Corporate Size and Rank Maintenance in the Malaysian Industrial Sector

OMAR MARASHDEH

Department of Economics, International Islamic University, Malaysia.

ABSTRAK

Kajian ini menguji secara empirik hipotesis bahawa firma berusaha mempertingkatkan kedudukannya. Data dikumpulkan di Malaysia. Kajian ini mendapati bahawa ; 1) Amnya, firma berusaha mempertahankan atau memperkukuhkan kedudukan dalam struktur korporat ; 2) Firma besar dan kecil lebih mengambil berat tentang mempertahankan tatatingkat dalam susunan hirarki korporat ; 3) Firma lebih mengambil berat tentang mempertahankan kedudukan tatatingkat korporat dalam jangka pendek daripada jangka panjang; 4) Pemungutan harta dan kuasa monopoli oleh sebelas firma terbesar menurun dengan peredaran masa, apabila bertambahnya firma yang disenaraikan, dan firma kecil memperbaiki kedudukannya dalam industri; dan 5) Bagi jangka pendek hubungan antara saiz harta dan keuntungan adalah tidak signifikan. Bagaimanapun, kajian ini menunjukkan bahawa dalam tempoh jangka panjang penahanan tatatingkat dan pemaksimuman keuntungan adalah hipotesis yang saling melengkap.

ABSTRACT

The study empirically tests the hypothesis that firms try to maintain or improve their ranks. Malaysian data is used. The findings of the study indicate that; 1) companies, in general, try to maintain or improve their relative ranks in the corporate structure over time; 2) smaller and larger companies are more concerned about maintaining their ranks in the corporate hierarchy; 3) companies are more concerned with maintaining their ranks in the short run than in the long run; 4) the concentration of wealth and monopoly power of the largest eleven companies declined over the years as more companies were listed and smaller companies improved their positions in the industry; and 5) there is a non-significant relationship between asset-size and profitability of the firm, at least in the short run. However, the study indicates that in the long run, rank maintenance and profit maximization are complementary hypotheses.

INTRODUCTION

Three theories have been proposed for studying or explaining the behaviour of the firm. The classical theory assumes that the main goal of a firm is to maximize profit in order to stay in business, otherwise it will be driven out of the market [see Kreps (1987) for a theoretical discussion]. According to this theory, the firm will produce an extra unit of output if the additional costs of the unit are less than the additional revenue from producing it. The managerial theory assumes that the firm is an entity which is controlled by managers, who pursue a goal different from profit maximization which reflects the interest of the managers, that is, maximization of sales revenue, or capital, or achieving a satisfactory level of profit or prestige which is reflected in the size of the firm in terms of capital or sales [see Baumol (1959) and Williamson (1964) for theoretical discussion and Antle and Smith (1986) for an empirical evaluation of corporate executives]. Nelson and Winter (1982) proposed the behavioural theory of the firm which assumes that firms are dynamic entities, which are described by a production routine. This production routine is, in effect, a non-optimal one which evolves over time according to environmental factors through a pattern of search and imitation to achieve better routines.

THEORETICAL MODEL AND TEST PROCEDURES

This study investigates the behaviour of Malaysian Industrial firms over the period 1977 to 1990. It is hypothesized that firms try to maintain or improve their ranks or relative positions in the corporate hierarchy. The rank maintenance hypothesis encompasses the various theories of the firm, i.e., profit maximization, sales maximization, and managerial objectives. When a firm maintains or improves its rank in the corporate hierarchy it sends a signal to potential entrants indicating that entry is very costly. The firm will do whatever is necessary to keep others from entering and sharing the market with it. Rank maintenance in this study is seen as a barrier to entry, which takes the form of asset expansion (acquiring new land, or capital equipment, investing in a new plant, or increasing its capacity) and leads to economies of scale in the long run. As a result of this expansion, profit in the short run might be less or the firm may even show losses. In the long run, however, the firm will act as a sole producer in the industry and maximize its profits, sales, or some other target as determined by either the management or the shareholders. The rank maintenance hypothesis is offered here not as a competitor to the profit maximization hypothesis but rather a complementary hypothesis, at least in the long run. For a firm to stay in business in the long run it should care about its profit level. However, once a firm achieves a certain rank in the corporate hierarchy, it is in a better position to achieve higher rates of profit.

The hypothesis that corporations try to maintain their relative positions in the corporate sector is tested by using data from the Malaysian industrial sector. The Kuala Lumpur Stock Exchange (KLSE) publishes the balance sheets of listed corporations in its annual companies handbook (data are provided in Appendix I and II). The period 1977 to 1990, for which data were available, was chosen. The choice of the listed industrial companies was based on the following criterion : a company was included in the study if it was listed in 1977 and remained listed in 1983 and 1990. This method follows the behaviour of listed industrial companies over time. That is, only companies which survived or remained listed in the KLSE over the years 1977, 1983, and 1990 are included in this study. Firms which are not listed or have dropped out or merged with other companies are excluded. Based on this method, a total of 44 industrial companies were selected (see Appendix 1). All the listed industrial companies in 1977, 1983, and 1990 were arranged in descending order according to their assets to get their ranks. Then, after obtaining the ranks for all companies over the three years, the chosen 44 companies were arranged in descending order according to their ranks in 1977.

The rank maintenance hypothesis was tested by using several statistical techniques, i.e., asset distribution, average ranks, Pearson correlation coefficients, and rank correlations at different points of time.

RESULTS

In 1977, a total of 142 "industrial" companies (with total assets of RM10,066.6 million) were listed in the KLSE compared to 166 companies in 1983 (with total assets of RM35,789.8 million). This expansion was due to the overall economic expansion and growth of the Malaysian economy as real GNP grew at an annual compound growth rate of 6.2% during the 1977-1990 period. However this expansion slowed down in the second half of the 1980s, as the country was hit by a recession in the 1984 - 1986 period. As a result, the number of industrial companies listed in the KLSE declined to 112 in 1990 (with total assets of RM59,465.4 million). The assets (book value of the firm) of the 44 companies in 1977 ranged from RM8.3 million to RM2,709.2 million, covering a wide spectrum of companies, from the small to the large. The 44 companies included in the study accounted for 42.8% of the total assets of the listed industrial companies in 1977. However, the share of these companies declined to 37.8% in 1983 as more companies were listed in the KLSE, but their share increased in 1990 to 45.8% as they consolidated their positions after the recession and a number of companies dropped out of the KLSE.

The period 1977-1990 witnessed the emergence of new industrial giants in the

industry. Table 1 shows the asset size associated with ranks at various points in time. It is evident from the table that more assets were required to maintain a given rank in 1983 and 1990 than in 1977. For example, the first-ranked company in 1977 was required to double its assets in 1983 to maintain its rank (or 1.3 times at 1977 prices), whereas in 1990 the first-ranked company was required to increase its assets fivefold over the assets of the first-ranked company in 1977 to maintain its rank (or 3.4 times at 1977 prices). The reason for this was the government's privatization of some of the big giants like Telekom, which had substantial assets of RM8,294.8 million.

Also, economic growth led to the increase in assets of the companies in 1983 and 1990 relative to that of 1977. A company on average required more assets in 1990 to maintain its 1977 rank (4.2 times) than in 1983 (3.4 times). However, a company, on average, was required to increase its assets by 1.4 times in 1990 to maintain its 1983 rank. In 1977, the company ranked 100th was required to increase its assets by 26.5 times to reach the number one rank, compared to 8.9 times in 1983 and 16.4 times in 1990.

The data indicate that 13 of the 44 companies considered have maintained or improved their ranks in 1983, compared to 26 in 1990, relative to their 1977 ranks (see Appendix 1). Of the 26 companies, twelve are among the first half while the other fourteen are from the second half. However, this does not mean that the behaviour of the small companies (defined as companies with total assets of less than RM23 million in 1977) and large companies (defined as companies with total assets of greater than RM95 million in 1977) in maintaining their ranks is similar. A size-wise analysis (Table 2) reveals that the average rank of all 44 companies deteriorated from 82.4% of the average rank in 1977 to 94.8% of the average rank in 1990. However there was a slight improvement in 1983 to 81.8% of the average rank. The largest 11 companies showed a marked deterioration from 23% of the average rank in 1977 to 56.8% of the average rank in 1990. The second 11 companies also showed a slight deterioration from 59.3% of the average rank in 1977 to 66.1% in 1983 to 67% in 1990. The third 11

companies also showed a decline in their average rank relative to other companies in 1983 and 1990, whereas the remaining companies showed an improvement in 1983, followed by a decline in 1990. This shows that the first 11 companies were not aggressive in maintaining their ranks in the face of rapid economic growth in the industrial sector, requiring more and more assets to maintain the same rank. This might have been due to the fact that larger companies have reached their optimal size and, as a result, no room for expansion is left for them. The presence of multinational firms might also have led to this result as they might be concerned with their rank on a global scale rather than their rank on a national scale.

The behaviour of the companies is further analyzed to shed more light on the hypothesis. Table 3 shows Pearson correlations between company assets at different points of time. The table indicates that most of the entries are significant, that is, companies are trying to maintain their ranks over time regardless of their sizes. However, for the period 1977 to 1990, the first 11 and third 11 companies were more successful in maintaining their ranks, whereas the rest of the companies lost some ground. After dropping Malayan United Industries (an outlier) from the analysis, the results remained unchanged.

These arguments are further supported by the figures in Table 4 which show the rank correlations of companies at different points of time. As expected, the numbers for the rank correlations are less than for the Pearson correlations. Table 4 clearly shows that companies are trying to maintain their ranks. For the subgroups, the third group appears to have tried harder than others to maintain or improve its rank relative to other companies, followed by the first and fourth groups. The second group lost some ground over the period 1977-1983 and showed an interest in maintaining its rank over the period 1983-1990. It would seem that companies are more interested in maintaining their ranks in the short run (defined as a period between 5 to 7 years) than in the long run (defined as a period of more than 10 years). This is evident from the high significant correlations between 1977- 1983 and 1983 - 1990, compared to the

TABLE 1 . Asset - Size Associated With The Same Rank at Various Points in Time for The Population (in millions) and Their Ratios

Rank	1977	1983	1990	1983/77 ratio	1990/83 ratio	1990/77 ratio
1	1537.7	2709.2	8294.8	1.8	3.1	5.4
10	219.7	658.4	1071.9	3	1.6	4.9
20	148.2	432.3	590.3	2.9	1.4	4
30	105.4	315.3	385.9	3	1.2	3.7
40	72.8	272.9	307.7	3.8	1.1	4.2
50	53.6	197.8	262.9	3.7	1.3	4.9
60	42.8	158.1	211.2	3.7	1.3	4.9
70	37.2	124.4	160.1	3.3	1.3	4.3
80	25.9	107.1	97.6	4.2	0.9	3.8
90	22.3	90.5	80.1	4.1	0.9	3.6
100	18.3	74.2	65.2	4.1	0.9	3.6
Ratio of first ranked company to 100th	26.5	8.9	16.4			

TABLE 2. Average Ranks in the Population

Group	1977	1983	1990	As a % of all companies		
				1977	1983	1990
First 11	16.3	24.4	31.8	23	29.4	56.8
Second 11	42.1	54.9	37.5	59.3	66.1	67
Third 11	72.1	86.9	62.9	101.5	104.7	112.3
Fourth 11	103.3	105.5	80.2	145.5	127.1	143.2
All 44	58.5	67.9	53.1	82.4	81.8	94.8
All companies	71	83	56	100	100	100

TABLE 3. Pearson Correlation Between Company Assets at Different Points of Time

Group	77/83	77/90	83\90
First 11	+ . 98	+ . 89	+ . 93
Second 11	- . 02*	+ . 13*	+ . 66
Third 11	+ . 62	+ . 70	+ . 64
Fourth 11	+ . 22*	+ . 21*	+ . 99
First 22	+ . 97	+ . 89	+ . 93
Last 22	- . 07*	- . 06*	+ . 99
All 44	+ . 72	+ . 64	+ . 96
Without Malayan United Industries			
Last 21	+ . 40	+ . 55	+ . 82
All 43	+ . 96	+ . 90	+ . 94
Fourth 10	+ . 18*	+ . 07*	+ . 99

* not significant at the 10%

non-significant correlations between 1977-1990 except for the third 11 companies. When Malayan United Industries, the outlier, was dropped out, the results basically remained the same.

Table 5 shows the asset distribution among subgroups of companies. Based on the total assets of all 44 companies, the table indicates that the last 22 companies increased their asset share from 12.1% in 1977 to 33.6% in 1990, whereas the asset share of the first 11 companies declined from 71.2% in 1977 to 48.1% in 1990. This shows that bigger companies have grown at a slower rate and smaller companies have improved their position in the corporate hierarchy and achieved high growth rates. This clearly shows that monopoly power and concentration of wealth have diminished over the years as a result of the rapid growth rate of the economy as a whole and, in particular, smaller industrial companies (see Table 8). The asset share of the 44 companies out of the total listed industrial companies decreased from 42.8% in 1977 to 37.8% in 1983, and improved to 45.4% in 1990.

Table 6 shows the correlations between asset - size and profits, realized at various points in time. Most entries are not significant showing that asset - size has no influence on the profit of the firm, that is, when firms expand, they do not take profit into account at least in the short run. However, they take some other factors into account, e.g., rank in the corporate hierarchy, instead. The data in Table 6 lend support to the argument that firms try to maintain their ranks or improve them at least in the short run. The lack of association between profit and book value of the firm (assets) is rather surprising at first glance.

However, profit, in fact, may not have any relationship to the book value of the firm. This is because the book value of a firm is not related to the market value of the firm, which is directly related to the profit of the firm. Therefore, the results should be interpreted with caution. A future study might use the market value of a firm instead of the book value to examine the relationship between profit and the size of the firm. It is suspected that a positive relationship may exist between the market value of a firm and its profit level.

Table 7 shows the Pearson correlations between company profits at different points in time. The table clearly shows that there is a lack of association between short run profits (1977/83 and 1983/90) and a strong association in the long run (1977/1990), that is, firms are concerned about their profit level in the long run rather than in the short run. After removing Malayan United Industries from the sample, the results remained the same. This finding lends support to the rank maintenance hypothesis, that is, in the long run, rank maintenance and profit maximization complement each other.

Table 8 shows the annual compound real growth rates for profits and assets for the period 1977-1990. The assets of the fourth 11 companies grew at an annual growth rate of 24.2% during the 1977-1990 period, compared to 7.1% for the first 11 companies, 10.8% for the second 11 companies, and 10.9% for the third 11 companies. The assets of the 44 companies grew at an annual rate of 10.2%. The modest growth rate for the first 11 companies indicates that these companies may have reached their optimal size compared to the rest of the firms in the sample, which still have room for growth. In the sub-periods, the growth of the firms in the 1977-1983 period is greater than that for the 1983-1990 period. As for profit, the table shows that the third 11 companies enjoyed the highest growth rate of 11.9% followed by the first group with 11.3% for the period 1977-1990. The profit of the 44 companies, on average, grew by 9.3% for the period 1977-1990. For the sub-periods, the 1983-1990 period was characterized by higher profit growth rates for the first and fourth 11 companies, whereas the second and the third 11 companies enjoyed higher growth rates in the 1977-1983 period. The table shows that for the first 11 companies, there was a profit growth of 11.3% for the whole period (1977-1990). This was greater than their asset growth of 7.1%. This finding lends support to the rank maintenance hypothesis in the long run.

LIMITATIONS OF THE STUDY AND SUGGESTIONS FOR FURTHER STUDY

Caution should be taken in generalizing the findings of this study to other companies because: 1) this study is limited only to 44 listed industrial companies which remained listed

TABLE 4. Rank Correlation Between Company Ranks at Different Points of Time

Group	77/83	77/90	83\90
First 11	+.41	+.07*	+.69
Second 11	-.05*	+.11*	+.66
Third 11	+.59	+.76	+.64
Fourth 11	+.30	+.17*	+.98
First 22	+.55	+.13*	+.58
Last 22	+.41	+.43	+.90
All 44	+.75	+.59	+.84
Without Malayan United Industries			
Last 21	+.56	+.56	+.86
All 43	+.82	+.65	+.83
Fourth 10	+.95	-.01*	+.21

* not significant at the 10 %

TABLE 5. Asset Distribution Among Subgroup of Companies Based on 1977 Distribution

Groups\Year	Total assets (M$millions)			% of total assets		
	1977	1983	1990	1977	1983	1990
First 11	3248	6854.7	13002.8	71.2	50.7	48.1
First 22	4010.5	9241.6	17930.6	87.9	68.3	66.4
Last 22	551.8	4286.9	9080.1	12.1	31.7	33.6
All 44	4560.6	13528.5	27010.5	100	100	100
All companies	10666.6	35789.8	59465.4			
% of 44 to all companies	42.8	37.8	45.4			

over the period 1977-1990 rather than all industrial companies in the country—mergers and acquisitions, drop-outs, and unlisted companies are excluded. This is because of the difficulty in obtaining data about unlisted companies ; 2) the study uses only one measure of size, that is the book value of the firm rather than market capitalization; and 3) the base year may affect the reported results.

A future study may attempt to look at the behaviour of unlisted companies as well, and use market capitalization as a measure of size to see whether the results of this study are consistent.

CONCLUSION

The overall analysis supports the hypothesis that companies, in general, try to maintain or improve their relative rank in the corporate structure over time. The study shows that smaller (third group) and larger (first group)

TABLE 6. Pearson Correlation Between Company Assets and Profits at Different Points of Time

Group	1977	1983	1990
First 11	- . 20*	+ . 01*	+ . 03*
Second 11	+ . 51	- . 01*	+ . 01*
Third 11	+ . 40	+ . 10*	+ . 77
Fourth 11	+ . 24*	+ . 58	- . 10*
First 22	- . 13*	- . 02*	+ . 10*
Last 22	- . 17*	+ . 48	- . 13*
All 44	- . 06*	+ . 18*	+ . 03*

TABLE 7. Pearson Correlation Between Company Profits at Different Points of Time

Group	77/83	77/90	83\90
First 11	- . 06*	+ . 65	+ . 03*
Second 11	- . 07*	+ . 52	+ . 68
Third 11	+ . 56	+ . 59	+ . 76
Fourth 11	- . 07*	+ . 92	- . 02*
First 22	- . 06*	+ . 62	+ . 12*
Last 22	+ . 04*	+ . 88	+ . 20*
All 44	+ . 01*	+ . 78	+ . 16*
Without Malayan United Industries			
Last 21	- . 06*	+ . 90	+ . 24*
All 43	- . 05*	+ . 79	+ . 17*
Fourth 10	- . 19*	+ . 94	+ . 04*

* not significant at the 10%

TABLE 8. Annual Compound Real Growth Rates of Assets and Profits (in 1977 prices)

	Assets Growth			Profit Growth		
	1977 - 90	1977 - 83	1983 - 90	1977 - 90	1977 - 83	1983 - 90
First 11	7.1	5.9	7.4	11.3	3.0	18.0
Second 11	10.8	11.5	8.6	6.9	6.8	6.1
Third 11	10.9	11.7	8.5	11.9	14.0	8.0
Fourth 11	24.2	35.8	9.1	8.3	- 1.8	17.3
All 44	10.2	10.8	8.1	9.3	3.7	13.6

APPENDIX 1

List of the companies included in the study with their total assets (in thousands) and ranks in the population for the financial years 1977, 1983 and 1990

NAME OF COMPANY	Asset 77	Rank 77	Asset 83	Rank 83	Asset 90	Rank 90
First 11						
SIME DARBY	1537723	1	2709200	1	5391800	3
TRACTORS MALAYSIA HOLDINGS	269871	5	515669	14	630617	18
SHELL REFINING COMPANY	232341	7	432284	20	1071331	11
MALAYSIAN TOBACCO COMPANY	219942	9	426143	21	385942	30
THE EAST ASIATIC COMPANY	198140	11	351783	27	48793	109
ESSO MALAYSIA	168237	17	455977	18	879909	13
THE NORTH BORNEO TIMBERS	144490	22	109784	78	87394	86
TAN CHONG MOTOR HOLDINGS	143539	23	560838	12	—1230974	8
BOUSTEAD HOLDINGS	130678	24	650986	11	810703	15
TASEK CEMENT	105982	29	250327	43	255935	52
PERLIS PLANTATIONS	91700	31	391647	23	2209360	5
Second 11						
UNITED ENGINEERS	95547	33	134587	68	729620	17
CHEMICAL COMPANY OF MALAYSIA	83252	34	105351	82	368176	33
PAN MALAYSIA CEMENT WORKS	79974	36	324021	29	432733	29
CYCLE & CARRIAGE BINTANG	76553	37	170928	57	272643	49
MAGNUM CORPORATION	75079	38	484178	16	780154	16
DATUK KERAMAT HOLDINGS	72880	39	92938	88	80497	90
HUME INDUSTRIES (MALAYSIA)	72822	40	264908	41	590295	20
MALAYAN CEMENT	65850	43	234341	46	338379	35
GOLD COIN (MALAYSIA)	48738	52	91509	89	262900	51
MALAYAN FLOUR MILLS	46691	54	168923	58	222349	59
ORIENTAL HOLDINGS	45087	57	315319	30	850001	14
Third 11						
KECK SENG (MALAYSIA)	44818	58	190100	53	375084	32
SOUTH PACIFIC TEXTILE	41318	62	72763	103	289373	45
THE NEW STRAITS TIMES PRESS	40019	65	158128	60	551320	21
SUPREME CORPORATION BERHAD	38857	66	86427	93	160087	71
ALUMINIUM COMPANY OF MALAYSIA	34833	72	172970	56	169910	68
TIMURAN HOLDINGS BERHAD	32341	73	78653	96	183225	65
PAN MALAYSIA RUBBER INDUSTRIES	31445	75	85710	94	75809	95
CARLSBERG BREWERY MALAYSIA	28264	77	106462	81	191794	64
YEO HIAP SENG (MALAYSIA)	27610	78	100136	84	211216	61
BATA MALAYSIA BERHAD	24132	83	52073	124	97593	81
DUTCH BABY MILK INDUSTRIES	23525	84	58742	112	84826	89
Fourth 11						
SIN HENG CHAN (MALAYA)	22189	91	57626	114	77785	93
KHONG GUAN HOLDINGS MALAYSIA	21087	92	43891	128	69080	98
MALAYAN UNITED INDUSTRIES	19466	95	2399004	2	5537773	2
AJINOMOTO (MALAYSIA)	19348	96	52106	123	70485	97
SANYO INDUSTRIES (MALAYSIA)	18705	97	54332	119	51286	106
GEORGE KENT (MALAYSIA)	18399	98	54990	118	86724	87
GENERAL LUMBER (HOLDINGS)	18281	99	301171	32	477768	25
UNITED MALAYAN FLOUR MILLS	14954	106	35976	135	64357	102
MALAYA GLASS	11265	118	36474	134	86237	88
PACIFIC CHEMICALS	10864	119	12866	158	11973	112
SETRON (MALAYSIA)	8339	125	76291	98	156324	72

Source : *KLSE, Annual Companies Handbook,* various issues

APPENDIX 2

Total profits (in thousands) for the financial years 1977, 1983 and 1990

NAME OF COMPANY	Profit 77	Profit 83	Profit 90
First 11			
SIME DARBY	5971	12849	- 11036
TRACTORS MALAYSIA HOLDINGS	5069	12857	13541
SHELL REFINING COMPANY	2888	1937	15546
MALAYSIAN TOBACCO COMPANY	23557	4732	- 2871
THE EAST ASIATIC COMPANY	24516	4200	30052
ESSO MALAYSIA	10565	134426	103956
THE NORTH BORNEO TIMBERS	1498	2855	82
TAN CHONG MOTOR HOLDINGS	43653	- 10877	455105
BOUSTEAD HOLDINGS	15126	61038	32503
TASEK CEMENT	—	2531	- 45485	- 113355
PERLIS PLANTATIONS	12130	74976	260752
Second 11			
UNITED ENGINEERS	10592	18156	29572
CHEMICAL COMPANY OF MALAYSIA	15911	6859	42664
PAN MALAYSIA CEMENT WORKS	26325	64876	204043
CYCLE & CARRIAGE BINTANG	16978	38946	41873
MAGNUM CORPORATION	12897	- 4286	8180
DATUK KERAMAT HOLDINGS	16550	14161	10322
HUME INDUSTRIES (MALAYSIA)	3912	30079	43130
MALAYAN CEMENT	12576	8989	10760
GOLD COIN (MALAYSIA)	5629	10171	17308
MALAYAN FLOUR MILLS	157	81286	62814
ORIENTAL HOLDINGS	12304	32250	51043
Third 11			
KECK SENG (MALAYSIA)	2517	4373	768
SOUTH PACIFIC TEXTILE	15055	35196	37040
THE NEW STRAITS TIMES PRESS	11206	75774	259312
SUPREME CORPORATION BERHAD	4163	8016	23241
ALUMINIUM COMPANY OF MALAYSIA	2922	910	7635
TIMURAN HOLDINGS BERHAD	3577	2561	4684
PAN MALAYSIA RUBBER INDUSTRIES	1879	54965	5722
CARLSBERG BREWERY MALAYSIA	6092	16680	49906
YEO HIAP SENG (MALAYSIA)	873	- 1536	4227
BATA MALAYSIA BERHAD	5344	7584	20166
DUTCH BABY MILK INDUSTRIES	3288	7728	7825
Fourth 11			
SIN HENG CHAN (MALAYA)	20240	74096	271671
KHONG GUAN HOLDINGS MALAYSIA	18306	38109	100128
MALAYAN UNITED INDUSTRIES	41921	90823	68736
AJINOMOTO (MALAYSIA)	3876	5202	6084
SANYO INDUSTRIES (MALAYSIA)	151434	111.1	611400
GEORGE KENT (MALAYSIA)	1738	5108	5775
GENERAL LUMBER (HOLDINGS)	377	- 4034	63197
UNITED MALAYAN FLOUR MILLS	9637	53600	80274
MALAYA GLASS	12576	49220	61314
PACIFIC CHEMICALS	7726	14669	6709
SETRON (MALAYSIA)	4968	7777	- 2995

Source : *KLSE, Annual Companies Handbook,* various issues

companies are more concerned about maintaining their ranks in the corporate hierarchy. In addition, it appears that companies are more concerned with maintaining their ranks in the short run than in the long run. Moreover, the concentration of wealth and monopoly power of the largest ten companies declined over the years as more companies were listed and smaller companies improved their positions in the industry. This may have been due to the fact that large companies have reached their optimal size and therefore have no room for further expansion. Further, the presence of multinational firms which may have been concerned with their rank at an international scale rather than at a national scale could have led to this result. In addition, there were non-significant relationships between asset-size and profit of the firm, at least in the short run. However, the study indicates that rank maintenance and profit maximization are complementary hypotheses in the long run.

ACKNOWLEDGEMENTS

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