International Business Management 8 (5): 268-276, 2014
ISSN: 1993-5250

A Review on Family-Controlled Business Groups with Particular Reference to Corporate Governance in Malaysia

[1]Sin Huei Ng, [2]Boon Heng Teh, [3]Tze San Ong and [3]Wei Ni Soh
[1]INTI International University, Persiaran Perdana BBN, 71800 Putra Nilai, Negeri Sembilan
[2]Multimedia University, Jalan Ayer Keroh Lama, 75450 Ayer Keroh, Melaka
[3]Universiti Putra Malaysia, Darul Ehs Serdang, 43400 Selangoran, Malaysia

Abstract: Within the publicly-listed corporate sector, forming business groups is a common practice in family businesses in Malaysia. The formation of business groups by controlling families can bring additional agency problems which do not exist in Anglo-Saxon countries, particularly in the US and UK corporations. The expanded control over a number of listed member firms made possible by business groups increases the chances of expropriation of minority shareholders. The more complicated the structure of the business group, the more serious the problem may be. This is especially true in Malaysia where it is widely known that the controlling families of many business groups, particularly the large ones have close relationship with influential senior politicians or government officials. The relationship provides political patronage and protection to facilitate the expropriation activities by the owner-managers. The principal-principal problems can therefore, be more serious. Thus, more understanding of the agency problems facing family-controlled firms can be achieved by examining the business group affiliation issue in some detail.

Key words: Family-controlled business groups, pyramidal structure, corporate governance, expropriation, agency problem

INTRODUCTION

Within the corporate sector, forming business groups is a common practice in family businesses in Malaysia. A family-controlled business group is formed when 2 or more publicly-listed firms are simultaneously controlled by the same family. In other words, the family acts, as the common controlling shareholders for the firms. Family-controlled business groups in Malaysia often operate across a diversified range of activities within a sector, as well as across many sectors as diverse as plantation, manufacturing, trading, services, construction and property development (Thillainathan, 1999). The formation of business groups by controlling families can bring additional agency problems which do not exist in Anglo-Saxon countries, particularly in US and UK corporations (Morck and Yeung, 2003). It is believed that a specific type of expropriation known as, tunneling of resources out from the listed member firms is more prevalent in family business groups than non-group affiliated family firms (Bertrand *et al*., 2002, 2008; Bhaumik and Gregoriou, 2010).

DEFINING BUSINESS GROUPS?

Though most of the business groups are family-controlled in East Asia in some countries, such as Singapore some business groups are controlled by state. This study only focuses on business groups that are family-controlled. Business groups are a common form of business organization in Asia. According to Claessens *et al*. (2006), normally in a business group, a family, a single individual or a coalition of families control a number of firms. Firms controlled by individual entrepreneurs are also grouped into family-controlled firms (Anderson and Reeb, 2003; Andres, 2008; Masulis *et al*., 2011). The labels for business groups vary in different countries (Yiu *et al*., 2007). For instance, among Asian countries, they are known as keiretsu in Japan, hongs in Hong Kong, business houses in India, guanxiqiye in Taiwan and chaebol in Korea. The differences are not only in the labels but also in the organizational structure of the groups (Khanna and Yafeh, 2007). For example in the Korean chaebols, the affiliates tend to be tied by vertical integration of inputs and outputs (Chang and Hong, 2000).

Corresponding Author: Sin Huei Ng, INTI International University, Persiaran Perdana BBN, 71800 Putra Nilai, Negeri Sembilan, Malaysia

Conversely, the guanxiqiye in Taiwan focus more on partnerships amongst individual or family investors and a group is jointly managed, as a strategy network (Yiu *et al*., 2007).

In general, a business group is formed when independent firms are united by having the same controlling shareholder (s). Each firm in the business group still enjoys a certain amount of autonomy, such as having its own board of directors and its own management team, as well its own shareholder base (Khanna and Rivkin, 2001). It is thus, different from the conglomerate type of business organization found in the United States whereby the various subordinate businesses do not have such autonomy.

Though, the business group as an organizational structure is common among firms operating in East Asia and the rest of the world, there exists no legal, universal definition for it. In other words, there is no unified approach to define business groups and various definitions of business groups are given by different researchers. According to Yiu *et al*. (2007), researchers usually deploy their own definitions of what they consider a business group and Claessens *et al*. (2006), the definition of group membership is country-specific.

Leff (1978) is among the first to discuss business groups and defines them from a broad perspective, as a group of companies which transact in different markets under common entrepreneurial or financial control and that they are linked by relations of interpersonal trust, on the basis of a similar personal, ethnic or communal background (Leff, 1978). The definition is broad as it covers firms that are linked by personal trust and similar social backgrounds.

Recent literature, such as Yiu *et al*. (2005) defines business groups, as a collection of legally independent firms that are bound by economic (such as ownership, financial and commercial) andsocial (such as, family, kinship and friendship) ties (Yiu *et al*., 2005). Yiu's definition is specifically pointing to not only the social ties but both the economic and social ties. Chang and Hong (2000) characterize business groups, as a collection of formally (legally) independent firms under single common administrative and financial control that are owned and controlled by certain families and Claessens *et al*. (2006) treat a business group, as a corporate organization where a number of firms are linked through stock-pyramids and cross-ownership though business groups should not be equated with pyramids, as some business groups do not involve pyramiding or cross-holdings (Khanna and Yafeh, 2007).

Khanna and Yafeh (2007) consider business groups, as a collection of legally independent firms, operating in multiple (often unrelated) industries which are bound together by persistent formal (e.g., equity) and informal (e.g., family) ties. Chakrabarti *et al*. (2007) state business groups are networks of legally independent firms linked by a set of formal and informal ties that coordinate their actions. Finally, Cuervo-Cazurra (2006) suggests that business groups are those networks that exhibit unrelated diversification under common ownership.

According to Khanna and Yafeh (2007), some business groups are highly diversified and others are more focused. In a nutshell, business groups are generally accepted by contemporary researchers, as a collection of firms united by ownership and control ties: Common ownership, management and board directorship and the groups generally diversify by having member firms involved in different industries. Member firms are affiliated to each other by the same family members acting, as controlling shareholders who normally also hold the senior management positions or directorships of member firms. Table 1 provides definition of how business groups as defined by different East Asian countries (including Malaysia) in Claessens *et al*. (2006)'s study.

According to Claessens *et al*. (2006), some of the earlier definitions are based on either reliable or official sources from within the individual countries. For instance, the data for the Korean groups is obtained from the Korean Fair Trade Commission which defines affiliates, as those that are owned at least 30% by other firms in the same group whereas in Taiwan, a firm is considered, as group-affiliated when at least 20% of the firm's share ownership is in the hands of other firms in the respective group. In Malaysia, Singapore, Indonesia and Thail firms are considered as belonging to the same group when they share a common controlling family which acts, as the largest share owner of the firms.

Table 1: Definition of business groups according to country

Country	Definition
Hong Kong	The family is the largest shareholder of the firm (firms belong to the same group when they are owned by the same family)
Indonesia	The family is the largest shareholder of the firm (firms belong to the same group when they are owned by the same family)
Japan	The company's CEO sits in the group's president's breakfast
South Korea	At least 30% of the stock of the firm is owned by other firms in the group
Malaysia	The family is the largest owner (firms are considered as belonging to the same group when they have a common controlling family)
Philippines	A family member sits on the Management Board and/orthe Board of Directors
Singapore	The family is the largest owner (firms are considered, as belonging to the same group when they have a common controlling family)
Taiwan	The firm is counted, as group-affiliated if other firms in the group own 20% of the stock
Thailand	The firm is listed, as a related company in the annual report of the leading company in the group

Claessens *et al*. (2006)

FAMILY-CONTROLLED BUSINESS GROUPS IN MALAYSIA

Like other East Asian countries, the business group is a common form of organizational structure in Malaysia where most of the business groups are family-owned and controlled. For instance, Gomez (2006) reports that 35 of the 50 largest business groups in Malaysia are family-controlled and the rest are state-controlled. Since, the state-controlled business groups in Malaysia are usually large in size, the proportion of business groups that are family-controlled should, therefore be even higher for the average sized business groups. Claessens *et al.* (2006) report that in their sample, 56, 56, 45 and 37% of listed firms in Malaysia, Hong Kong, Taiwan and Thailand, respectively are group-affiliated. Business groups are common in developing countries because they can be used as vehicles by controlling shareholders to diversify across different industries in order to build their business empire, as the small size of the domestic market does not allow for internal expansion in the same line (Leff, 1978). As such, many business groups are formed in Malaysia (as a small emerging economy), as a way to expand their business empire and provide a solution to the small domestic market (Chu and Song, 2011). (Appendix 1 provides a list of the 40 richest Malaysian and their main sources of wealth).

Definition wise, Zuaini and Napier consider a Malaysian firm in their sample, as group-affiliated when has the same ultimate controlling owners with other companies in the sample or has other PLCs (Publicly-Listed Corporations) in the ownership structure. According to the data provided by Chang (2006), business groups accounted for approximately 25, 24 and 39% of total market capitalization of the stock exchanges in Malaysia, Thailand and Singapore, respectively in 2002. The reseacher claimed that business groups that developed and built connections with the ruling political parties survived the Asian Financial Crisis (AFC) whereas business groups who lacked such connections did not.

Business groups seem to be inseparable from politics (Khanna and Yafeh, 2007). In Malaysia, the extensive and close relationships between business groups and the ruling party is reported by Gomez and Sundaram (1999), Gomez (2006) and Johnson and Mitton (2003). Business groups have existed in the Malaysian corporate scene, since the British colonial era (Gomez, 2006). During the period of the New Economic Policy (NEP) from 1970-1990, many firms controlled by Chinese families were forced to take some accommodative measures to integrate the NEP in order to grow and expand. Many of these Chinese entrepreneurs chose to form close relationships with the influential political figures of the time, as well as the ruling political party in order to continue to receive contracts and other benefits from the government (Gomez and Sundaram, 1999). Those Chinese enterprises that were successful in obtaining support from prominent politicians and the ruling party proliferated and expanded during the era. In order to support their expansion, pyramiding was used to acquire other or form new businesses, being a particularly affordable way to acquire control of other firms using a relatively small amount of capital. For instance, Gomez (2006) elaborates on how the late Lee Loy Seng, one of the Malaysian Chinese tycoons had successfully used the pyramidal holding structure to form his business group:

> Lee discovered that Parit Perak Bhd, a quoted European controlled rubber company with a small paid up capital had hard cash reserves. Lee acquired a controlling stake in the company and according to him then used Parit Perak money to buy a controlling share in Glenealy. Then Glenealy and Parit Perak together bought Batu Lintang. Then with the help of a few friends, Batu Lintang, Glenealy and Parit Perak bought control of Batu Kawan. We just rolled on like this

Essentially, business groups in Malaysia are like many other East Asian firms which are characterized not only by high concentrated ownership but also the inclination of some controlling families to use the pyramidal structure and (to a lesser extent) cross-holdings to exert enhanced control power. In other words, firms which form part of the pyramidal structure are themselves considered group-affiliated. Faccio *et al.* (2001) in their study on the issue of expropriation in business groups in East Asia (including Malaysia), consider a firm in their sample, as group-affiliatedif it fulfills one of the following criteria:

- It is controlled by a shareholder via pyramiding, i.e., indirectly through a chain of corporations
- It controls another corporation in the sample
- It has the same controlling shareholder as at least one other corporation in the sample

CATEGORIZATION OF BUSINESS GROUP

Family-controlled business groups can be categorized into three different types of business groups based on the complexity of the group structures. The first type refers to business groups with affiliated firms controlled by the same controlling family without using a

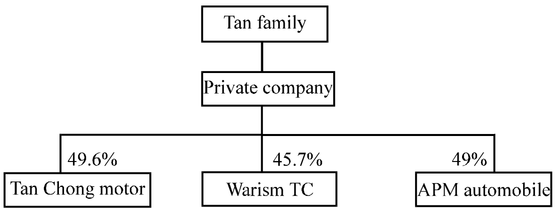

Fig. 1: Simple business group

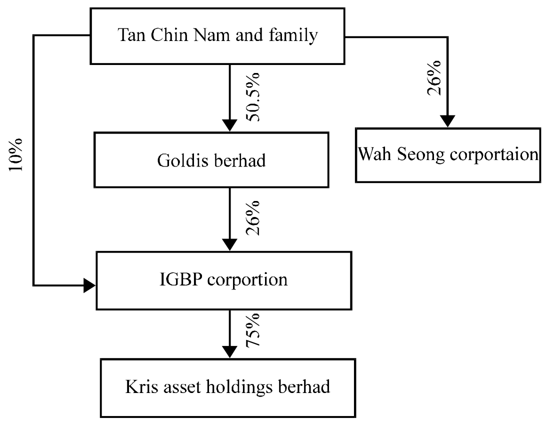

Fig. 2: Business group with pyramidal structure

pyramidal structure (known as simple business groups). In other words, the controlling family is the largest shareholder of these firms and owns the equity stake directly or indirectly through their closely-held companies. There is no pyramidal structure involving the publicly-listed affiliates in the group. The group structure diagram provided in Fig. 1 is an example of such business groups that is included in the sample in this study. Figure 1 illustrates that all three listed companies are controlled by the Tan family through their closely-held companies.

The second type of business group is known, as business group with pyramidal structure. As the name suggests, this type of business group involved the formation of a pyramidal structure: There is at least one publicly-listed affiliate in the group which is indirectly controlled by the family through another publicly-listed company. Figure 2 illustrates one such business group, the Tan Chin Nam and family business group. The cash flow-to-control rights ratio for firms affiliated to this type of business group can be computed without too much difficulty. For instance, Fig. 2 shows that the founding family has a 50.5% ownership stake in Goldis Berhad and 26% in the Wah Seong corporation. Goldis Berhad in turn owns 26% of the IGB corporation. Thus, the cash flow rights of the founding family over the IGB corporation through Goldis Berhad is calculated, as $50.5 \times 26\% = 13.13\%$. At the same time, collectively the family members also directly own 10% of the IGB corporation. Thus, the total cash flow rights of the founding family over the IGB corporation is $13.13+10\% = 23.13\%$. Following the weakest link approach of Claessens *et al.* (2000), the control rights (also known as the voting rights) of the family over the IGB corporation is 36% (10+26%) which is the sum of the weakest links in the chain of voting rights. Finally, the cash flow-to-control rights ratio is calculated, as $23.13/36 = 0.64$. As for Kris Assets Holdings Berhad, the founding family's cash flow rights and control rights over the firm are 17.35 and 36%, respectively. The cash flow-to-control rights ratio is therefore even lower, at 0.48.

The third type of business group is known as business group with complicated structure. This type of business group has highly complicated structures where it is difficult to compute the cash flow-to-control rights ratio with a reasonable degree of accuracy. In this type of business group, an affiliated firm is usually controlled by a few other listed firms belonging to the group in a non-straight forward manner involving complicated pyramiding and/or cross-holding. Business groups with cross-holding structures complicate the group ownership structure, as stated by Claessens *et al.* (2000): The presence of cross-holdings creates some difficulties in measuring the cash flow to voting rights. Imagine that firm A owns 50% of firm B which in turn, owns 25% of firm A. How should firm A be classified? As complexity of ownership structure in the group increases, disclosures of share ownership in the company annual report may not be sufficiently clear to allow for computation of the cash flow-to-control rights ratio. For instance, details regarding how one listed firm is related to another in the group may not be clearly disclosed.

An illustration of a business group with a complicated structure is presented in Fig. 3. It shows the group ownership structure for the Berjaya group. Figure 3 illustrates for instance that Matrix International Berhad is controlled by Tan Sri Vincent Tan and family through the following means:

- Direct ownership by the family of 50.7%
- Indirect ownership through BJ Corporation in which the percentage of ownership is not separately disclosed or available as the ownership (by BJ Corporation of Matrix International) is indirect through other private companies owned by BJ Corporation (the dotted arrow line in Fig. 3 indicates indirect ownership) and this ownership stake is consolidated with ownership by other private companies of Matrix International for a total stake of 17%

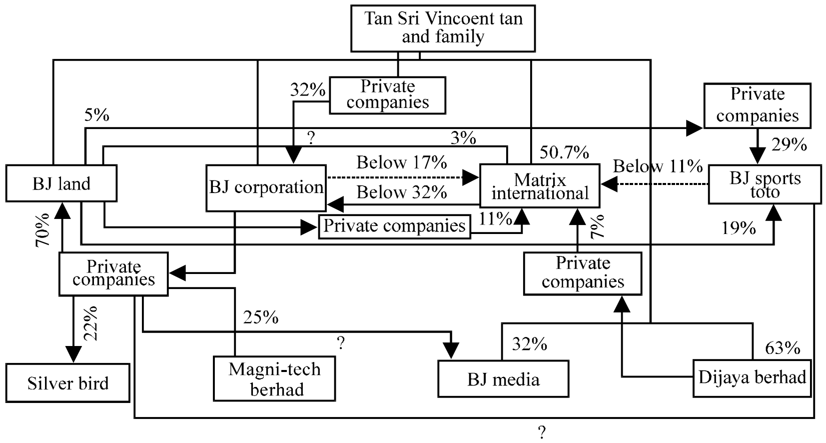

Fig. 3: Business group with complicated pyramidal structure; Various annual reports of Berjaya Group affiliates (2007)

- Indirect ownership of 3% through BJ Land and 11% through private companies controlled by BJ L
- Indirect ownership of 7% through private companies controlled by Dijaya Berhad
- Indirect ownership through private companies controlled by BJ Sports Toto with no exact percentage separately disclosed. It can also be seen that cross-holding exists between BJ Corporation and Matrix International, as they own (directly and indirectly) each other's shares. Due to the complexity of the ownership structure, the cash flow-to-control rights ratio for the affiliates in this type of business group cannot be calculated with any reasonable degree of confidence

From the ownership structure and agency theory perspective, it is conjectured that among the 3 types of business group, the tendency to expropriate is relatively lower in the first, moderate in the second and high in the third.

EXPROPRIATION AND GOVERNANCE ISSUES IN FAMILY-CONTROLLED BUSINESS GROUPS

From an agency perspective, business can be regarded, as a collection of agency relationships the controlling and minority shareholders (Yiu *et al*., 2007). The existence of family business groups raises 2 main concerns. First, there is a greater chance of inefficient transfer of cash flows or resources from the profitable member firms with high cash flow to firms with low cash flow without considering the investment opportunities for each firm (Shin and Park, 1999). Second, there is a tendency of the controlling family to tunnel the assets and resources from the firm through pyramiding and cross-holdings (Bertrand *et al*., 2002, 2008; Johnson *et al*., 2000).

How a business group facilitates private benefits of control can be illustrated by the phenomenon of profit or resource redistribution in business groups. Creating a business group allows controlling families to redistribute profits or resources from one member firm to another member firm at the expense of certain groups of minority shareholders. Profit redistribution can be carried out for example in the form of business loans which are injected from one member firm which is more profitable to a member firm which is less profitable, so that the less profitable firms can continue to survive, therefore ensuring the survival of the entire business group (Estrin *et al*., 2009). The survival of the business group provides continuous opportunity to enjoy the private benefits of control to be gained from running a business group for controlling families.

Pyramidal structure and cross-holdings are the common characteristics of business groups and Claessens *et al*. (2000) state that in East Asian countries, the separation of ownership and control is most pronounced among family-controlled firms. These types of ownership structure allow the controlling family to expropriate the minority shareholders' value by tunneling assets within the group (Chang, 2003). For instance, Bertrand *et al*. (2002, 2008) find that business groups are used by controlling families to tunnel resources away from minority shareholders. Business groups can thus be used, as a tunneling device by the controlling families when it engages in intra-group transactions for instance.

Specifically, the controlling families can divert resources from a member firm of which they own less to a member firm of which they own more. Khanna and Rivkin (2001) explain that managers of the affiliate firms have little incentive to be efficient because they are secure in the embrace of the group. The controlling families can also sell (buy) an asset of a member firm of which they own less to (from) another member firm of which they own more at a lower (higher) price than the market price. In a nutshell, the principal-principal problem in business groups as explained by Dharwadkar *et al.* (2000) and Young *et al.* (2008) has led to more research being carried out to investigate whether business groups create or destroy value (due to tunneling) for their minority shareholders (Bertrand *et al.*, 2002; Bae *et al.*, 2002; Johnson *et al.*, 2000).

As mentioned earlier, pyramidal structures involve owning a majority of the stock of one corporation which in turn holds a majority of the stock of another, a process that can be repeated a number of times (Claessens *et al.*, 2000). Pyramiding is a legal and appealing way for someone to control a firm without having to invest too much capital. In other words, the cash flow right (which is based on the capital invested) of the controlling family is lower than its control (voting) right in the companies at the lower tier of the pyramid.

The practice of pyramiding business groups, coupled with the significant participation of owners in the management/directorship, the Malaysian corporate sector is known to have an insider system of corporate governance which gives the controlling shareholders excessive power to conduct activities or practices that may not benefit the public minority shareholders. The problem with the pyramidal holding structure and cross-holdings is that since the cash flow right is lower than the control right, the controlling family may have a tendency to expropriate the rest of the shareholders because the costs that they need to bear are lower than the benefits that they can achieve. The potential for abuse is highlighted in the OECD report (2004):

> The potential for abuse is marked where the legal system allows and the market accepts, controlling shareholders to exercise a level of control which does not correspond to the level of risk that they assume, as owners through exploiting legal devices to separate ownership from control, such as pyramid structures

As such, not only can business groups facilitate expropriation activities (Almeida and Wolfenzon, 2006), business groups with a pyramidal structure can provide incentives to controlling families to expropriate. It is therefore, not impossible for instance for a founding family to sell an over priced asset from a company at the lower tier of the pyramid to another firm at the higher tier or use its listed firms to purchase supplies and materials above the market price from private corporations owned by the family. Tunneling activities through, such transactions involving related parties (known as related party transactions or RPTs) under the pyramidal structure are well documented in a number of studies, particularly among corporations in East Asia such as Gordon *et al.* (2004), Cheung *et al.* (2006, 2009a, b) and Qian *et al.* (2011). In addition, business groups with their interlocking directorships and family-member managers result in high volumes of intercompany transactions and RPTs in East Asian corporations. Researchers, such as Cheung *et al.* (2006, 2009a, b) have cautioned that some of these transactions are suspicious as they are susceptible to controlling families abuse. The CFA insitute published a report related party transaction, a cautionary tale for investors in Asia (2009) to caution, even the most sophisticated investors about the needs to be wary about RPT in Asia.

Essentially, the low transparency of sprawling, loosely-affiliated business groups makes it hard to determine where control resides, as well as identifying and challenging unfair intra-group transactions (Chang, 2003) in which such networks provide significant opportunity for collusion or other unethical transactions (Young *et al.*, 2008). The expanded control (over a number of listed member firms) made possible by business groups increases the chances of expropriation of minority shareholders. The more complicated the structure of the business group, the more serious the problem outlined above may be. This is especially, true in Malaysia where it is widely known that the controlling families of many business groups, particularly the large ones, have close relationship with influential senior politicians or government officials (Gomez, 2006; Gomez and Sundaram, 1999). The relationship provides political patronage and protection to facilitate the expropriation activities by the owner-managers. The principal-principal problems can therefore be more serious in this case. Qian *et al.* (2010) find that firms with political connections perform poorer than firms without such connections because controlling shareholders who have political connections steal more than political ties can bring in. In other words, political connection is more detrimental than beneficial, as far as the public minority shareholders are concerned. According to Claessens and Fan in countries where politicians and businessmen collude to extract or protect rents, it is unlikely to achieve high quality corporate governance practices.

CONCLUSION

The experiences of the US and UK in dealing with pyramidal business groups by relying on takeover rules (in the case of the UK) and tax reform (in the case of the US) are illuminating. Pyramidal business groups persisted in the UK until the 1970's when the takeover rule was amended by the British government to get rid of business groups, after pressure from institutional investors who were dismayed over corporate governance problems in business groups (Morck *et al*., 2005). In the US, pyramidal business groups disappeared from the corporate scene much earlier. It is believed that the existence of pyramidal business groups is one of the factors which lead to the 1929 great depression in the US (Morck *et al*., 2005). Business groups were prevalent in the US prior to the corporate tax reform by the Roosevelt administration in 1935. The tax reform caused the earnings of firms at the lower tier of the pyramid to be taxed repeatedly, as they moved up the multiple tiers of the pyramidal structure. This caused the structure to be unviable and pyramidal business groups were forced to sell off subsidiaries or buy them outright and consequently pyramids became extinct (Schneider, 2009).

Though drastic reform, as seen in the US and UK, to eliminate pyramidal business groups may not be practical in many Asian corporations including Malaysia for the foreseeable future due to the different institutional background, the government may want to consider minor reform initially for example, of takeover rules (since business groups may expand through takeovers) or the tax policy to create incentives for business groups to retain a certain size or level of group structure complexity or otherwise penalize them if their group structure exceeds a certain size or level of pyramidal complexity. Since, it is postulated that business groups that are large in size and complicated in group structure are associated with high agency problems and thus poorer firm efficiency and performance, a plausible solution is to control their group size and complexity. To achieve that objective, government reformers must be fully empowered to execute the task despite expected resistance from certain groups, such as political elites or government officials who are allies of the controlling families of the business groups. For that to happen, political will is important to first reform public governance in order to effectively control problems such as cronyism, corruption and money politics and to reduce political interference in businesses.

Finally, it should be noted that research on family business groups is in its infancy due to the fact that this type of business group structure is absent in the US and UK where most corporate governance research is carried out (Morck and Yeung, 2003). Business group affiliation is a significant governance feature of particular relevance in many East Asian countries including Malaysia and it forms part of the wider research domain of family business governance. Thus, more research needs to be devoted in the future to examining governance-related issues in family-controlled business groups by so doing, contributes to this promising area of corporate finance and governance research.

APPENDIX 1

Appendix 1: The 40 richest Malaysians in year 2008 and their main sources of wealth

Ranking	Name	Wealth (billion)	Business group	Independent firm	Banking
1	Robert Kuok Hock Nien	RM 58.110	✓		
2	Tan Sri T. Ananda Krishnan	RM 19.625	✓		
3	Tan Sri Lee Shin Cheng	RM 14.943	✓		
4	Tan Sri Quek Leng Chan	RM 11.098	✓		
5	Tan Sri Syed Mokhtar Albukhary	RM 8.550	✓		
6	Tan Sri Teh Hong Piow	RM 8.060			✓
7	Tan Sri Tiong Hiew King	RM 3.870	✓		
8	Tan Sri Vincent Tan	RM 3.400	✓		
9	Tan Sri Lim Kok Thay	RM 3.160	✓		
10	Tan Sri Azman Hashim	RM 2.870			✓
11	Datuk Lee Yeow Chor	RM 2.330	✓		
12	Lee Yeow Seng	RM 2.290	✓		
13	Tan Sri YeohTiong Lay	RM 1.740	✓		
14	Ong Beng Seng	RM 1.730		✓	
15	Tan Sri Jeffrey Cheah Fook Ling	RM 1.490	✓		
16	Datuk Yaw Teck Seng	RM 1.390	✓		
17	Datuk Seri Lee Oi Hian	RM 1.304	✓		
18	Datuk Lee Hau Hian	RM 1.301	✓		
19	Tan Sri Francis Yeoh Sock Ping	RM 0.990	✓		
20	Datuk Mokhzani Mahathir	RM 0.970		✓	
21	Datuk Yeoh Seok Hong	RM 0.883	✓		
22	Datuk Yeoh Seok Kian	RM 0.881	✓		
23	Datuk Micheal Yeoh Sock Siong	RM 0.870	✓		
24	Datuk Mark Yeoh Seok Kah	RM 0.860	✓		
25	Tan Sri Hamdan Mohamad	RM 0.850	✓		
26	Raja Eleena Raja Azlan Shah	RM 0.830		✓	

Appendix 1: Continue

Ranking	Name	Wealth (billion)	Business group	Independent firm	Banking
27	Tan Sri Dr Lim Wee Chai	RM 0.780		✓	
28	Tan Sri Kua Sian Kooi	RM 0.750			✓
29	Puan Sri Chong Chook Yew	RM 0.710		✓	
30	Datuk Tony Tiah Thee Kian	RM 0.670			✓
31	DatukTan Chin Nam	RM 0.610	✓		
32	Tan Sri Rozali Ismail	RM 0.590	✓		
33	Shaari Ismail	RM 0.570	✓		
34	Datuk Seri Panglima Lau Cho Kun	RM 0.533	✓		
35	Datuk Lin Yun Ling	RM 0.532		✓	
36	Datuk Seri Liew Kee Sin	RM 0.520		✓	
37	Ong Leong Huat	RM 0.500			✓
38	Datuk Abdul Hamed Sepawi	RM 0.490	✓		
39	Datuk Tony Fernandes	RM 0.470		✓	
40	Kwan Ngen Chung	RM 0.400		✓	

Malaysian business (February 2008, issue)

REFERENCES

Almeida, H.V. and D. Wolfenzon, 2006. A theory of pyramidal ownership and family business groups. J. Fin., 61: 2637-2680.

Anderson, R.C. and D.M. Reeb, 2003. Founding-family ownership and firm performance: Evidence from the S&P 500. J. Fin., 58: 1301-1327.

Andres, C., 2008. Large shareholders and firm performance-an empirical examination of founding-family ownership. J. Corporate Fin., 14: 431-445.

Bae, K.H., J.K. Kang and J.M. Kim, 2002. Tunneling or value added? Evidence from mergers by Korean business groups. J. Fin., 62: 2695-2740.

Bertrand, M., P. Mehta and S. Mullainathan, 2002. Ferreting out tunneling: An application to Indian business groups. Q. J. Econ., 117: 121-148.

Bertrand, M., S. Johnson, K. Samphantharak and A. Schoar, 2008. Mixing family with business: A study of Thai business groups and the families behind them. J. Fin. Econ., 88: 466-498.

Bhaumik, S.K. and A. Gregoriou, 2010. Family ownership, tunneling and earnings management: A review of the literature. J. Econ. Surveys, 24: 705-730.

Chakrabarti, A., K. Singh and I. Mahmood, 2007. Diversification and performance: Evidence from East Asian firms. Strategic Manage. J., 28: 101-120.

Chang, S.J. and J. Hong, 2000. Economic performance of group-affiliated companies in Korea: Intragroup resource sharing and internal business transactions. Acad. Manage. J., 43: 429-448.

Chang, S.J., 2003. Ownership structure, expropriation, and performance of group-affiliated companies in Korea. Acad. Manage. J., 46: 238-253.

Chang, S.J., 2006. Business groups in East Asia: Post-crisis restructuring and new growth. Asia Pacific J. Manage., 23: 407-417.

Cheung, Y.L., P.R. Rau and A. Stouraitis, 2006. Tunneling, propping and expropriation: Evidence from connected party transactions in Hong Kong. J. Fin. Econ., 82: 343-386.

Cheung, Y.L., L. Jing, T. Lu, P.R. Rau and A. Stouraitis, 2009a. Tunneling and propping up: An analysis of related party transactions by Chinese listed companies. Pacific-Basin Fin. J., 17: 372-393.

Cheung, Y.L., Y. Qi, P.R. Rau and A. Stouraitis, 2009b. Buy high, sell low: How listed firms price asset transfers in related party transactions. J. Bank. Fin., 33: 914-924.

Chu, E.Y. and S.I. Song, 2011. Large shareholders, capital structure and diversification of Malaysian public listed manufacturing firms. Afr. J. Bus. Manage., 5: 6005-6010.

Claessens, S., S. Djankov and L.H.P. Lang, 2000. The separation of ownership and control in East Asian corporations. J. Financial Econ., 58: 81-112.

Claessens, S., J.P.H. Fan and L.H.P. Lang, 2006. The benefits and costs of group affiliation: Evidence from East Asia. Emerg. Markets Rev., 7: 1-26.

Cuervo-Cazurra, A., 2006. Business groups and their types. Asia Pacific J. Manage., 23: 419-437.

Dharwadkar, R., C. George and P. Brandes, 2000. Privatization in emerging economies: An agency theory perspective. Acad. Manage. Rev., 25: 650-669.

Estrin, S., S. Poukliakova and D. Shapiro, 2009. The performance effects of business groups in Russia. J. Manage. Stud., 46: 393-420.

Faccio, M., L.H.P. Lang and L. Young, 2001. Dividends and expropriation. Am. Econ. Rev., 91: 54-78.

Gomez, E.T. and J.K. Sundaram, 1999. Malaysia's Political Economy: Politics, Patronage and Profits. Cambridge University Press, Cambridge, ISBN: 9780521663687, Pages: 228.

Gomez, E.T., 2006. Malaysian Business Groups: The State and Capital Development in the Post-currency Crisis Period. In: Business Groups in East Asia: Financial Crisis, Restructuring and New Growth, Chang, S. (Ed.). Oxford University Press, Oxford, ISBN: 9780199287345, pp: 119-146.

Gordon, E.A., E. Henry and D. Palia, 2004. Related party transactions: Associations with corporate governance and firm value. EFA 2004 Maastricht Meetings Paper No. 4377. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=558983.

Johnson, S., R. La Porta, F. Lopez-de-Silanes and A. Shleifer, 2000. Tunneling. Am. Econ. Rev., 90: 22-27.

Johnson, S. and T. Mitton, 2003. Cronyism and capital controls: Evidence from Malaysia. J. Fin. Econ., 67: 351-382.

Khanna, T. and J. Rivkin, 2001. Estimating the performance effects of business groups in emerging markets. Strategic Manage. J., 22: 45-74.

Khanna, T. and Y. Yafeh, 2007. Business groups in emerging markets: Paragons or parasites? J. Econ. Literature, 45: 331-372.

Leff, N.H., 1978. Industrial organization and entrepreneurship in the developing countries: The economic groups. Econ. Dev. Cult. Change, 26: 661-675.

Masulis, R.W., P.K. Pham and J. Zein, 2011. Family business groups around the world: Financing advantages, control motivations and organizational choices. Rev. Fin. Stud., 24: 3556-3600.

Morck, R. and B. Yeung, 2003. Agency problems in large family business groups. Entrepreneurship Theor. Pract., 27: 367-382.

Morck, R., D. Wolfenzon and B. Yeung, 2005. Corporate governance, economic entrenchment and growth. J. Econ. Literature, 43: 655-720.

Qian, M., H. Pan and B.Y. Yeung, 2010. Expropriation of minority shareholders in politically connected firms. Proceedings of the 2nd Finance and Corporate Governance Conference, April 28-29, 2011, Melbourne, Australia -.

Qian, P.W., K.C. Wei and Z. Yang, 2011. Tunneling or propping: Evidence from connected transactions in China. J. Corporate Fin., 17: 306-325.

Schneider, B.R., 2009. A comparative political economy of diversified business groups, or how states organize big business. Rev. Int. Polit. Econ., 16: 178-201.

Shin, H.H. and Y.S. Park, 1999. Financing constraints and internal capital markets: Evidence from Korean Chaebols. J. Corporate Fin., 5: 169-191.

Thillainathan, R., 1999. Corporate governance and restructuring in Malaysia-a review of markets, mechanisms, agents and the legal infrastructure. Joint World Bank/OECD Survey of Corporate GovernanceArrangements in a Selected Number of Asian Countries. http://www.oecd.org/corporate/ca/corporategovernanceprinciples/1931380.pdf.

Yiu, D., G.D. Bruton and Y. Lu, 2005. Understanding business group performance in an emerging economy: Acquiring resources and capabilities in order to prosper. J. Manage. Stud., 42: 183-206.

Yiu, W.D., L. Yuan, G. Bruton and R. Hoskisson, 2007. Business groups: An integrated model to focus future research. J. Manage. Stud., 44: 1551-1579.

Young, M.N., M.W. Peng, D. Ahlstrom, G.D. Bruton and Y. Jiang, 2008. Corporate governance in emerging economies: A review of the principal-principal perspective. J. Manage. Stud., 45: 196-220.