UNDERSTANDING MALAYSIAN BUSINESS CULTURE

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CONTENT

- Business culture - a conceptual framework
- Overview on Malaysian business environment
- A closer look to Malaysian business culture
- Cross culture comparisons
- Conclusion

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BUSINESS CULTURE

A conceptual framework
THE IMPORTANCE

- Lay the foundation
- Establish relationship
- Build the trust
- Art of negotiating
- Securing the deal
- Long term relationship

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MALAYSIAN BUSINESS ENVIRONMENT
<table>
<thead>
<tr>
<th><strong>NAME</strong></th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPITAL</strong></td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td><strong>POPULATION</strong></td>
<td>27.73 million (September 2008)</td>
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<tr>
<td><strong>LAND AREA</strong></td>
<td>329,750 sq km</td>
</tr>
<tr>
<td><strong>CLIMATE</strong></td>
<td>Tropical; annual southwest (April to October) and northeast (October to February) monsoons</td>
</tr>
<tr>
<td><strong>TIME</strong></td>
<td>GMT +8 hours (similar with Taiwan)</td>
</tr>
<tr>
<td><strong>GDP GROWTH</strong></td>
<td>6.3% (2007) 5.3% (est 2008)</td>
</tr>
<tr>
<td><strong>MAJOR EXPORTS</strong></td>
<td>Electronic equipment, petroleum and liquefied natural gas, wood and wood products, palm oil, rubber, textiles, chemicals</td>
</tr>
<tr>
<td><strong>MAJOR IMPORTS</strong></td>
<td>Electronics, machinery, petroleum products, plastics, vehicles, iron and steel products, chemicals</td>
</tr>
<tr>
<td><strong>MAJOR TRADING PARTNERS</strong></td>
<td>The USA, Japan, China, Singapore, Thailand, Hong Kong, China, Australia, Germany, Taiwan</td>
</tr>
<tr>
<td><strong>CURRENCY EXCHANGE RATE</strong></td>
<td>US$1.00 = RM3.40 (September 2008). TWD100 = RM10.77 (September 2008)</td>
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HISTORICAL PERSPECTIVE

- Malay Archipelago - The Malay Peninsula and several islands
- 15th Century: Malacca as the most popular trading hub in Southeast Asia
- 1511 - 1957: Colonialisation period (Portuguese, Dutch, British, Japan)
- 1957 - Independence of Malaya
- 1963 - Formation of Malaysia (joined by Sabah & Sarawak)

Influence of Islamic teachings by the Muslim/Arab traders

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INTERNATIONAL TRADING COMMUNITY

- Top 20 Trading Nation among more than 200 countries
- Strong export-driven economy, total trade RM1 trillion (NT10 trillion)
- Strategically located in South East Asian market with 540 million population
- A stepping stone to fast growing West Asian market
- 15,000 capable & reliable manufactures, suppliers, traders and the numbers are growing
- More than 100 international events organised in Malaysia every year, including 50 trade exhibitions

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LOCAL BUSINESS

- Developed states (West Coast) - Penang, Selangor, Johor & Malacca
- Industrial development clustered at Central (Klang Valley), Northern (Penang) and Southern (Malacca & Johore). Agriculture in rural areas.
- East Coast States are less developed, but very strong in agriculture, oil & gas, petrochemicals.
- East Malaysia - Sabah Sarawak has vast natural resources (oil & gas, timber, agriculture) & growing.
- Kelantan - most businesses run buy women!

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MALAYSIAN BUSINESS CULTURE

Uniqueness, characteristics & peculiarities
UNIQUENESS

- Multicultural society
- Multilingual
- Multi religions
- Inherited customs & traditions
- Blended with learned foreign culture
MULTICULTURAL SOCIETY

SOURCE: Department of Statistics, Malaysia

FOOTNOTE

- Indigenous: Negrito, Senai & Proto-Malay
- Others: At least 37 ethnic groups in Sabah & Sarawak

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MULTILINGUAL & MULTI RELIGIONS

**MAJOR SPOKEN LANGUAGES**
- Malay (at least 10 local dialects)
- Chinese (Hokkien, Cantonese & Mandarin)
- Indian (Tamil, Malayalam, Telugu, Punjabi, Gujarati, Urdu, Hindi)
- East Malaysia (Iban, Kadazan, Bajau, Kelabit, Bidayuh, Kayan)
- English (British / American)
- Thai (Northern Peninsular Malaysia)
- Indonesian (largest foreign population in Malaysia)

**MAJOR RELIGIONS**
- Islam
- Buddhism
- Hindu
- Confucianism / Taoism
- Sikhism
- Christianity

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UNDERLYING CORE VALUES

- Respect & value each other
- Religiously sensitive
- Reach mutual agreement

MALAYSIAN WAY

- Politeness
- Diplomacy
- Negotiating
- Compromising
- Understanding
- Sensitive

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USEFUL TIPS

**TIP 1:** Malaysia presents the visitor with a myriad of different cultures within its business world. There are, however, certain key similarities which bind the country together.

**TIP 2:** As Malaysia is very ethnically diverse, try to do as much research on your potential contacts as possible before entering into negotiations - these factors can have a telling impact on how things proceed.

**TIP 3:** Although the government has a special policy to assist the ethnic Malays, the Chinese and Indian business communities are still play a pivotal role in the Malaysian business world.

**TIP 4:** Most business structures tend towards the hierarchical with information flowing to the top and most decisions being made by key senior management figures.

**TIP 5:** It is important to ensure that you are dealing with the key senior figures as a great deal of time can be spent debating issues with people who may play little part in the decision-making process.

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USEFUL TIPS

**TIP 6**: The manager is expected to manage and to make decisions. Subordinates may feel uncomfortable when given vague, non-specific instructions.

**TIP 7**: Tasks may remain undone, unless specific instructions are issued from the top authority - even if it is apparent that the task needs urgent attention.

**TIP 8**: The boss/subordinate role can be likened to the father/son relationship. The boss is expected to take an interest in the overall well being of subordinates. In return for this concern, subordinates will offer diligence and loyalty.

**TIP 9**: Individual aspirations are seen as secondary to the needs of the group. Rewards and motivation come from group success.

**TIP 10**: Meetings can be lengthy, starting with a great deal of relationship-building small talk. It is not unusual for initial meetings to focus solely on non-business related issues.

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### USEFUL TIPS

**TIP 11:** Relationships must be firmly established before business can commence. Do not underestimate the need to allocate time and resource to the relationship-building aspect of a project.

**TIP 12:** The aim of most meetings is to develop or enhance the relationship. This is generally achieved through promoting an harmonious atmosphere. Do not destroy the harmony through being overly pushy when trying to reach a decision.

**TIP 13:** Do not be surprised if meetings start late or last longer than had originally been scheduled. Be flexible in developing the working timetables.

**TIP 14:** When doing business, Malaysians are basically group-oriented. It is important to take into account the needs of the whole group rather than any one individual. Singling out an individual for praise or specific reward could cause that individual embarrassment within the group.

**TIP 15:** Politeness and diplomacy are prerequisites when doing business in Malaysia. Directness can be misconstrued as rudeness and is seen as the behaviour of people who lack respect. (And those people will not, therefore, be worthy of respect themselves.)

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USEFUL TIPS

TIP 16: It is difficult for people to say 'no' or to deliver bad news. Don't always take the word 'yes' to mean 'I agree'. It could be merely an affirmation of understanding.

TIP 17: English is widely spoken and very many people have a near-fluent command of the language. Superficially, therefore, communication is generally much easier than in some other countries in the region. However, be aware that what is said is not necessarily what is meant. Look for the coded-meaning behind all communication.

TIP 18: When giving gifts, be sensitive to the cultural background of the recipient. Is your contact a Malay Muslim or of Chinese origin?

TIP 19: Be aware of the special requirements of the majority Muslim population with regard to such issues as prayer, diet and fasting.

TIP 20: Women will encounter fewer difficulties when working in Malaysia than in countries in Middle East such as Saudi Arabia.

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ENTERTAINMENT & HOSPITALITY

- Common arrangements - lunch & dinner
- Be aware on sensitive issues - serving alcoholic drinks, non-halal food, vegetarian, strict diet, spicy food, etc
- Entertainment clubs - available in certain areas
- Gifts - given normally during major festivals
- Small, inexpensive gift can be given as token of friendship during business meeting.
- Meeting with Government officials - not recommended to give souvenirs
- Tips can be given, but not customary.

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DRESS CODE - MALE

- Formal functions - according to the dress code.
- Malaysian national dress - batik / “Full Malay”
- Business - full business suit / lounge suit / office attire
- Outdoor/after hours - smart casual, short sleeve shirts
DRESS CODE - FEMALE

FEMALE

- Malaysian national dress - “kurung” / “kebaya”
- Business - “two-piece” with jacket/pants, Western business dress (blouse, skirts)
- Muslim sensitivity - not “too revealing” - head, chest & feet

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Be sensitive with local protocols & status quo (e.g. Tun, Tan Sri, Datuk, royalties, politicians, senior officials, etc).

Yellow is official colour for royal families.

“NO” is difficult to heard. Always implied in other spoken words.

Malaysians tend to work hard, certain businesses are “24-7-365”. Nevertheless, when it comes to festivities/holidays seasons, the business focus may be slower.

Several business sectors require local partner, especially when bidding for Government projects / procurements.

The influence of ICT is getting stronger. More people are connected online and having mobile computing/working.

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CROSS CULTURE COMPARISONS

Malaysia & Taiwan
Malaysia & International
SIMILARITIES & DIFFERENCES

SIMILARITIES
- Common cultures - face saving, hardworking, respect, relationship-based, Asian culture
- Established business linkages more than 30 years ago
- Common economic focus & highly interdependence trading activities
- Dynamic and focus on growth & prosperity

DIFFERENCES
- Religious-based sensitivity
- Colorful culture - mixture of various cultures
- Language: Mandarin VS English/Malay
- The mindset, culture of being “developed nation” VS “developing nation”
- Huge cultural gap between urban and rural areas

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SIMILARITIES & DIFFERENCES

**SIMILARITIES**
- Common cultures - hardworking, relationship-based,
- Established global business linkages since 15th century
- Malaysia as major suppliers of natural resources - tin, petroleum, palm oil, wood products
- Historical interdependence - colonialisation

**DIFFERENCES**
- Religious-based sensitivity
- Colorful culture - mixture of various cultures
- The mindset, culture of being “developed nation” VS “developing nation”
- Direct approach VS Indirect approach
- Not too conservative but not too modern

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CONCLUSION

To understand Malaysian business culture...
LEARNING POINTS

- Malaysian business culture is unique, colourful and diverse.
- Evolution: influence of heritage, culture, interactions, exposure and assimilation.
- It is important to have deeper understanding on the complexities and nature of the business.
- Values: Tolerance, respect & understanding.

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Thank You!

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