

Teraju: Bumi Agenda needed for more and better companies
The Malaysian Insider
August 22, 2011
By Shannon Teoh

KUALA LUMPUR, Aug 22 — Putrajaya's new Bumiputera co-ordinating unit Teraju has defended affirmative action for Bumiputera businesses who are still short on numbers and expertise despite the government's New Economic Model (NEM) that promotes competitiveness.

The unit under the Prime Minister's Department in charge of co-ordinating the so-called Bumiputera Agenda, said that Bumiputera firms only form about a quarter of small-medium enterprises (SME) in the country, of which only eight per cent are run by university graduates.

Chief executive Husni Salleh told The Malaysian Insider that unlike poverty eradication, "broad stroke" measures could not be implemented with regards to businesses as Bumiputeras owned only 200,000 out of 800,000 SMEs in the country, and of that number, 88 per cent are micro-SMEs.

He noted that the problem was not just that Bumiputera firms were not as competitive, but that there were not enough of them. As such, there was a need "for a level playing field" without which the racial gap in the economy would continue to grow.

"Whatever we do, we have to go back to equity. That is one indicator for economic participation.

"We need to bring their level up and create new companies," he said in a recent interview.

Both Prime Minister Datuk Seri Najib Razak and his deputy Tan Sri Muhyiddin Yassin have reaffirmed the government's commitment to the Bumiputera agenda over the weekend at a community business forum.

The controversial New Economic Policy (NEP), introduced in 1970 after race riots, had set a Bumiputera corporate equity target of 30 per cent.

But official statistics say that after four decades of affirmative action, Bumiputeras only hold a 21.9 per cent stake.

While the hardline Malay ground says that this means affirmative action must continue, critics insist that handouts have only made Bumiputeras uncompetitive, preferring to sell off approved permits (AP) and licences, initial public offering (IPO) quotas and allowing themselves to be nominees so companies can meet Bumiputera criteria.

According to Teraju, a Bumiputera company is defined as one that has at least 35 per cent or 51 per cent Bumiputera ownership for public listed and private companies respectively.

However, they must also have Bumiputeras making up more than half of the staff and board members.

But Husni admitted that APs and IPOs, part of various "Ali Baba" practices, are now "not sustainable and effective tools."

He also said that one method to increase Bumiputera participation was to explore a "blue ocean strategy, where there is no clear winner."

"We can create differentiation and enter a new market but we need more sophisticated entrepreneurs," he said.

With Malays making up the majority of the 70,000-plus fresh graduates still on the job hunt, Husni said that efforts to push them into the business world would also lighten the burden of job creation, widely said to be the main drive behind a civil service that has bloated to 1.3 million employees today.

Copyright © 2011 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/teraju-bumi-agenda-needed-for-more-and-better-companies/>