one motive not to let go of family control or management. Where Chinese overseas businesses have expanded and prospered in Southeast Asian countries other than Thailand and Singapore, they have done so through cooperating with the state and dominant indigenous community. But they have no illusion that their businesses are safe.

There are exceptions and some ethnic Chinese, and indeed non-ethnic Chinese, family businesses survive to the third generation in Malaysia, one example being the German firm of Behn Meyer. Of Chinese overseas businesses, an outstanding example is the business empire of Robert Kuok, which began with the business of his father and is now well into the third generation. In a recent interview, Kuok, approaching ninety years of age, expressed confidence that his business empire can survive into the fourth generation and beyond. Kuok has aroused much interest because of his huge, diversified business empire and his ability to cultivate good relations with political leaders in countries such as Malaysia and China. Although Chinese overseas family business in general and Robert Kuok in particular have attracted scholarly interest little attention is given to their sources of strength and continuity. Heng Pek Koon writes of the Kuok business as an example of Sino capitalism while Irene Sia offers a good descriptive study of his business. Other academic writings on Kuok have depicted him as an example of crony capitalism. This study, drawing upon a wide corpus of primary and secondary literature, shows that while Kuok has relied on political influence for business advantage, he has transcended rent seeking by drawing on

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11 Yen Social History, pp. 35–72; Chung and Hamilton, Getting rich, 47–67.
12 Brown, Chinese Big Business.
14 Yacob, Trans-generational renewal, pp. 1166–1185.
15 Chanjaroen and Mellor, Kuok says with right heir.
16 Heng, New Economic Policy; Sia, Robert Kuok.
other sources of strength to become the world’s largest producer of palm oil, the
eighth largest sugar producer, and the operator of the luxurious Shangri-La hotel
chain.

Kuok is remarkable because after the Second World War he showed the
capacity to take in professional management when his contemporaries were not
willing to move beyond family and dialect group recruitment. Kuok also devel-
oped relationships with politically influential Malays, thus transcending the
stereotypical Kapitan-China to sultan relationship that suggests Chinese subor-
dination to the dominant Malay in the political arena. In achieving these two
objectives, Kuok has become the richest man in Malaysia and Southeast Asia, and
ranks 38th in the world according to the 2012 Forbes list. The Kuok Group
headed by Robert Kuok has three holding companies: Kuok Brothers in Malay-
sia, Kuok Brothers Singapore, and Kerry Holdings in Hong Kong. Kuok devel-
ops properties in Hong Kong and China, operates plantations in Southeast Asia,
and has investments in finance, transportation and the media in Malaysia and
other parts of the world.

This paper addresses three major questions:

1. What is the critical relationship between the choice of business and Kuok’s
identity in terms of family, dialect and the State?

2. How significant has the social, economic and political environment been to
the Kuok Group?

3. Is the Kuok Group managing a transition to a third generation leadership?

We argue that while the Kuok Group was launched with and relied on family
resources, its growth and diversification differs from most Chinese family business
in its ability to negotiate through three important sources of identity: family,
dialect, and the state. For all three, Kuok’s origins in Johor Bahru is crucial, while
the opening of China and its subsequent transformation proved to be extremely
fortuitous in helping the Kuok empire develop.

JOHOR ORIGINS AND EARLY YEARS

The environment in Johor is important in explaining the nature and early devel-
opment of Kuok’s business. Unique circumstances in Johor encouraged the main-
tenance of multiracialism and enabled Kuok to establish good links with elite
Malays and the state. Johor came under British influence earlier than other states
but maintained a more autonomous status. It had its own military force, customs,
police and civil service. With Singapore just across the straits, its rulers were more
cosmopolitan, having close links not only with British administrators and

18 Another Forbes’ list ranked Robert Kuok with US$12.4 billion as 33rd richest in the world. See
Loh, Forbes Asia’s richest man. Forbes, The world’s billionaires.
19 Kuok Brothers Sdn Bhd, Directors’s Report; Tanzer, The amazing Mr. Kuok.
Table 1. The population of Johor Bahru, by ethnic composition, 1931 and 1947

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>1931</th>
<th>1947</th>
<th>Growth rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (%)</td>
<td>Number (%)</td>
<td>1931–1947</td>
</tr>
<tr>
<td>Malays</td>
<td>8,357 (38.9)</td>
<td>16,544 (42.6)</td>
<td>4.36</td>
</tr>
<tr>
<td>Chinese</td>
<td>8,902 (41.5)</td>
<td>15,951 (41.1)</td>
<td>3.71</td>
</tr>
<tr>
<td>Indians</td>
<td>3,209 (15.0)</td>
<td>5,026 (12.9)</td>
<td>2.84</td>
</tr>
<tr>
<td>Others</td>
<td>995 (4.6)</td>
<td>1,305 (3.4)</td>
<td>1.71</td>
</tr>
<tr>
<td>Total</td>
<td>21,463 (100.0)</td>
<td>38,826 (100.0)</td>
<td>3.77</td>
</tr>
</tbody>
</table>


merchants but also with foreign rulers like King Chulalongkorn of Thailand and the Marquis of Tokugawa of Japan. Johor’s rulers invited Chinese in the late nineteenth century to develop the state, particularly for gambier cultivation, and granted them titles under the *kangchu* system.20

Kuok’s parents came from China to Johor in 1908 and Kuok was born in Johor Bahru in 1923. Kuok Keng Kang, Kuok senior, started a trading company called Tong Seng and Company which dealt in rice and sugar. He was assisted by two brothers and later three of his nephews: Kuok Hock Chin, Kuok Hock Seng, and Kuok Hock Ming.21 It was a successful business.

Unlike most first generation Malaysian Chinese, Kuok senior became close to the Johor royal family and Malay elites. He struck up a friendship with Sultan Ibrahim who reigned between 1895 and 1959. Keng Kang’s relationship with the royal family enabled him to gain trading contracts with the state. More important, links with the palace gave him and his children social standing and access to the Malay elite. Indeed, it was this background that enabled Kuok and his brother Philip to build friendships with Malays who later became powerful and important to their business. Philip served as Malaysia’s ambassador to Bonn while Kuok in his early business ventures partnered state corporations with leading Malays.22 Their close friends among Malaysia’s ruling elite included Hussein Onn, the third Prime Minister and Dr Ismail Abdul Rahman, Deputy Prime Minister as well as intellectuals such as James Puthucheary.23

Johor Bahru was more multi-ethnic than other towns in Peninsular Malaysia. As late as 1947 half the population was Malay unlike other major towns which were predominantly Chinese (Table 1). Equally significant, the English College in Johor Bahru where Kuok studied had almost equal numbers of Malays and non-Malays, a policy laid down by the Johore Sultan himself.24

20. Trocki, Prince of Pirates.
22. Another brother William fought in the Johor jungles with the Malayan Communist Party against British colonialism and was killed. Kuok, 1991.
23. Puthucheary, No Cowardly Past; Ooi, Reluctant Politician.
Kuok therefore grew up in an environment that was more multi-ethnic than that experienced by Chinese business elsewhere in Malaysia. Kuok’s classmates included Hussein Onn, Ungku Abdul Aziz, University of Malaya’s first Malaysian vice chancellor, Ismail Ibrahim, the Armed Forces Chief of Staff, and Sujak Rahiman, Director of the Institute of Literature and Language.

Kuok’s growing up was also shaped by political events in Johor Bahru where inchoate Malay nationalism gained full expression following strong protests against the Malayan Union, a post-World War Two plan to unify all the states in Peninsular Malaya and extend citizenship and rights to all races. It was in Johor Bahru on 11 May 1946 that the groups opposed to the Malayan Union formed the United Malays National Organisation (UMNO) and Dato Onn Jaafar, a former Chief Minister of Johor became its founding president. Led by Dato Onn, UMNO subsequently negotiated with the British and the Malay rulers to replace the Malayan Union with the Federation of Malaya Agreement. Dato Onn afterwards left UMNO to form a multi-ethnic Independence of Malaya Party. These events made a deep impression on Robert Kuok, as a young man, who came to appreciate Malay political power and multi-ethnic efforts towards independence.

This was also a critical period of political transition. Kuok grew up under British colonial rule but in 1941 while he was studying at Raffles College, Singapore, the Japanese invaded. With studies interrupted, Kuok, then eighteen, returned to Johor Bahru and found a job at the local office of Mitsubishi, the Japanese trading company granted a monopoly of rice imports into Johor. He came to head Mitsubishi’s rice department which gave him invaluable experience working with Japanese. This was useful in the post-war years when Japan re-entered to Southeast Asia as a major economic power.

When the British returned in 1945, Tong Seng Company won the contract to supply fresh provisions to 50,000 Japanese prisoners of war, and later was appointed distributor of essential foodstuffs for south Johor. Kuok not only lived through two different regimes but gained business experience and connections. When the British began withdrawing from the region, the Kuoks were able to seize the business opportunities generated in a changing political and economic environment.

In 1948 Kuok senior died intestate. Thereupon, Kuok and his brother, Philip, supported by their mother started a new company, Kuok Brothers Ltd, to take over the business of Tong Seng. Since the rice trade was very competitive and dominated by the majority Teochews, Kuok decided to focus on the sugar trade, a sector where there was no established Chinese network. The distribution of sugar in Malaya was then controlled by Guthries, a British trading house, which acted for Tate and Lyle, the largest British sugar combine.

26 Ramlah, Dato’ Onn Jaafar.
27 Kuok, Malaysia Incorporated.
28 Sia, Robert Kuok; Forbes, Robert Kuok.
was necessary in an industry where most transactions were in the international market, and this gave Kuok an advantage over other Chinese businessmen who knew little English.29

It was in the sugar trade that the Kuoks flourished, assisted by major political developments. In 1957 Malaya gained independence. The British agency houses now declined in influence. To get around Guthrie-Tate and Lyle’s control of sugar imports, the Kuoks sourced cheaper sugar from India and later from Cuba. Gradually, Kuok overtook and eventually replaced Guthrie as the main importer and distributor of sugar in Malaya.

Meanwhile, Japanese business returned to Southeast Asia for investment and market opportunities. In 1958 Mitsui Bussan Kaisha and the Nissin Sugar Refinery approached Kuok and suggested a joint venture to establish a sugar refinery at Prai. This successful partnership provided Kuok with resources, technology, and access to the Japanese sugar market.30

Southeast Asian Chinese businessmen did not allow war memories to come in the way of doing business. As Brown points out, the Japanese were needed for their capital, marketing expertise and production technology.31 Brown provided the examples of Wing On, a Hong Kong Department store getting involved with Seiyu, a Japanese retailing group, and the Indonesian group, P.T. Astra with Toyota and Honda, Japanese car companies. By the end of the twentieth century, a Japanese business think tank reported that throughout East Asia, many Japanese and overseas Chinese companies were engaged in locally based production, joint participation in large scale projects, and collaborative overseas investment.32

SOURCES OF BUSINESS IDENTITY: THE MAKING OF THE KUOK EMPIRE

Family and business

Kuok Brothers Ltd continued the first generation business of Tong Seng. It was formed by Kuok’s immediate family members and their cousins, the sons of Keng Kang’s brothers. This offered a wider source of family strength.

This feature distinguishes Kuok Brothers from many Chinese businesses which in the generational change tended to exclude members of the extended family. In most Chinese family business, the transition was limited to the nuclear family of the founder.33 In the case of Kuok, the inclusion of extended family reflected relational solidarity. It also underlined the fact that the Fuzhou community in Johor Bahru was small and demonstrated the influence upon which Kuok could

29 This was stated in Kuok (Singapore)’s website.
30 Heng, Robert Kuok, pp. 155–85.
32 Yan, New expansion.
33 Wang, Culture, pp. 181–97.
draw. The cohesion and character of the Kuok family business was provided by Kuok’s mother, Tang Moh Lan who also held shares in the new company. Tang was educated and exchanged regular letters with her father in Fuzhou, a practice open to few Chinese women in Malaya. She ensured that those cousins with long association in Tong Seng were brought into Kuok Brothers and given shares. Kuok acknowledged that his mother inculcated him in values which were important in his life and business and he consulted her on major decisions.  

As Kuok Brothers expanded, members of the Kuok family took on major positions. Philip was for a while chairman of the company, and when he accepted positions in government brother-in-law Leslie Cheah took over. A nephew-in-law, Richard Liu Tai Fung was Robert Kuok’s closest and most trusted staff member who helped build up Malaysian Sugar Manufacturing Ltd (MSM) and Federal Flour Mills Berhad (FFM).

While Kuok, now 89, continues to be active, third generation members have already moved into senior positions. Kuok has eight children from his two marriages. Kuok’s eldest son Khoon Chen is chairman of Kerry Properties and oversees hotels, real estate and the China Coca Cola franchise. Another son, Khoon Ean, is chairman, and a daughter, Hui Kwong, is CEO of the Hong Kong newspaper *South China Morning Post*. Khoon Ean also manages Kuok’s Singapore/Malaysia operations particularly the edible oils business. One daughter, Ruth, is in charge of the group’s charity foundations. Brought into the business after they completed their university studies, Kuok’s children have consolidated their position and gained wide experience.

This transition to the third generation involves not only direct family members. Kuok has seen to it that children of his brother Philip and his cousins are involved. Philip had four children and his eldest son Khoon Loong is Managing Director of Shangri-La Hotel (Kowloon) Ltd and Shangri-La International Hotels (Pacific Place) Ltd. He has also served as chairman of Kerry Properties. The second son, Khoon Ho has served as a non-executive director in Transmile Group Berhad, a cargo airline of which the Kuok Group held 18 per cent shares. He was also involved in Shangri-La Hotels Malaysia Bhd, Perlis Plantation Oil Palms Bhd and Wilmar International Limited. One of Philip’s daughters Oon Kwong is involved in Kuok’s Shangri-La hotels.

Several nephews are heading Kuok’s companies, underlining the role of the extended family. Koon Kuan is managing director of Pacific Carriers Ltd (PCL)
and Chief Executive Officer of Malaysian Bulk Carriers Bhd.\textsuperscript{39} Another nephew Khoon Hong co-founded and now heads Wilmar International, the world’s largest trader in palm oil and flour. Khoon Hong recently was ranked as Singapore’s third wealthiest man.\textsuperscript{40}

### Dialect groupings and business

Early Malaysian Chinese business, structured on a dialect group basis, particularly before independence, had been crucial in Kuok’s identity formation and business expansion. Kuok is a Fuzhou, a very small dialect group among Malaysian Chinese. The major dialect groups are the Hokkien (from Fujian), the Hakka, the Teochew, the Cantonese and the Hainanese who together constitute well over 90 per cent of Malaysian Chinese (Table 2). The Fuzhous, mainly in the small town of Sitiawan in peninsular Malaysia, and in the East Malaysian state of Sarawak particularly Sibu are mostly Christians, Methodists in particular, having been brought in as colonists. Thus Kuok, who grew up in Johor Bahru, where there are very few Fuzhous, is not only a member of a minority dialect group, but being a non-Christian, a minority of a minority.

The major dialect groups intermix their dialect group organizations with the particular business they specialize in. The main Chinese commercial body, the Chinese Chambers of Commerce, was also structured along dialect group lines. The Chambers is often seen as the ‘voice’ of Malaysian Chinese and its leaders are from the majority dialect groups.\textsuperscript{41}

Kuok could not break into those Chinese businesses dominated by the big dialect groups. So he geared his primary business outside the dialect group system. His sugar business – he was once called the sugar king of Malaysia – fits this mold.

\textsuperscript{39} Lim, Maybulk. Kerry Properties Limited (2012) [2].
\textsuperscript{40} Haziq, PPB: Wilmar tie-up.
\textsuperscript{41} Heng, Robert Kuok. Heng, 1992.

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**Table 2. The ethnic Chinese population of Johor, 1931 and 1947**

<table>
<thead>
<tr>
<th>Dialect group</th>
<th>1931</th>
<th>1947</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (%)</td>
<td>Number (%)</td>
</tr>
<tr>
<td>Hokkien (Fujian)</td>
<td>73,270 (35.4)</td>
<td>117,304 (33.9)</td>
</tr>
<tr>
<td>Cantonese (Guangdong)</td>
<td>29,585 (14.3)</td>
<td>49,060 (14.2)</td>
</tr>
<tr>
<td>Hakka (Kejia)</td>
<td>33,588 (16.2)</td>
<td>77,109 (22.3)</td>
</tr>
<tr>
<td>Tiechiu (Chaozhou)</td>
<td>35,935 (17.4)</td>
<td>54,530 (15.8)</td>
</tr>
<tr>
<td>Hainanese (Hainan)</td>
<td>23,539 (11.4)</td>
<td>28,327 (8.2)</td>
</tr>
<tr>
<td>Kwongsai (Guangxi)</td>
<td>7,519 (3.6)</td>
<td>14,197 (4.1)</td>
</tr>
<tr>
<td>Hokchiu (Fuzhou)</td>
<td>3,540 (1.7)</td>
<td>5,483 (1.5)</td>
</tr>
</tbody>
</table>

Source: Malaya, *The 1947 Census*. 
He recalled that when he started his trading business he could not go into the rice trade as it was dominated by the Teochews. He had to settle for sugar trading which led him to develop contacts in India and Cuba, places not normally within the Chinese overseas network.\textsuperscript{42}

Not constrained by dialect group loyalties, Kuok recruited management on a professional basis. That he started his company, Kuok Brothers Ltd, with two non-Chinese workers out of five reflected his readiness to go outside the dialect group system. The two non-Chinese were a Malay, Othman Samad, and an Indian who Kuok referred to as Joachim.\textsuperscript{43} It was almost inconceivable for any Chinese business to have founding workers outside their dialect group. Kuok was also earlier than most Chinese businessmen to recruit Malays. As a result, he could get involved in state ventures and was not seen as representing Chinese business.

Kuok has nevertheless been accepted as a Malaysian Chinese businessman. This is because Kuok speaks of his Chinese roots and takes great pride in his family and the values instilled in him by his parents.\textsuperscript{44} Furthermore he takes an interest in the local Chinese community. In 1987 following the collapse of the Multi-purpose Holdings Berhad (MPHB) set up by the Malaysian Chinese Association, Kuok agreed to take over as chairman and steered MPHB out of financial trouble.\textsuperscript{45} He helped stabilize the company in which thousands of Chinese had shares. At a time when Malaysian Chinese businesses were largely discredited because of wide-spread company failures from the 1980s recession and poor governance, only Kuok had the reputation and respect to be accepted by the wider Chinese community. When Tan Koon Swan who headed MPHB was charged in Singapore in the Pan El affair, Kuok posted bail for him.\textsuperscript{46} Kuok contributed to social and educational programmes through the Kuok Foundation which gave out scholarships to students. More recently, he donated RM70 million to the new private Tunku Abdul Rahman University and helped set up the medical faculty.\textsuperscript{47}

For these reasons, Kuok remains a respected figure in Malaysian business circles. Ranked regularly as Malaysia's richest man, he is admired for his business achievements and held up as someone to be emulated. Kuok’s success offers some encouragement to Chinese in Malaysia at a time when business space is restricted by state policies. Furthermore, in the public’s mind Kuok belongs to that generation which emphasizes thrift and hard work in contrast to newer business groups reliant on state patronage, opaque corporate deals, and ostentatious lifestyle. There is collective pride in Kuok because more than any Chinese overseas businessman, he is also regarded very highly in Western media.

\textsuperscript{43} Kuok, Speech.
\textsuperscript{44} Yow, Weakening ties, pp. 559–97.
\textsuperscript{45} Soh, ‘Invisible’ tycoon.
\textsuperscript{46} Tan Koon Swan was President of the Malaysian Chinese Association at the time he was charged.
\textsuperscript{47} This was stated in the website of Kuok Foundation Berhad.
State and business

The state provided an early boost to Kuok’s business. The Malayan, later Malaysian, government introduced investment policies soon after independence under the First Malaya Plan 1955–1960 to encourage industrial development as a means of economic diversification away from excessive reliance on primary commodities. World tin and rubber prices had begun to dip. There was also concern that after independence long-established British businesses were leaving the region. Hence, the Pioneer Industries Ordinance 1958, the first official initiative to promote investment in Malaya, gave attractive incentives to local and foreign investors. Industries granted ‘pioneer status’ were entitled to tax relief including tax allowance for capital investment. This status was granted for five years after which a review was made and renewal possible. In a further move to encourage investment the government introduced the Investment Incentives Act 1968. The government created Free Trade Zones where foreign or local firms manufacturing for export could import machinery and raw materials free of duty. Exports from these Free Trade Zones were also exempted from duties.

Kuok seized the incentives offered. He obtained pioneer status for both Malayan Sugar Manufacturing (MSM), set up jointly with the Japanese in Prai, and Federal Flour Mill. Kuok’s two companies further benefitted when under the First Malaysia Plan (1966–1970) the government designated the sugar and flour industries for promotion in efforts at import-substitution. Kuok’s companies enjoyed tax holidays such as investment abatement allowances, investment tax credit, and accelerated depreciation.

Yet to say that Kuok benefitted by being a crony of the state is an over-simplification, especially in relation to the use of this term for those who relied on government patronage in the 1980s and after. In Kuok’s case, although the relationships he and his family cultivated with the Malay leadership helped, he was operating in a critical period of transition when the state depended on local investors to create jobs and stimulate the economy. The state encouraged reliable local entrepreneurs to embark on economic projects deemed of critical value. While Kuok was favoured, he brought with him business experience from successful sugar and shipping ventures. Two other factors helped in the state’s acceptance of Kuok. Firstly, Kuok was not linked to powerful dialect-based

48 Cho, Malaysian Economy, p. 44.
49 White, Crony capitalism, pp. 389–417.
50 Because it was founded upon an import substitution strategy, the Ordinance proved less than successful, given Malaya’s small domestic market size. Rasiah and Shahrin, Development, p. 9.
51 Gomez, The rise and fall of capital, pp. 345–81.
52 Soh, Perlis Plantation; Lim, Sugar king proposes merger.
54 Searle, Riddle of Malaysian capitalism; White, British Business.
55 Gomez and Jomo, Malaysia’s Political Economy.
Chinese merchant groups. Secondly he was close to senior Malays in Johor Bahru, many of whom had become important in national politics and business.

One of those Kuok was particularly close to was Dr Ismail Abdul Rahman. Ismail was Malaysia’s first ambassador to the US and also had held the positions of Foreign Minister, Home Minister, and Deputy Prime Minister. So close were Kuok and Ismail, having grown up together in Johor Bahru, that Ismail consulted Kuok on matters affecting the nation. When racial riots broke out in 1969, Ismail called Kuok to come back from Singapore to advise on the text of a radio address calling for calm. Kuok also knew Razak as they were both in the Raffles College at the same time, and in 1971 Razak became Prime Minister. Kuok thus moved easily within the ruling elite and was comfortable with royalty, Malay and non-Malay elites.

When the government decided to create a national shipping line, the help of the Kuok Brothers was called upon. Kuok’s new acquisition, Rickwood and Company, held agencies that included package handling and the shipping of machinery from Singapore to Port Dickson. Furthermore, Kuok had been chartering vessels to transport bulk raw sugar from overseas. Kuok Brothers had the experience and connections in international shipping. In 1968 the Malaysian International Shipping Corporation (MISC) was formed with Kuok Brothers as one of the major shareholders. Kuok was appointed the first chairman of the company.

Kuok entered into major business collaborations with state agencies at both federal and state level. For example, the MISC’s other partners were the Lembaga Urusan dan Tabung Haji (LUTH) (the Pilgrims’ Trust Board) and Hong Kong’s Frank Tsao who owned International Maritime Carriers Ltd. LUTH was also a major shareholder in Federal Flour Mills Berhad. In 1968 Kuok formed Perlis Plantation Bhd (PPB) with the Perlis state government to undertake sugarcane planting. PPB became Kuok’s flagship business in Malaysia and it partnered Federal Land Development Authority (FELDA) to set up a sugar refinery.

The state took an even more interventionist role in the economy following the 1969 inter-ethnic riots. An affirmative action programme to help the Malays known as the New Economic Policy (NEP) was launched in 1971. Quotas were set for Malay employment and equity participation in major businesses in the country. The Industrial Coordination Act (ICA) was passed in 1975 requiring business with paid-up capital of RM2 million to have 30 per cent Malay or Bumiputra share. Political leaders argued that Malay frustration at economic neglect had contributed to the riots, and the disparity had to be addressed.

The early NEP directives had little effect on Kuok. Even before quotas Kuok’s businesses included significant Bumiputera participation. He had drawn in the

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56 Gale, Politics and Business.
58 The Straits Times, MISC.
60 The term ‘Bumiputera’ refers to the local Malays and other races indigenous to Malaysia.
largely Malay FELDA and Tabung Haji as equity partners in MSM, Perlis Plantations, and FFM. This was more than just tokenism. As a result of his close relations with the Malay elite, Kuok was sensitive to the ruling party’s concern to encourage more Malay economic participation. Malay participation was drawn initially from his old Johor connection particularly the royal family. He appointed Tengku Suleiman ibni Tengku Abu Bakar as General Manager and Director of PPB and Tunku Osman Ahmad as Chairman of Pelangi Bhd. Tengku Suleiman is a grandson of Sultan Ibrahim of Johor and is the cousin of the late Sultan of Johor. Thus the close links between the Johor royalty and Kuok’s Tong Seng was maintained. His school mate Taib Andak, who became chairman of the FELDA and Malayan Banking, was made a director of Federal Flour Mills while Hussein Onn and Norashikin binti Dato M Seth, wife of Dr Ismail, were shareholders of MSM.61

Kuok continued to do new business with state agencies under NEP. Kuok Brothers and Peremba, the investment arm of the Urban Development Authority, built the Shangri-La Hotel in Kuala Lumpur. Such collaboration with state agencies facilitated entry into strategic business sectors and access to land.62 When the state set up the trading company, Perbadanan Nasional Berhad (Pernas) and Bank Bumiputra, a bank for Malays, Kuok was invited to sit on the founding boards. He was made chairman of Malaysian Airlines after the split of Malaysian-Singapore Airlines, and of the Malaysian Tourism Board. More than any local Malaysian businessmen, Kuok was a key player in state-backed companies.

Nevertheless, the gradual passing of his generation of power elite and the rising stridence of the NEP’s implementation must have raised doubts in Kuok’s mind as to the sustainability of the system he had carefully nurtured. Tunku Abdul Rahman, under whose premiership MISC and MSM were established, had stepped down in 1971. Tun Ismail, who was deputy Prime Minister, passed away in 1973, and Tun Razak was already a sick man. Hussein Onn who later succeeded Tun Razak as Prime Minister had heart problems. Tan Siew Sin who had been Finance Minister since 1959 and who had resisted the ICA was replaced as Finance Minister by Tengku Razaleigh. Tengku Razaleigh pursued a more pro-state and pro-Malay approach to business. As it turned out, external developments would spur major changes to Kuok’s vast business empire.

**FAMILY CONTROL AND PROFESSIONAL MANAGEMENT**

The Kuok family business was so diversified and spread-out that to run the various companies successfully it had to turn to senior professionals. Indeed, Kuok acknowledged how several non-family members were with him from the start. In

61 Ooi, Reluctant politician.
62 Lim, Sugar King; Friedland, Kuok the kingpin.
his speech marking the sixtieth year of Kuok Brothers he paid tribute to several. Elsewhere Kuok explained that he needed management skills and experience that extended beyond what was available among family members or even among the Chinese. He leveraged on the strengths and weaknesses of different groups. He recognized that the best hotel managers were Europeans trained in hospitality schools and appointed them to manage his Shangri-La Hotels. Kuok found very few Chinese trained in hotel management and those with the necessary expertise often left to set up their own hotels.

More than other Chinese business groups, Kuok has been able to retain the loyalty of his professionals. One of these, Lim Chee Wah, joined MSM in 1965 and rose to become a senior director. In 1980 Lim was appointed to head Malaysian Bulk Carriers, and became chairman of Jerneh Insurance, another of Kuok’s companies. He is now also a trustee of Kuok Foundation. Kuok, significantly, allows more than 30 per cent of shares in the three main family holding companies to be held by non-relatives and outsiders.

As the Kuok family acquired companies or went into partnership in new ones, non-family members gained important roles within subsidiaries or associate companies. One of the most prominent of the non-Kuok family members is Martua Sitorus, who with Kuok Khoon Hong founded Wilmar International. Martua takes charge of Wilmar’s 48 companies in Indonesia and is himself the fourth wealthiest man in Indonesia.

Bringing in professionals and outsiders, nevertheless, has risks. Transmile Group Bhd, a cargo airline company listed on the Kuala Lumpur Stock Exchange suffered heavy losses. Kuok’s nephew Khoon Ho sat on the board of Transmile but running of the company was left to outside professionals. In 2007 two members of Transmile’s senior management were charged with accounting fraud. Transmile shares fell and the company was eventually delisted.

OVERSEAS DIVERSIFICATION: SINGAPORE, HONG KONG AND CHINA

The Kuok Brothers diversified to Singapore in the 1950s and Hong Kong in the 1970s. In 1955 Kuok Brothers acquired Rickwood, a trading company, and in 1965 renamed it Kuok Brothers Singapore. In Hong Kong, Kuok bought Kerry Holdings in 1977. Kerry Holdings was restructured as Kerry Properties and became Kuok’s Hong Kong property flagship. The company developed property

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63 Kuok, Speech.
64 Television Corporation of Singapore, In conversation.
66 Kok, Bumpy road.
in Hong Kong and later in China. Kuok also took over the influential *South China Morning Post* (SCMP) from Rupert Murdoch in 1983. While Kuok retained his Malaysian businesses, he continued to broaden his interests to China, Indonesia, the Philippines, and elsewhere. His investments in China are very diversified and more recently, he acquired the Coca-Cola franchise for China. Kuok has also gained half of China’s cooking oil market.

Questions have been raised as to why Kuok moved first to Singapore and then to Hong Kong. Some of these touch on Kuok’s relations with the state, but the reason for his move was simply a business decision. Kuok likened his business in Malaysia to a small fish in shallow waters with very few opportunities for expansion. His sugar business in Malaysia where the state controlled the retail price was growing at only 2 per cent per year. Kuok was looking at economies where opportunities were much greater.

In the case of Singapore, it was less a re-location than the exploitation of a business opportunity. As already mentioned, Kuok purchased Rickwood and Company in 1955 at below its book value from the owner who wanted to retire from Southeast Asia. This company gave Kuok access to markets in Japan and the UK through its sales agencies. Further, this foray into Singapore occurred even as Kuok’s business interests in Malaya were expanding. Businessmen from Johor had traditionally strong links with Singapore, sometimes stronger than with the rest of Malaya.

In the case of Hong Kong, however, there were other considerations. The first reason was the NEP which Kuok foresaw would constrain Chinese business in Malaysia. Secondly, the chaos that enveloped China during the Cultural Revolution had just about run its course. With Mao’s death in 1976, Deng Xiaoping gained ascendancy. In 1978, just a year after Kuok bought Kerry Holdings, the reform process commenced. One of the most successful experiments was the setting up in 1984 of four special economic zones – in Shantou, Shenzhen, Xiamen and Zhuhai, all close to Hong Kong – where foreign investments and industries were encouraged. This initiative marked a major reversal of Chinese government policy towards the Chinese overseas businessmen. The Chinese leadership realized that businessmen like Robert Kuok with their experience, connections and resources could be useful. Malaysian Chinese themselves saw great opportunities in China particular in property development, education, and manufacturing. The opportunities offered by a liberalizing China were not lost on Kuok.

68 This was revealed in Kerry Holdings website under ‘History’.
69 Chan, English-language media, pp. 323–35; Kwang, Sugar King.
70 *The Straits Times*, Coke and Kuok; Witcher and Ubels, Malaysia’s Kuok.
71 *The Straits Times*, Robert Kuok declares himself a Hong Kong Resident.
72 Sia, Robert Kuok, p. 59.
73 Hara, Malaysia’s New Economic Policy, pp. 262–92; Jesudason, Ethnicity and the economy.
Kuok recalled how in 1973 two Chinese officials met him in secret in Hong Kong and told him about the dire shortage of sugar in China. Kuok obliged and through this developed good relations with the leadership in China. Well-versed in the Chinese language, Kuok could engage directly with the Chinese. When Kuok met Chinese leaders, he came with a high reputation as a successful businessman and someone close to Malaysian leaders.

One could argue that the opening of China was more important than the NEP in taking Kuok to Hong Kong. In Malaysia, his business position was secure and he had strategic Malay partnership. He had benefitted from the government’s incentive policies. He had made gains by shrewdly locating new sources and partners. He had the reputation, experience, resources, and connection to invest in a wider region where Indonesia and the Philippines, as members of ASEAN, also offered opportunities. But Kuok found it necessary to relocate himself and his business to Hong Kong because travel for Malaysian citizens between Malaysia and China was still officially discouraged.

Two questions remain to be addressed in explaining Kuok’s move to Hong Kong. First, could he not have accomplished his objectives from his acquired base in Singapore? If he was interested in China, the answer would clearly have been negative – Hong Kong is, after all the gateway to China. It could also well have been the fact that Hong Kong’s economy was much more laissez faire than Singapore’s. Second, it might also be argued that internationalization was part and parcel of a growing business, and that Kuok’s was no different. Although extant research shows a general reluctance to internationalize by family firms relative to non-family firms, the evidence suggests that Kuok’s move to Hong Kong was carefully calculated.

His move to Hong Kong turned out to be also fortuitous in another way. When the Asian Financial Crisis hit Malaysia in 1997, his investments in China, Hong Kong and Europe helped mitigate the impact on his total business. China, with its currency not fully convertible and capital markets not liberalized, was largely spared the Crisis. Hong Kong, though affected somewhat by the crisis, beat back currency speculators and maintained the dollar peg.

Despite his move to Hong Kong and China, Kuok retains major business interests in Malaysia. His flagship business is PPB while MSM dominates Malaysia’s sugar trade. Even though the government controlled the sugar price, PPB still brought in steady revenue for the Kuok Group. Kuok managed to enter into long-term contracts for sugar supply at competitive prices with various countries including Australia, Cuba, and India, and this enabled PPB and MSMB to earn

75 Kuok, CCTV Interview; The Star, Down to earth tycoon.
76 Tanzer, Bamboo network; Yeap, Kuok’s PPB; Economist, Empires without umpires.
77 Gupta, Graves and Thomas, Understanding.
79 Fernald and Babson, Why has China survived?
80 Carse, Impact.
good profits.\textsuperscript{81} Furthermore, Kuok has his five-star Shangri-La hotels in Penang and Kuala Lumpur, the latter being one of the premier hotels in the Malaysian capital. Besides the hotels, Kuok Brothers in Singapore had started Pacific Carriers, a regional shipping company, in 1973. In partnership with MSM Pacific Carriers set up the Malaysian Bulk Carriers Bhd in 1980 which carried much of the sugar trade of the Kuok business. He entered the finance sector when he bought a substantial controlling interest in Jerneh Insurance Company, a successful composite insurer.\textsuperscript{82} Kuok, together with Pos Malaysia, also took a controlling share in Transmile Group Bhd.

This account of Kuok cannot end without reference to his divestiture of all his holdings in MSM to FELDA in 2009. In October that year, Kuok’s PPB announced the sale of its wholly owned subsidiary MSM, its sugarcane farm in Chuping, its 50 per cent equity stake in sugarcane miller and raw sugar refiner Kilang Gula FELDA, and its 20 per cent equity in Tradewinds which controlled Central Sugar Refinery.\textsuperscript{83} Thus ended Kuok’s entire sugar business in Malaysia, a business that spanned 45 years and controlled 60 per cent of the country’s sugar supply. Speculation was rife that like other Malaysian Chinese businesses, Kuok was the victim of the government’s acquisition drive. However, it was well-known that with sugar a price-controlled item, profitability was limited. Efforts to maintain profitability through international sugar purchases came to nought when sugar prices rose.\textsuperscript{84} The reasons for Kuok’s exit may never be known. On the one hand, Kuok had long seen the writing on the wall of the increasingly constraining environment brought about by the NEP. But he would also have seen the advantage of exiting on good financial terms. The resources thus freed could be redeployed.\textsuperscript{85} Though Kuok had been successful in relocating overseas, he did not move out entirely. He still retained substantial interests in Malaysia such as those in hotels, palm oil, flour manufacturing and services.

It is instructive to compare the experience of Kuok with British and European firms in Malaysia, particularly those that sold out and those that retained control. The reason for the different outcomes lies primarily in their compliance, or lack of compliance, with nationalist pressures. Though Malaysia gained its independence in 1957, the pressure on foreign interests to ‘Malaysianize’ really began with the NEP. Then ‘Malaysianization’ meant foreign firms giving up control primarily to state interests (not by nationalization but through the market) acting on behalf of Bumiputras, or allowing effective Bumiputra participation in the higher executive and technical echelons. The plantation interests, which then held the commanding heights of the economy, were targeted. The implementation of this policy however could be flexible if the foreign firms went along with the spirit of NEP.

\textsuperscript{81} Cheah, PPB in final lap.
\textsuperscript{82} Chua, Kuok Brothers.
\textsuperscript{83} Fong and Barrock, Cover story; Fong, 2010 deal.
\textsuperscript{84} Fong and Barrock, Cover story.
\textsuperscript{85} The Star, Wilmar aims; Lin, Overseas Chinese, pp. 985–1009.
Large British plantations such as Harrisons and Crosfield Ltd, Guthrie Group, and Barlow Group had been most at home running plantations when Malaya was a colony. Sir John Hay, the Managing Director of Guthrie in the early 1960s, explained that it was difficult to move to another country or diversify into manufacturing. Nor could planters used to colonial ways comply easily with the demands of the NEP, and viewed shared British Malaysian ownership with dismay. Guthrie, before its takeover by Malaysian state interests, divested only the most unprofitable parts of its business. With farsighted leadership capable of developing genuine friendship with key Malay leaders, the agency houses might have retained control. The third largest plantation company in terms of acreage, Barlows, could not accept change and sold their controlling interests in Highlands and Lowlands, their crown jewel, in 1976. Finding being a minority shareholder untenable, Barlows disposed of their remaining interests in 1983.

United Plantations and Behn-Meyer, by contrast, managed to retain control, essentially by accommodating to key demands of the NEP. UP, incorporated in 1917, was first taken over by a state agency, FIMA (Food Industries of Malaysia), in 1982 but its Danish shareholder Borge Bek-Nielsen remained as a director. Nielsen did not have the complicated feelings then held by most Britons about people who were once their subjects, and got along with the new chairman, Tan Sri Basir bin Ismail who himself was close to Dr Mahathir Mohamad, the Prime Minister. Nielsen went further than compliance with the NEP. He spoke out for Malaysian palm oil when it was subjected to attacks by American soybean interests. So well regarded was he by the Malaysians that together with another Danish group he was allowed to buy back controlling interest in UP when FIMA was privatized in 1991.

Behn-Meyer, founded in 1840 by two Germans, began as an exporter of tropical produce and importer of manufactured products from Europe. By the 1950s and 1960s, it had turned to the servicing of products like chemicals, polymers, paper and board and fertilizers. Being a German company it was seized by the British colonial authorities during the world wars, but survived and prospered. With long experience of adapting to local conditions it was quick to accommodate one of the key demands of the NEP, that of training and placing Bumiputras in high executive and technical levels.

CONCLUSION

The Kuok Group is the largest and most diversified, and one of the oldest, family businesses in Malaysia. Its history is instructive to students of family business. We

86 Yacob and White, ‘Unfinished business’; Martin, European plantation.
87 Martin, European Plantation, p. 6.
89 Yacob and Khalid, Adapt or divest?
90 Martin, European plantation, p. 12.
91 Yacob, Trans-generational.
can now answer the questions posed earlier. The answers will help to determine whether the Kuok Group is typical or unique among Chinese overseas family businesses.92

First, the expansion and diversification of this family business must be credited to the dynamism, ideas and skill of an individual, Robert Kuok, a second generation Malaysian Chinese. Kuok’s talent and business acumen were nurtured within a family environment that stressed education, both English and Chinese, and traditional values. He grew up in the business culture of his father’s Tong Seng and Company. Thrift and hard-work were stressed. His mother was influential in shaping his outlook and attitude. And, like other family businesses, Kuok family members took key positions in group companies, although other relatives were involved directly from the beginning.

However, Kuok lived in exceptional times and thus differs from many founders of family businesses in Malaysia today. He had to contend with an environment that offered both challenges and opportunities. He overcame those challenges, turning them into opportunities while capitalizing on the favourable circumstances he encountered. He overcame the disadvantage of being a member of a minority dialect group by searching for other business possibilities not defined by dialect ties. He appreciated the political shifts taking place and worked with states and their institutions. It may be argued that Kuok was lucky to be present at a time of political and economic transition. But Kuok anticipated and leveraged on the opportunities offered by British decolonization, expanding Japanese economic presence and the rise of China to steadily grow and diversify his business empire. Entrepreneurial skills, capital and connections were needed and Kuok mediated and managed these resources.

It may also be argued that the success of Kuok’s family business was built upon trading essential commodities that were largely protected by government restrictions, and that his partnership with state institutions allowed him to move to plantations and other businesses. The sugar and flour business, facing little local competition, enabled the creation of immense wealth and reputation that allowed him subsequently to enter into more competitive service sectors like hotels. Nevertheless, unlike the typical cronies who are mere rent-seekers after obtaining state contracts, Kuok turned his connections into successful business ventures through hard work and risk taking. Some of the new businesses he entered into complemented those he was engaged in and provided added synergy. Indeed, Kuok himself had to be sensitive and alert to an evolving social and political environment. Earlier than most, he relied on non-family members and professional management to expand and diversify. His ability to anticipate the NEP by incorporating Malays at the highest level should be seen through this lens rather than as the tokenism which characterized many subsequent appointments of Bumiputeras by Malaysian Chinese businesses.

92 Economist, End of tycoons.
The making of a Malaysian magnate 287

The final question posed is whether the Kuok Group will survive beyond Kuok himself. Some idea of the Kuok group’s future can be seen in the transition to the third generation of the Kuok family business already taking place. What is striking is that as third generation members are taking their positions, the Kuok business is growing and expanding. Equally significant is the fact that, besides the direct and active involvement of Kuok’s immediate family members, his nephews are heading major enterprises. The co-option of members outside of the immediate family that began with Tong Seng and Company has continued. This contrasts sharply with other Chinese family businesses which have often revolved around nuclear families and even then encountered internal strife.

Whether the family business remains a single business empire under the Kuok Brothers banner or breaks into several entities remains an open question. But if survival is defined simply as the ability of successive generations to preserve if not grow the family business, the prospects of the Kuok group are positive. These answers must lead us to conclude that Kuok’s business empire is different from most Malaysian Chinese enterprises. While the Kuok Group shares with most Chinese firms the emphasis on education and traditional values it is not bounded by dialect identification. Very early on, Kuok involved non-family as well as non-dialect based members in his team. Moreover few Chinese firms have the close ties with the state and its leaders that Kuok developed. It was business arrangements where his knowledge, experience and connections were tapped by the state that generated resources and permits.

Few Chinese firms have the geographical coverage successfully established by the Kuok group or the brand names. Based now in Hong Kong, Kuok has expanded his business extensively into China while retaining strong and growing interest in Southeast Asia where he has oil palm and sugar as well as hotels. Elsewhere his 71 Shangri-la Hotels are making a presence in the UK and Europe. He has developed comfortable relations with national leaders in the region because of his reputation as someone reliable. A phase of spectacular growth occurred at a time of China’s rise. This distinguished Kuok from many other Chinese overseas businesses.

Yet the dominance of Kuok could also be a weakness. Kuok’s qualities and his strong connection to leaders of state and major corporations are intangible assets. The challenge is to pass them on to successors or family members. Joseph Fan argues that the inability of founders to do so explains why there is wealth destruction in family businesses when succession takes place.93

Kuok belongs to a long list of Chinese businessmen in the region, children of immigrant parents, who have successfully created wealth. In the past such individuals rooted their businesses in the new country but Kuok represents a growing number who are diversifying overseas and back to the parents’ homeland. Kuok therefore embodies both the old and new in the trajectory of Chinese business in Malaysia’s business history.

93 Fan, Family firm.
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