Ethnic Enterprises, Class Resources and Market Conditions: Indian owned SMEs in Malaysia

JESRINA ANN XAVIER AND EDMUND TERENCE GOMEZ

Abstract

This article investigates changes in the conduct of ethnic enterprises following the emergence of a new generation of owners with varying class resources and as market conditions transform. The case study method is used to examine the impact of changing class resources and market conditions on ethnically-based enterprises, exploring the effects of generational transitions among small Indian owned companies in the food industry in Malaysia. The results provide an insight into key changes in the evolution of Indian owned enterprises. They indicate that changes in class resources and market conditions have enabled Indian owned food-based companies to alter their products to fit a larger market, while responding to the demands of a rapidly modernizing society.

Keywords: Ethnic enterprise, class resources, market conditions, generational change, SMEs

Introduction

Business enterprises in Malaysia have developed in the context of a historical practice of segregating economic activities along racial lines. This practice was introduced under British colonial rule. Subsequently, due to the nature of certain public policies, specifically affirmative action that favoured the majority ethnic community, minority groups were forced to become markedly self-reliant in order to overcome structural factors that inhibited the development of their business enterprises. However, over time, members of minority groups, specifically Malaysian Indians, and particularly those among the lower middle class, have gained wider access to class resources, such as education, financial resources and work experience. Class resources, obtained primarily through education, have endowed Indians with the opportunity to secure better jobs, as professionals and in the civil service, as well as in business.

According to Sivalingam (1994), most Indian owned firms in Malaysia operate as small and medium sized enterprises (SMEs). SMEs, a key
component of the developing economies of Southeast Asia, are widely recognized as vital contributors to the creation of new products and technology; SMEs are entrepreneurial enterprises that have contributed to economic growth and modernization. As in East Asia, SMEs constitute a vital component of the Malaysian economy and are seen as a major engine of growth as they constitute 99.2 per cent of all businesses in the country. According to the Economic Census of 2011, conducted by the Department of Statistics Malaysia, SMEs contribute 56.4 per cent of total employment in Malaysia.

Malaysia's food industry is rich in terms of tropical and agricultural products, reflecting the diverse cultures of this society, such as those of the Malay, Chinese and Indian ethnic groups. The Malaysian food industry is becoming increasingly sophisticated, relying on both local and imported goods for its supply of produce, following the rise of a new generation of businesspeople who are more open to adopting and adapting ideas from the cuisines of other ethnic groups into their products and catering services. This study will look at two areas within the Malaysian Indian food industry: the spice sub-sector and restaurant and catering sub-sector. These sub-sectors were chosen for assessment because participation of Indians in these areas can be traced back at least two generations.

Major players in the spice sub-sector that have been around for two generations or more include firms such as Baba Products, Santha Store Flour Mills, Alaggappa's Flour Mill, Gemini Flour Mills and M.P. Lingam & Sons. Of these five firms, three agreed to participate in the study: Santha Store Flour Mills, Gemini Flour Mills and M.P. Lingam & Sons. Most firms within this spice sub-sector started out as small home-based businesses. Key companies in the restaurant and catering sub-sector who have been around for two generations or more include the Lotus Group, The Big Rajah Food Caterers, Syarikat Little Caterers and Jumbo Restaurant and Catering. Of these four companies, two agreed to participate in this study: The Big Rajah Food Caterers and Jumbo Restaurant and Catering.

The strong growth registered by the Malaysian economy in the late 1980s and early 1990s contributed to major changes in consumer consumption patterns. Lifestyle changes have led to an increase in the demand for convenience and health foods. As noted, the food industry in Malaysia is dominated by SMEs. Another core dimension of this sector, a trend that emerged in the 1990s, is its focus on Halal-based products. Given that about 65 per cent of Malaysia's 30 million