

Socking it to 'Swine Bobby'

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A good many Western firms that have been involved in natural resources in the "developing" nations since the colonial era have had to make some sharp changes in the way they handle their overseas empires. Some of the companies that have not adapted to new realities of local pride and politics have learned to regret it. The most recent example is Sime Darby, a rubber and palm-oil conglomerate in Malaysia that had been one of the stouter remaining pillars of Britain's overseas commercial empire. That pillar fell with a crash over New Year's with an upheaval on the board of directors that put the company under effective control of the Malaysian government and had all the elements of a Graham Greene novel—intrigue, nationalism and more than a pinch of imperial smugness.

The immediate cause of the postcolonial drama at Sime Darby was a disagreement over appointments to fill three vacancies on the twelve-member board last November. Chairman James Bywater, a British-born engineer who was a relative newcomer to Malaysia, insisted that three British members of his management team be nominated for the board. But a big Sime Darby stockholder, the government-controlled Pernas, a trading company with capital of \$200 million, was just as adamant in pushing three Asian candidates of its own. Pernas had clout: it publicly admitted holding 8.5% of Sime Darby's stock, but may have quietly bought as much as 20% through third-party nominees.

Steam Heat. Bywater called for a proxy fight, despite warnings from other businessmen that he could not win. On the eve of the proxy vote, when Bywater finally realized he had lost, he called off the fight and resigned from the board with two other directors, leaving the government in control with a seven-man majority on the board. Within hours, Bywater was replaced as chairman by Tun Tan Siew Sin, Malaysia's former Finance Minister. Said Bywater: "I guess we just ran out of steam."

What Bywater had apparently failed to reckon with was the rising strength of economic nationalism in Malaysia and the growing disenchantment of Sime Darby shareholders—now mostly Malaysians—with the largely British management of the firm, which many local critics viewed as a sore reminder of colonial exploitation.

The company holds assets of \$300 million in rubber plantations and palm-oil industries on the Malay peninsula, yet it keeps its headquarters in Singapore and is registered in London. For years it had a reputation for mistreating and underpaying its workers, who bitterly dubbed the firm "Swine Bobby" (slang for pig feed) or "Slime Darby."

More recently, the company bought control of a lackluster elevator company in Britain and an interest in a garbage-truck manufacturer in Belgium. Bywater defended these investments as steps toward creating "a Western technological base" for the company, but most Asians saw them as a flight of Malaysian-earned profits.

Sime Darby, named for three British founders (two Sime brothers and H.M. Darby), was established in 1910 as a management firm with a capital of \$20,000. By the late '60s the company, under its autocratic chairman Dennis Finder, had embarked on an expansion drive, gobbling up smaller firms and firing managers. When commodity prices plunged in 1973, the company was badly overextended and profits dropped. On top of that, Finder was arrested and eventually jailed for misappropriating \$1 million in company funds.

That was when Bywater, a recruit from British Ford with a reputation as a brisk and competent manager, was brought in. The town-gown relationship he found was tense, to put it mildly. "I only had access to the company's documents if I requested them from the police," he complained to a reporter. Nonetheless, Bywater, with a new executive group, reorganized the sprawling company along more efficient lines; in 1976 Sime Darby managed to turn a profit of \$30 million—the highest in its history—on sales of \$496 million.

Opening Wedge. The Sime Darby takeover is a clear sign that the Malaysian government wants a greater say in producing and marketing its resources. The broader implications, however, have given some businessmen pause: they are convinced that the Sime Darby affair could be the opening wedge in a new drive to nationalize or otherwise restrict foreign resource firms, not only in Malaysia but throughout all the developing countries in Southeast Asia. For this reason, the Malaysian government may be hesitant to follow up its coup at Sime Darby with moves on other foreign-run firms, lest it frighten off foreign capital. New outside investment in Malaysia last year totaled only \$32 million, down sharply from \$268 million in 1975.

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