



REFLECTIONS ON A TRANSFORMATION JOURNEY

The GLC Transformation Programme 2005 - 2015





Voices

REFLECTIONS ON A TRANSFORMATION JOURNEY
The GLC Transformation Programme 2005-2015





VOICES

August 2015

No part of this book may be reproduced in any written, electronic, recording, or photocopying without written permission of the publisher or author. The exception would be in the case of brief quotations embodied in the critical articles or reviews and pages where permission is specifically granted by the publisher or author.

Books may be purchased by contacting the publisher and author at:

PCG Secretariat
Level 33, Tower 2
Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel: 03-2034 0000
Fax: 03-2034 0008
email: info@khazanah.com.my

Publisher: Putrajaya Committee on GLC High Performance (PCG)
Editor: PCG Secretariat
First Edition
Cover & Interior Design: Cips Creations
Printer: DC Prints Sdn. Bhd.



The GLC Transformation (GLCT) Programme was announced on 14 May 2004 and officially launched on 29 July 2005. The GLCT Programme aimed to transform GLCs to become high performing entities and also help accelerate the country's social and economic development.

Government-Linked Investment Companies (GLICs) are defined as Federal Government-Linked Investment Companies. The GLICs under the purview of the GLCT Programme are Employees Provident Fund (EPF), Khazanah Nasional Berhad (Khazanah), Lembaga Tabung Angkatan Tentera (LTAT), Lembaga Tabung Haji (TH) and Permodalan Nasional Berhad (PNB).

Government-Linked Companies (GLCs) are defined as companies that have a primary commercial objective and are under the control of a GLIC. A GLIC has control over GLC when it is the majority shareholder or single largest shareholder and when it has the ability to exercise and influence major decisions such as appointment of board members and senior management, award of tenders and contracts and so on. Subsidiaries of such GLCs also fall under the purview of the GLCT Programme. The GLCT Programme excludes state controlled or state-linked companies.

G20 is a selection of large GLCs controlled by GLICs under the GLCT Programme and is used as a proxy for performance of the GLCs. This list originally comprised of 20 GLCs but currently totals 17 due to various mergers, demergers and other corporate exercises over the years.

For more information please refer to the GLC Transformation Programme Graduation Report.



Table of Content

Foreword	2
YAB Dato' Sri Mohd Najib bin Tun Hj. Abdul Razak	
Prime Minister of Malaysia	
Chairman of the Putrajaya Committee on GLC High Performance (PCG)	
Introduction: Graduating to a Higher Class	4
Tan Sri Azman Hj. Mokhtar	
Managing Director of Khazanah Nasional Berhad	
Secretariat to the Putrajaya Committee on GLC High Performance (PCG)	
Editor's Note	14
Pn. Saadiah Aziz	
Vice President in the Special Projects Office of Khazanah Nasional Berhad	
About the Authors	17

SECTION 1 - **THE CONTEXT AND THE BEGINNINGS:**

Strategic Significance and the Genesis of the GLC Transformation Programme

- Galvanising GLCs to Drive the Nation Forward 35
Tun Abdullah Ahmad Badawi
Fifth Prime Minister of Malaysia
Founder of the GLC Transformation Programme
- A Personal Journey Revisited 41
Tan Sri Nor Mohamed Yakcop
Deputy Chairman of Khazanah Nasional Berhad
Minister in the Prime Minister's Department in charge of Economic Planning Unit (EPU) (2009-2013)
Former Minister of Finance II (2004-2009)
Former Chairman of the Putrajaya Committee on GLC High Performance (PCG) (2005-2008)



SECTION 2 - TRANSFORMATION AND LEADERSHIP:

Doing the Right Things Right

- This is My “Story” on GLC Transformation 53
Dato’ Sri Abdul Wahid Omar
Minister in the Prime Minister’s Department
Former President and Chief Executive Officer of Malayan Banking Berhad (Maybank) (2008-2013)
Former Chief Executive Officer of Telekom Malaysia Berhad (TM) (2004-2008)
Former Chief Executive Officer and Managing Director of United Engineers (Malaysia) Berhad (UEM) and UEM World Berhad (2001-2004)
- Colourful Books & Great Leaders 61
En. Johan Mahmood Merican
Chief Executive Officer of Talent Corporation Malaysia Berhad (TalentCorp)
Special Officer to the Minister in the Prime Minister’s Department in charge of the Economic Planning Unit (EPU) (2009-2010)
Special Officer to the Minister of Finance II (2004-2009)
- Malaysia’s GLCs: From Good to Great 71
Mr. Dominic Barton in collaboration with Mr. Seelan Singham and Ms. Diaan-Yi Lin
Global Managing Director, Chairman (Malaysia), and Senior Partner of McKinsey & Company
- Taking off to Clearer Skies: A Perspective on the Transformation of Malaysia Airlines 79
Dato’ Sri Idris Jala
Minister in the Prime Minister’s Department
Chief Executive Officer of Performance Management and Delivery Unit (PEMANDU)
Former Chief Executive Officer of Malaysian Airline System Berhad (MAS) (2006-2009)
- We Learned Along the Way 87
Dato’ Sri Che Khalib Mohamad Noh
Group Managing Director of MMC Corporation Berhad (MMC)
Former Chief Executive Officer of Tenaga Nasional Berhad (TNB) (2004-2012)
- Transformation, Change, Leadership and Governance – Reflections of a Journey 95
Dato’ Ahmad Pardas Senin
Chairman of Malaysian Directors Academy (MINDA)
Former Managing Director and Chief Executive Officer of UEM Group (2004-2009)
- Catalysing Transformation through Leadership 103
En. Mohd Izani Ashari
Executive Director in the Special Projects Office of Khazanah Nasional Berhad
Secretariat to the Putrajaya Committee on GLC High Performance (PCG)
- Winning Together 113
Pn. Nora Abd Manaf
Group Chief Human Capital Officer of Malayan Banking Berhad (Maybank)
- The Making of a Talent Factory: A Personal Reflection 123
Dato’ Sri Jamaludin Ibrahim
President & Group Chief Executive Officer of Axiata Group Berhad



SECTION 3 - GRADUATING TO A HIGHER CLASS:

Institutionalisation, Competitiveness and Internationalisation

- **Employees Provident Fund (EPF) – Charting a Legacy of Excellence** 133
Tan Sri Azlan Zainol
Chairman of Malaysian Resource Corporation Berhad (MRCB)
Chairman of RHB Bank Berhad
Former Chief Executive Officer of Employees Provident Fund (EPF) (2001-2013)
- **Doing Our Bit** 141
Tan Sri Dr. Ahmad Tajuddin Ali
Chairman of UEM Group Berhad (UEM)
Former Executive Chairman of Tenaga Nasional Berhad (TNB) (1996-2000)
- **Transforming a Leader** 149
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
Chairman of Malayan Banking Berhad (Maybank)
Former Regional Business Chief Executive Officer and Managing Director,
Shell Exploration and Production Business Venture (1999-2004)
- **GLCT Programme - Family Ties** 157
Dato' Sri Nazir Razak
Chairman of CIMB Group Holdings Berhad (CIMB)
Former Group Chief Executive Officer of CIMB Group Holdings Berhad (CIMB) (1999-2014)
- **Making Changes Gracefully** 163
Tan Sri Bashir Ahmad bin Abdul Majid
Adviser of Malaysia Airports Holdings Berhad (MAHB)
Former Managing Director of Malaysia Airports Holdings Berhad (MAHB) (2003-2014)
- **Getting Down to Business, it's Time for Change** 173
Dato' Izzaddin Idris
Group Managing Director/Chief Executive Officer of UEM Group Berhad (UEM)
Former Chief Financial Officer of Tenaga Nasional Berhad (2004-2009)
- **Corporate Islamic Financial Excellence: The BIMB Holdings Story** 183
Dato' Johan Abdullah
Deputy Managing Director and Chief Executive Officer of Lembaga Tabung Haji (TH)
Former Group Managing Director and Chief Executive Officer of
BIMB Holdings Berhad (BHB) (2008-2014)
- **Upped the Game and Upped the Bar** 189
Mr. Stephen Hagger
Head of Equities and Country Manager of Credit Suisse Group Malaysia



SECTION 4 - NATION BUILDING, TOUCHING LIVES:

Making a Positive Impact on All Malaysians

- The Impact of PNB Unit Trust Schemes towards Changing the Mindset of the Malay Community (1981-2015) 199
Tun Ahmad Sarji Abdul Hamid
Chairman of Permodalan Nasional Berhad (PNB)
- Commercialising Lembaga Tabung Angkatan Tentera (LTAT) 205
Tan Sri Dato' Seri Hj. Lodin Wok Kamaruddin
Chief Executive Officer of Lembaga Tabung Angkatan Tentera (LTAT)
Group Managing Director and Deputy Chairman of Boustead Holdings Berhad (Boustead)
- Lembaga Tabung Haji: A Malaysian Invention for the *Ummah* 213
Tan Sri Ismee Ismail
Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji (TH)
- Silver Linings: From Philanthropy, Corporate Social Responsibility (CSR), Corporate Responsibility (CR) to Sustainability 219
Pn. Shareen Shariza Abdul Ghani
Director in the Special Projects Office of Khazanah Nasional Berhad
- Permodalan Nasional Berhad (PNB) – Reflections on a 37-Year Journey 229
Tan Sri Dato' Sri Hamad Kama Piah Che Othman
Chief Executive Officer of Permodalan Nasional Berhad (PNB)

SECTION 5 - A STEEPER INCLINE:

The Last Leg to 2020

- Building Organisational Resilience: Why We Must Sustain the Momentum 239
Datuk Dr. Hamzah Kassim
Group Chief Executive Officer and Co-Founder of The IA Group
- GLC Transformation: A Job Well Done, So it's Now Time for a "GLIC Transformation"? 249
Dato' Seri Johan Raslan
Senior Adviser and Member of the Board of Directors of AMMB Holdings Berhad (AmBank Group)
Former Executive Chairman of PricewaterhouseCoopers Malaysia (PwC) (2004-2012)
- "Execute Before You are Executed" - A Journalist Reminisces and Shares His Thoughts About the GLC Transformation Programme 257
En. P. Gunasegaram
Publisher and Founding Editor at KiniBiz
- The GLCT Story: Of GLICs Rather than GLCs 265
Dr. Nungsari Ahmad Radhi
Managing Director of Prokhas Sdn. Bhd. (Prokhas)
Former Executive Director of Khazanah Nasional Berhad (2007-2013)



Foreword

A progressive and dynamic nation will always be guided by the philosophy of where they come from, where they are standing and where they are headed next. Since 1991, Malaysia has been anchored on the ambition to become a fully developed country across all dimensions - economically, politically, socially, spiritually, psychologically, and culturally - by the year 2020. This ambition has been the foundation of all our subsequent national policies and development plans, such as the New Economic Model (NEM), Government Transformation Programme (GTP), Economic Transformation Programme (ETP), and the recent 11th Malaysia Plan. Similarly, the Government-Linked Company (GLC) Transformation Programme was a national priority aimed at transforming GLCs into high performing entities so that they could help accelerate the country's social and economic development.

As the Deputy Prime Minister, I witnessed the official launch of the GLCT Programme on 29 July 2005, and saw through the rest of the Programme when I became Prime Minister in 2009. This transformation journey involved the reform and growth of GLCs over 10 years and was not without its peaks and troughs. As Martin Luther King, Jr. once said, "Change does not roll in on the wheels of inevitability, but comes through continuous struggle." Indeed, the successful transformation of GLCs through this Programme is a testament to the persistence, determination and effort of the various change agents, namely, the Government, Government-Linked Investment Companies (GLICs), GLC Boards, GLC top management and the PCG Secretariat.

When the Programme was first introduced, it was a bold measure that threatened the status quo of long ingrained cultures of inefficiency, bureaucracy and complacency in many GLCs. Transformation is never an easy task, even when it is necessary to help Malaysia become a developed nation. Not surprisingly, the Programme was met with resistance from incumbents who were uncomfortable with the changes being implemented. Hence, strong Government leadership was integral as it provided the much needed air cover for GLCs to gain traction and implement the necessary improvements and reforms. Meanwhile, these radical changes also inspired those who shared the vision of the Programme. Many transformational leaders emerged and brought in or converted like-minded and like-spirited colleagues to champion the various transformation efforts at the GLCs. The success of this Programme has been due in no small measure to the strong leadership of those who were courageous enough to support or take on the challenging task of turning around, improving, restructuring, growing and elevating the GLCs to greater heights. These leaders, including Chairmen and CEOs of GLICs and GLCs, were steadfast and willing to make difficult and unpopular decisions to create deep and lasting changes for the long-term benefit of GLCs and the nation.

Many of the “war stories” and personal accounts of the statesmen, government officials, leaders of GLICs and GLCs, and external observers from the investment community, media and thought leaders have been captured as essays in this book to provide insights on the Programme and what really happened behind the scenes. These collection of essays will serve as a good documentation of the transformation of GLCs and help build Malaysia’s knowledge capital for the benefit of our future generations. I am sure these essays will also inspire the current and future leaders into action and be positive force for the betterment of Corporate Malaysia, our society and our beloved nation.



YAB DATO' SRI MOHD NAJIB

Prime Minister of Malaysia

Chairman of the Putrajaya Committee

on GLC High Performance (PCG)

28 July 2015



Introduction: Graduating to a Higher Class

Lessons from a collective transformation journey

This is a story of a collective transformation journey. On the face of it, it is a story of the transformation of companies. Dig a little deeper, you may find that it is also the story of the transformation of human potential, of the human possibilities that it helped unlock. Ultimately, this is a story of how a group of companies and trust institutions contributed in a not insignificant way to support the nation at a critical time in its development.

Malaysia's independent history has been a continuous narrative of a nation repeatedly rising above the odds; from colonial and post-colonial dependence to independence, through emergencies, through social and political turning points, through economic crises, both domestic and global. When the nation called in May 2004, the ambers and heat of the 1998 Asian Financial Crisis were still quite palpable while the nation had, critically, to regain course if the developed nation status was to be achieved in 2020, just 16 years away. For that to happen, one critical component of the economy, what came to be known as Government-Linked Companies (GLCs), had to recover and had to perform. Fast-forward more than ten years hence, by various measures, the Programme has thankfully been hailed by independent observers as a resounding success. There are of course gaps, while the performance and expectations bar are constantly rising, but GLCs today are far more resilient and capable than where they started.



Uncommon voices, common threads

The 30 Voices contained in these pages are but just a fraction of the thousands, indeed hundreds of thousands more. These 30 represent the many, many more of those who had worked so diligently for more than ten years to build and then successfully deliver what has come to be known as the GLC Transformation (GLCT) Programme. It would indeed be impossible in a compilation such as this, to hear specifically, all of the 373,627 employees and the many millions of customers, suppliers, depositors, investors and other stakeholders in at least 42 countries that the 5 Government-Linked Investment Companies (GLICs) and 17 GLCs that participate in this Programme operate in.

Indeed, these collective voices come alive through the 30 leaders, who carry with them the aspirations, the stories, the sweat and sometimes the tears of the people that they lead and the stakeholders that they serve. From Prime Ministers to CEOs, from Chairmen to Journalists and Stockbrokers, from established incumbent leaders to would-be new kids on the blocks then, from Technocrats to Advisers, the collective 30 gives us a rich cacophony of the collective story of the GLCT Programme.

In reviewing these essays, several common threads emerged. The stories are not just a record of incidents and events, but also a treasure trove of the technicalities of transformation how-to. Part instruction manual, part wisdom guide, full of colourful and humorous anecdotes and secret recipes of how big things actually get done, one step at a time.

What jumps immediately off the pages is the fondness and pride of how much things have changed for the better and how much effort and dedication went into this transformation journey. Repeatedly, we read a pattern of critical qualities such as integrity, courage, sacrifice, hard work, constancy, independence, professionalism and a modicum of wisdom and adventure. Several authors chose to focus on talent, human capital and leadership as perhaps the most critical element of their transformation journeys. There were also quite a few touching passages of humility, of simple appreciation to just having been given the chance to serve. Most tellingly, and quite appropriately so, many voices repeatedly reminded of what this is all about; of *amanah*, service to the nation and service to the rakyat.

The perspectives of the national leaders – two Prime Ministers from Tun Abdullah Ahmad Badawi who started it all and Dato' Sri Mohd Najib Tun Hj. Abdul Razak who not only chose to stay the course, but emphasised it further, to Tan Sri Nor Mohamed Yakcop, the founder and chief architect of the grand project – were particularly insightful. The context of the times, the thinking that went behind it, the choices they made, and then the genesis followed by the execution. Throughout, it was a story of the space and “air-cover” that these visionaries



created for the talented and dedicated technocrats to answer their calling and then to deliver on what was expected of them. To them, the national leaders, on behalf of the professionals and the technocrats, I thank them from the bottom of our hearts for giving us the chance to serve.

Bridging an epoch

As Malaysia's recent economic history is written, the period from 2004 to 2015 will, I believe, be remembered as an epochal period when Malaysia Inc. changed immeasurably – for the better - with a greater emphasis on and a much improved performance of GLCs.

This was a period when GLCs by and large ceased to be part of the problem and began its journey to become part of the solution. It was also a period that straddled from post the 1998 Asian Financial Crisis, through the Global Financial Crisis of 2008, through the handover from Malaysia's fifth and sixth Prime Ministers and into a date that is just five years from the target date of 2020. This meant that the Programme was also a critical bridge that had to be steadily built and then firmly crossed on the nation's developmental path to our 2020 Ambition.

Instructively, while the reverse may hold true, the experts and the insightful have observed that no nation in history has joined the ranks of developed nations without its firms achieving world-class standards. Indeed while economies grow and develop at the macro-economic level, it is at the firm or micro-economic level that value is painstakingly built, or indeed destroyed. While it has been estimated by various measures that the 22 GLICs and GLCs in this Programme represent less than 10% of the Malaysian economy, its impact and reach is significantly larger given its presence in critical industries, its large market capitalisation and impact on the equity and capital markets, its ability to effect socio-economic change and now, its emerging strategic industry capacity and reach into international markets.

Progress and concurrence

These 30 voices along with its companion volume The GLCT Programme Graduation Report (2005 – 2015) have colourfully described the many awards, financial achievements and strategic and developmental outcomes that the Programme has garnered. Perhaps most remarkably, these developmental outcomes were delivered concurrently with strong financial performance and significant stakeholder returns across all stakeholder groups. This was always a programme that looked beyond just financial numbers. Furthermore, it was critical to not just do the right things well it had also to be done in the right way.



There are many ways to cover this, but perhaps in line with the ten years of the Programme, my list of ten achievements of the GLCT Programme would read the following:

1. Completing unfinished business. Through the corporate restructuring of formerly privately held companies such as Renong Group, Malaysian Resources Corporation Berhad (MRCB), Celcom and several government-controlled banks, it completed the second half of the post-1998 Asian Financial Crisis remedial measures. Up to that point around 2002, there was limited success in corporate restructuring of such nationally significant companies. The GLCT Programme was able then to build on the successes of the stabilisation measures of Danaharta Nasional Berhad, Danamodal Nasional Berhad, selective capital controls and banking consolidation and critically allowed the nation to move to its next phase of growth and development.
2. Transforming erstwhile underperforming GLCs. Not all of the GLCs in 2004 were in crisis mode, although practically all had been dragged by decades of sluggish performance. The GLCT Programme resulted in the more traditional GLCs and former state owned enterprises (SOEs), such as Tenaga Nasional Berhad (TNB), Telekom Malaysia (TM), and Malaysia Airports Holding Berhad (MAHB) successfully reversing decades of underperformance. Many GLCs such as CIMB Group Berhad, Malayan Banking Berhad (Maybank), UMW Holdings Berhad, Boustead Holdings Berhad, Malaysia Building Society Berhad (MBSB) and Sime Darby Berhad saw their competitive positions improve significantly over the period.
3. Superior financial performance and prudential risk and financial management. Market capitalisation of the GLCs in the Programme rose 2.9x, almost trebling to RM386.0 billion on 28 July 2015, and hitting an all-time high of RM431.1 billion on 7 April 2015. Total Shareholder Return was a commendable 11.1% p.a. while overall Economic Profit was achieved. While the returns were commendable, just as importantly, this was achieved with a moderate level of risk. Leverage for example was significantly reduced with average net gearing levels (G20 non-bank) of 45.8% as of 2014 from 51.4% in 2004.
4. Distribution of returns. As a result of much stronger financial performance, GLCs were able to significantly improve its distributive capacity. Dividends from the G20 alone totalled RM108.6 billion during this period while taxes paid amounted to RM62.7 billion.
5. Better corporate governance: Doing the right things, in the right way. As has been commented by several independent voices in these pages, the professionalism, integrity,

corporate culture and corporate governance of GLCs improved significantly during this period, such that many of them are now considered the leaders and benchmarks in Malaysia as well as in the markets they operate in.

6. Development of human capital and leaders. The GLCT Programme placed a core emphasis on leadership and human capital development. Numerous programmes were instituted and many of the key initiatives such as the Blue Book (key performance indicators (KPIs) and Performance Linked Compensation), the Orange Book (leadership development), Upward Mobility Scheme, and Talent Exchange were very much focused on improving and unleashing talent. Various indicators, both input and output in nature have shown significant improvements.
7. Inclusion, stakeholder delivery and corporate social responsibility (CSR). Stronger GLCs resulted in greater quantity and quality of its various CSR contributions. While not always evenly done, GLCs also made much progress in delivering across a wide spectrum of stakeholders from customers, suppliers, employees, investors and depositors, and the rakyat at large. GLCs also played a significant role in the ongoing Programme to improve and professionalise the Bumiputera Economic Empowerment Agenda.
8. Leaders in restructurings, transformative transactions and innovative financing. During this period, there were numerous examples of GLCs successfully undertaking important restructurings, transformative transactions and innovative financings. Among leading examples were Sime Darby's Synergy Drive merger, TM-Axiata's demerger, listing and then delisting and restructuring of PLUS Expressways Berhad, mergers and acquisitions (M&A) and integration driven growth of CIMB, creation of IHH Healthcare Berhad (IHH) and UEM Sunrise Berhad, restructurings and the transformation of, inter alia, MRCB, MBSB, MAHB, UMW, Maybank, Boustead, and Bank Islam Malaysia Berhad (BIMB). There were also numerous innovative award-winning financing structures created and issued by GLICs and GLCs, typically using Islamic Financial services.
9. Internationalisation and strategic returns. Several GLCs such as Maybank, Sime Darby, CIMB, IHH and Axiata Group Berhad emerged as true regional champions during this period, while several more are well positioned further down the pipeline. GLCs collective share of revenue from foreign sources rose three-fold during the review period from RM26 billion in 2004 to RM78 billion in 2014, while overseas assets rose seven-fold to RM406 billion over the same period. In addition, GLCs were also able to establish innovative business combinations through collaboration, mergers, acquisitions and partnerships. Notable examples include the development of the Battersea power station in the UK, the Shuaibah Independent Water & Power Project (IWPP) in Saudi Arabia,



the UEM Sunrise takeover, and the Time Dotcom Berhad and MRCB entrepreneur-driven combinations.

10. Catalysing national development. Once they proved their resilience in the 2008 Global Financial Crisis, GLCs were able to answer the call to support the nation during the 2008 and 2009 Stimulus Packages and subsequently the launch of New Economic Model of 2010 with its Economic and Government Transformation Programmes. Earlier, GLCs played a prominent role too in the rollout and development of various economic corridors, especially in the Northern, Eastern and Iskandar Malaysia regions. Between 2004 and 2014, GLCs collectively invested more than RM153.9 billion domestically.

Gaps and challenges

While graduation is indeed a cause for some celebration, it would be amiss to not acknowledge and highlight the many gaps and challenges that exist and indeed persist. In the spirit of review and constructive introspection that is one of the tenets of the Programme, we list ten gaps, with where appropriate a perspective on various mitigating measures and circumstances;

1. Unevenness. There is of course a problem with averages, in that they do mask the outliers in the Programme. MAS, is the most obvious example, a case that is persistently difficult to solve (although the 12-point recovery plan is the most comprehensive and radical to date). Further, even within successful TSR performance, there was uneven performance with for example the delivery of the klia2 airport by MAHB that faced multiple delays and issues.
2. Stagnation? As variously observed, there is emerging evidence currently of flat earnings and diminishing return on equity (ROE), and of lower KPIs achievement. While this may be temporary and in line with a more sluggish economic conditions, it may also portend some degree of transformation fatigue and/or greater industry disruption and competition. A high-achievement company in a difficult industry and profit pool such as Axiata is a good example of this.
3. Risk of relapse. It is difficult to sustain a high level of performance let alone outperformance for long periods. Indeed we saw how, for example, GLC stalwarts such as Sime Darby, Maybank and CIMB, and also relative newcomers such as UEM Sunrise saw spectacular periods of superior business and share price performance only to be followed by shocks or periods of underperformance. The reasons are manifold and while some of these companies such as Maybank have since recovered, several are still struggling.



4. Limitation of scope. The Programme by necessity could not cover the whole universe of GLCs. For example, by far the largest GLC, Petroliaam Nasional Berhad (Petronas), is not part of the Programme. In part, this is because Petronas was deemed a model GLC at the outset, a competitive and international Fortune Global 500 company. Indeed, Petronas assisted significantly at the start in the study of best practices. The exclusions, or rather, non-inclusions also included newer companies such as IHH and Felda Global Ventures Holdings Berhad (FGV), large companies that were embedded within G20 members such as Celcom and PLUS, agency-companies such as (MARA Inc.) and Federal Land Development Authority (FELDA), the many State GLCs, and other GLICs such as Retirement Fund Inc. (KWAP), Ministry of Finance (MOF Inc.) and indeed 1Malaysia Development Berhad (1MDB). In defense of the Programme, this was a practical necessity and it was always intended that the GLICs and G20 would act as good demonstration and benchmark effect to the rest.
5. Limited impact on industry restructuring in certain sectors. While GLCs have successfully taken the lead on not just company but indeed industry restructuring in telecommunications, electricity, banking, infrastructure, plantations and so on, several notable sectors are still lagging. These include automotive, semiconductors and airlines.
6. Crowding-out vs. Crowding-in. A common critique of GLCs has been the so-called crowding out argument. While there is some evidence of this, we believe this is by and large not the case. In the case of TNB for example, it is widely acknowledged, if anything that they have been for the last two decades and more, on the receiving end of being crowded out by private sector independent power producers (IPPs). Still, this is an important issue and at the advent of the 2009/2010 NEM imperatives, the Programme was careful to improve and accelerate its responses to ensure that GLCs would actually crowd-in rather than crowd-out. Hence, formal programmes to divest non-core assets, to collaborate with the private sector, and to ensure that GLCs played on a level playing field were implemented or accelerated.
7. Gaps in catalysing entrepreneurship. An extension of the crowding out argument through the stymieing of private entrepreneurs, is the gaps inherent in GLCs' role in developing local supplier bases, in particular Bumiputera suppliers and vendors. While numerous programmes have been out in place, through vendor development programmes (VDPs), carve-outs, partnerships and so on, and there have been quite a few success stories such as TIME dotCom and MRCB, there remains simmering dissatisfaction on both the part of the suppliers and the GLCs. More work is being undertaken under existing and heightened Bumiputera Empowerment Agenda (BEA) programmes



8. Talent crowd-out? Another form of crowding-out is the potential crowd out of scarce managerial and potentially entrepreneurial talent. Nonetheless, this view would only hold if GLCs fail to first of all develop and then deploy the considerable talent that it has built optimally. The evidence is at worst mixed in this regard, as GLCs have by and large done well in both developing and deploying talent to date. However, the situation is dynamic and unless GLCs continue to develop, unleash the younger talent, and eventually export talent to other parts of the economy in both the public and private sectors, the risk is real.
9. Gaps in inclusion initiatives. While GLCs have contributed to helping ease some of the burden of the increasing cost of living, such as lower electricity tariff and toll road rates increases and affordable housing have been significant, its impact in this area have also been limited. On gender and race inclusiveness, for example, at 16.9% of women on boards in 2014, GLCs do a better job of this than the Bursa Malaysia average of 10.2%, but it still falls short of the national target of 30%. While there is a better racial profile mix, and a better balance than non-GLCs private sector companies, there are still gaps in several areas.
10. Innovation capacity deficit. The one area that GLCs have yet to focus on in a major way is in the innovation and technology space. While some companies notably Axiata in Digital Services and Maybank in Fintech have begun to make significant moves, GLCs are still considerably early and behind in this area, especially at a time of much greater pace of change and disruption.

Indeed, while much has been achieved, the bar keeps rising even higher. The challenges are manifold and include tougher economic and socio-political conditions both externally and domestically, internal challenges of sustaining growth and transformation over long periods with the risks of complacency and/or hubris, greater public and stakeholder expectations and scrutiny, the threats of (paradoxically) increased protectionism in some neighbouring countries and potentially excessive trade liberalisation through The Trans-Pacific Partnership Agreement (TPPA) in others. Further, the rapid pace of disruption and obsolescence being caused by technological and business model changes have never been greater. Indeed, post-graduation itself poses a set of risks of potential relapse if GLCs are not careful once the Programme support or “scaffolding” is removed.

What next? What got us here won't get us there.

Nonetheless, while we have in the spirit of prudent and constructive introspection highlighted the gaps and the challenges, to take this in perspective, GLCs are also entering this last phase to 2020 from positions of relative strength with much momentum under their sails. They



are more resilient with significantly stronger balance sheets and stronger market presence. Their internal capacity has improved markedly after years and a lot of hard work in improving processes and practices, corporate governance and risk management. Most of all, they have stronger leadership benches and have also been growing their own timber under the various programmes of the GLCT Programme.

So, what next then?

As I prepared to summarise this book and to complete the sister publication The GLC Transformation Programme Graduation Report, I polled several of my senior colleagues as to the following three questions:

1. On a scale of 0 to 10, how would we rate the performance of GLCs over the ten-year period to 2015, as a whole against its original objectives and expectations back in 2004/2005? We landed on an overall estimate of a 7 over 10 currently. The numbers, we felt, would have been as high as 8 out of 10 had we asked these two to three years ago, but there has been evidence of some regression as evidenced by low KPI achievement in 2014 of 45% and flat earnings growth.
2. On a scale of 0% to 100%, how much more difficult is it now (in 2015) for GLCs to be deemed high-performing enough in order to fulfil its dual commercial and to an extent, developmental functions? A wide range and my own sense is perhaps a range of +50% to +100% (i.e. a doubling) of the degree of difficulty is appropriate.
3. Hence, given the foregoing, on a scale of 0 to 10, therefore, how ready are GLCs currently to face the new challenges with increased complexity, disruption and competition? If we were then to bring together the elements of where we are now (7/10) and where we need to be (50% to 100% higher bar) in the next five to ten years, and adding for some degree of GLCs being able to generate a further capacity to learn from the “muscles” that they have built from the decade of transformation work, we would have to conclude that on average, GLCs are still perhaps some 40% to 60% below (i.e. between 4/10 to 6/10) of where they need to be by 2020 in order to be competitive.

In other words, while much has indeed been achieved, and today we have reached graduation day, there is much more yet to be done.

Graduation and post-graduation

It was important that we did not under-stay, nor over-stay on the course of the ten-year GLCT Programme. In 2005 we estimated that we would have a ten-year programme and in 2015, we reaffirmed this. We also decided that we should not close the Programme completely but instead



to “graduate” it. What this means is to be able to enjoy the benefits of sharing and benchmarking best practices, and maintain the dynamism of the network of peers, while removing the props and scaffolding of the formal Programme.

The days, weeks and months ahead will indeed see a greater definition of what a post-graduation world holds for GLCs. Indeed, we can expect that the end of the formal Programme will mean greater autonomy and with that, the locus of ensuring continuity and rising to the new challenges will fall more onto GLCs and their parent GLICs. It is therefore critical that GLICs and GLCs work diligently to institutionalise the painstaking gains that have been achieved through ten years of transformation work. On the part of the Government, it is hoped that their unwavering commitment of first providing the proper space and then the “air-cover” for GLC transformation to take place to continue to 2020 and beyond. GLCs – or GICs (Government Investee Companies) as some have suggested – would then need to chart new ways and modalities to refresh themselves, to chart new pathways to meet the challenges posed.

It has been 4,103 days and counting since that day on 14th May 2004 when then Prime Minister Dato’ Seri Abdullah Hj. Ahmad Badawi announced the critical need for GLCs to transform, further reinforced when Dato’ Sri Mohd Najib Tun Hj. Abdul Razak took over the reins in 2009. *Alhamdulillah*, much has been achieved since and I am eternally grateful to the numerous individuals and institutions that have made large and modest contributions to the Programme.

Today we graduate and it is indeed a significant milestone. But it is only a small breather, along the way of a lifelong journey of continuous improvement. Like all good graduates, graduation indeed means it is not the end, but just the beginning.



TAN SRI AZMAN HJ. MOKHTAR

*Managing Director of Khazanah Nasional Berhad
Secretariat to the Putrajaya Committee on GLC High Performance (PCG)*



Editor's Note

“**V**oices” is a compilation of inspirational stories from a diverse and eminent group of 30 authors on the 10-year journey of the GLC Transformation (GLCT) Programme. The title was chosen to represent the voices that have not been heard in any form of reporting in the last 10 years. We wanted to gather different dimensions of the Programme, which was an important milestone in the changing landscape of corporate Malaysia. We hope the rich, in-depth and colourful stories are able to humanise the Programme and tell the stories behind the scenes. The documentation of these stories serves to institutionalise the knowledge and experience of corporate transformation at a national level, and intended for it to be widely accessible to the general public. It is against this backdrop that this collection of essays has been put together.

It was a challenge for us in selecting a diverse and eminent group to be in “Voices”, especially when we had a long list of esteemed leaders as well as key individuals involved in the Programme and stakeholders from outside the Programme. All, who were able to share meaningful messages and provide thoughtful reflections of the Programme. We have gathered a group of esteemed leaders from the Government-Linked Investment Companies (GLICs) and Government-Linked Companies (GLCs) who are in the Programme as well as those who have embarked on a different journey, but were instrumental throughout the reform process. We have also chosen key individuals who are directly involved in the Programme. Simply conveying stories from only one side of the camp will not paint a complete picture and therefore stakeholders views from outside the Programme are equally important to provide

diversity. Authors' ages range from those in their 40s to those in their 70s with different background and ethnicities.

Weaving together these voices into different themes proved to be an ambitious task as the stories have many simultaneous conversations and facets. However, we have divided the essays into different themes from the conception of the Programme, transformation and leadership, graduating to a higher class, nation building and making a positive impact on all Malaysians, and the last leg to 2020 to facilitate readers in selecting their theme of choice.

Contributors present their stories in a range of styles. Some reflect their personal journey in the transformation process, some share knowledge and lessons learned, as well as what lies ahead and what still needs to be done. A few dare to speak of failures and what did not work in the Programme while some stakeholders - watching from their "vantage points" - provided insights on the positive and negative impacts of the transformation to the GLICs and GLCs, to the economy and the public at large.

We acknowledge our attempt to capture the great diversity of the Programme and the full breadth of the 10-year transformation journey might fall short of being truly comprehensive and in some areas even incomplete. We hope that other sources of reporting will supplement these gaps.

We at the PCG Secretariat would like to extend our many thanks to those who have made 'Voices' a successful endeavour. First, our appreciation to the esteemed contributors, and their support staff who have taken the time out of their busy schedules to complete the essays where in most circumstances working drafts would have travelled the world with their authors from Singapore, Dubai, London and finally back to Kuala Lumpur to be completed. We would also like to thank our team of editors and the PCG Secretariat team who have worked tirelessly, burning the midnight oil for the past 8 months to produce this book.

We reserve our grateful thanks and deepest appreciation to Yang Amat Berhormat Dato' Sri Mohd Najib bin Tun Hj. Abdul Razak, Chairman of the Putrajaya Committee on GLC High Performance (PCG) for giving his unwavering support and steering the Programme to this end. We will always be thankful to Tun Abdullah Ahmad Badawi, fifth Prime Minister of Malaysia and founder of the GLCT Programme, and Tan Sri Nor Mohamed Yakcop, former Chairman of the PCG, for being the architects of this Programme. We also thank the PCG members, in particular the GLICs' Heads both present and past members who have contributed to "Voices" and for their invaluable contribution to this Programme. We thank the GLICs' and GLCs' Chairmen and CEOs for their diligent efforts in the transformation journey and finally to Tan Sri Azman Hj. Mokhtar, Head of PCG Secretariat, who has tirelessly



for the last 10 years ensuring the Programme stayed on course. With his guidance, ‘Voices’ became a reality.

The 10-year GLCT Programme has provided an encouraging start in 2005 and the “graduates” have largely achieved most of what was set out to be accomplished over the past 10 years, delivering sustainable and tangible results. The GLC transformation journey was long and onerous. Making and sustaining change at the GLICs and GLCs level are not easy tasks. Indeed, it required political will to provide air cover for the reform process to take place along with corporate determination and hard choices. The spirit of the journey continues with the ambition Malaysia could join the league of developed nations by 2020.

We hope this book will accompany the readers as they embark on their own journeys and may they find this book useful and a worthy read on the Programme’s contribution to the changing landscape of corporate Malaysia.



SAADIAH AZIZ

Vice President in the Special Projects
Office of Khazanah Nasional Berhad

About the Authors

Dato' Sri Mohd Najib bin Tun Hj. Abdul Razak

Prime Minister of Malaysia

Chairman of the Putrajaya Committee on GLC High Performance (PCG)



YAB Dato' Sri Mohd Najib bin Tun Abdul Razak was the Prime Minister of Malaysia. He succeeded Tun Abdullah Ahmad Badawi as Prime Minister on 3 April 2009. Previously, he held the post of Deputy Prime Minister from 7 January 2004. Najib is President of the United Malays National Organisation (UMNO). He is the son of Malaysia's second Prime Minister, Tun Hj. Abdul Razak and the nephew of Malaysia's third Prime Minister, Tun Hussein Onn.

Najib succeeded Abdullah at a time after his ruling coalition, the Barisan Nasional, lost its long held two-thirds majority in parliament. After his succession, amongst other duties, he took over as Chairman of the Putrajaya Committee on GLC High Performance (PCG).

On 2 May 2009, YAB Prime Minister announced the Government's plan to develop a New Economic Model. The plan included introducing subsidies for petrol, diesel and liquified petroleum gas (LPG) were cut as part of Malaysia's general programme of reducing and rationalising subsidies. He also launched the National Transformation Programme which encompasses the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP).

Tan Sri Azman Hj. Mokhtar

Managing Director of Khazanah Nasional Berhad

Secretariat to the Putrajaya Committee on GLC High Performance (PCG)



Tan Sri Azman Mokhtar is currently the Managing Director of Khazanah Nasional Berhad. He is also the Chairman of Iskandar Investment Berhad and Axiata Group Berhad, and holds various board memberships including Yayasan Khazanah, Khazanah Research Institute and Jadwa Investment of Saudi Arabia. He serves on various public service bodies including Performance Management and Delivery Unit (PEMANDU), the National Export Council, Executive Committee of Malaysia International Islamic Financial Centre (MIFC) and Governance Council of Agensi Inovasi Malaysia (AIM). He is also a member of the Board of Trustees of Asia Business Council. He was a member of the Global Agenda Council on the Role of Business for the 2011 World Economic Forum. Formerly, he was the Managing Director and co-founder of BinaFikir Sdn. Bhd.; Director, Head of Country Research, Salomon Smith Barney Malaysia and Director, Head of Research, Union Bank of Switzerland in Malaysia. He also previously served in various capacities with Tenaga Nasional Berhad (TNB), Malaysia's national electricity utility. He obtained his M.Phil in Development Studies from Darwin College, University of Cambridge and a postgraduate diploma in Islamic Studies from the International Islamic University, Malaysia. He is a Fellow of the Association of Chartered Certified Accountants, UK and a Chartered Financial Analyst.

Tun Abdullah Ahmad Badawi

Fifth Prime Minister of Malaysia

Founder of the GLC Transformation Programme



Former Prime Minister Tun Abdullah Ahmad Badawi started his career in the Malaysian civil service in 1964 and became a politician in 1978. He held various Ministerial positions in the Government before rising to become Prime Minister of Malaysia 25 years later, in October 2003. Tun Abdullah Ahmad Badawi believed that GLCs can become the key drivers to our nation's economic advancement, but at that time, GLCs were underperforming. On 14 May 2004, Tun Abdullah announced that the transformation of GLCs was a national priority and this led to the official launch of the GLCT Programme on 29 July 2005. Tun Abdullah stepped down as Prime Minister on 3 April 2009. Throughout his tenure in the Prime Minister's Office, he provided unwavering support to the GLCT Programme. He currently holds several government advisory roles, including Malaysia's regional growth corridors and Malaysia Airlines. Internationally, Abdullah is the member of the InterAction Council, board member of BOAO Forum for Asia (BFA) and World Muslims Foundation, and Chair of the Commonwealth Eminent Persons Group. Abdullah stepped down as Prime Minister on 3 April 2009. Throughout his tenure in the Prime Minister's office, he provided unwavering support to the GLCT Programme. He currently holds several government advisory roles, including Malaysia's regional growth corridors and Malaysian Airline Systems Berhad (MAS). Internationally, Abdullah is a member of the InterAction Council, a board member of BOAO Forum for Asia (BFA) and World Muslims Foundation, and the Chair of the Commonwealth Eminent Persons Group.



Tan Sri Nor Mohamed Yakcop

Deputy Chairman of Khazanah Nasional Berhad

Minister in the Prime Minister's Department in charge of Economic Planning Unit (EPU) (2009-2013)

Former Minister of Finance II (2004-2009)

Former Chairman of the Putrajaya Committee on GLC High Performance (PCG) (2005-2008)

Tan Sri Nor Mohamed Yakcop is the Deputy Chairman of Khazanah Nasional Berhad, the strategic investment arm of the Government of Malaysia. He is also the Chairman of the newly set-up Khazanah Research Institute, which, inter alia, aims to provide critical and objective policy input for Malaysia's continued growth and development. He was previously the Minister of Finance (II) from April 2004 to April 2009 and Minister in the Prime Minister's Department responsible for the Economic Planning Unit from May 2009 to May 2013. Tan Sri Nor Mohamed also served as Special Economic Adviser to the then Prime Minister, Tun Dr. Mahathir Mohamad from May 2000 to end of 2003. One of his most significant achievements was assisting the Prime Minister in the implementation of Unorthodox Measures, including selective exchange control measures, to overcome the 1997/1998 Asian Financial Crisis. The decisive and bold actions by the Government ensured that Malaysia, not only survived without any assistance from the International Monetary Fund (IMF) or World Bank, but also emerged stronger after the crisis. Tan Sri Nor Mohamed was with the Central Bank of Malaysia from 1968 to 1994 and again from September 1998 to April 2000, where he played a key role in the development of Islamic finance in Malaysia, including the Islamic pawn broking system (al-Rahnu). He was also responsible for the setting up of Securities Commission and Malaysia's first rating agency (RAM Holdings Berhad). He was one of the founding fathers of the GLCT Programme and the chair of the first 18 Putrajaya Committee on GLC High Performance (PCG) meetings from February 2005 up to September 2008, reporting to the former Prime Minister Tun Abdullah Ahmad Badawi. He was succeeded in this role by Dato' Sri Mohd Najib Tun Haji Abdul Razak when he took over as Finance Minister in September 2008 and as Prime Minister in April 2009.



Dato' Sri Abdul Wahid Omar

Minister in the Prime Minister's Department

Former President and Chief Executive Officer of Malayan Banking Berhad (Maybank) (2008-2013)

Former Chief Executive Officer of Telekom Malaysia Berhad (TM) (2004-2008)

Former Chief Executive Officer and Managing Director of United Engineers (Malaysia) Berhad (UEM) and UEM World Berhad (2001-2004)

Dato' Sri Abdul Wahid Omar was appointed as a Minister in the Prime Minister's Department in charge of Economic Planning on 5 June 2013. He oversees a number of government agencies such as Economic Planning Unit (EPU), Public-Private Partnership Unit (UKAS), Department of Statistics, Ekuiti Nasional Berhad (Ekuinas), Talent Corporation (TalentCorp), (TERAJU) and Yayasan Pendidikan Peneraju Bumiputera. Prior to his cabinet appointment, Dato' Sri Abdul Wahid was formerly the President and CEO of Malayan Banking Berhad (Maybank), Malaysia's largest banking group and the fourth largest in Southeast Asia, from May 2008. Two other large organisations that Dato' Sri Abdul Wahid has led as CEO are Telekom Malaysia Berhad from July 2004 until its demerger with TM International Berhad (now Axiata Group Berhad)

in April 2008 and UEM Group Berhad October 2001. He was also the Executive Vice Chairman of PLUS Expressways Berhad. During his tenure as the CEOs with these large organisations, Dato' Sri Wahid Omar had experienced various business turnarounds, transformation efforts, mergers and acquisition. He was also the Chairman of The Association of Banks in Malaysia, a Fellow of the Association of Chartered Certified Accountants (UK) and a Member of the Malaysian Institute of Accountants.

Johan Mahmood Merican

Chief Executive Officer of Talent Corporation Malaysia Berhad (TalentCorp)
Special Officer to the Minister in the Prime Minister's Department in charge of the Economic Planning Unit (EPU) (2009-2010)
Special Officer to the Minister of Finance II (2004-2009)



Johan Mahmood Merican was appointed the Chief Executive Officer of Talent Corporation Malaysia Berhad (TalentCorp) since its establishment on 1 January 2011. With Malaysia's wealth of talent and abundance of opportunities, Johan is confident that through the public and private sectors working closely together, we can address the talent needs of our economic transformation. Johan was previously the Principal Private Secretary to a Minister in the Prime Minister's Department and Ministry of Finance. He has 20 years of experience in policy development, corporate finance and accountancy in both the public and private sectors in Malaysia and the United Kingdom. Trained as a chartered accountant, he holds a degree in Economics from the University of Cambridge and is an Associate of the Institute of Chartered Accountants in England and Wales (ICAEW). During the GLCT Programme, Johan served as Special Officer to Tan Sri Nor Mohamed Yakcop.

Dominic Barton

Global Managing Director of McKinsey & Company



Dominic Barton is the global managing Director of McKinsey & Company based in London and leads the firm's focus on the future of capitalism and the role business leadership can play in creating long-term social and economic value. Before becoming managing director, Dominic served as McKinsey's chairman in Asia from 2004 to 2009. He also headed McKinsey's office in Korea from 2000 to 2004.

Seelan Singham

Chairman of McKinsey & Company in Malaysia



Seelan is a leader in McKinsey's Public Sector and Social Sector practices. He advises government leaders in developing countries in Asia, Africa, Latin America, and the Middle East on public-sector transformation. He has also worked extensively with clients in the financial services sector. Seelan joined McKinsey in 1993 and lived in the United Kingdom, Australia, and the United States before moving to Kuala Lumpur, where he has been based since 2003. Prior to joining McKinsey, Seelan worked in the retail banking divisions of the Royal Bank of Canada and the ANZ Bank in Australia. Seelan was part of the working team contributing to the GLCT Programme.



Diaan-Yi Lin

Senior Partner of McKinsey & Company

Diaan-Yi is a leader in McKinsey's Public Sector, Private Equity, and Infrastructure Practices in Asia, and has directed work with sovereign wealth funds in the region. A Malaysian citizen, she has worked extensively with government entities and Government-Linked Companies across Asia, particularly on the design and implementation of large-scale programmes to drive performance transformation and economic development. She specialises in setting up efficient and effective public-private partnerships. Before joining McKinsey in 2002, Diaan-Yi worked as an investment banker at Credit Suisse First Boston in New York and London. She was a core member of the equity private placements group, responsible for securing mandates, marketing transactions to potential investors, and structuring and pricing equity transactions for companies that required growth capital. Diaan-Yi was part of the working team contributing to the GLCT Programme.



Dato' Sri Idris Jala

Minister in the Prime Minister's Department

Chief Executive Officer of Performance Management and Delivery Unit (PEMANDU)

Former Chief Executive Officer of Malaysian Airline System Berhad (MAS) (2006-2009)

Dato' Sri Idris Jala is currently a Minister in the Prime Minister's Department and the Chief Executive Officer of the Performance Management and Delivery Unit (PEMANDU). PEMANDU aims to transform the social and economic performance of Malaysia via the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP). The GTP aims to address social matters by working on seven national key results areas including corruption and crime. The ETP aims to make Malaysia a high-income nation by 2020, focusing on 12 national key economic areas, such as oil and gas, financial services, palm oil, retail and tourism, and six strategic reform initiatives, covering 51 policy measures, including competition, standards and liberalisation, and human capital development. Before joining the public sector, he served as Chief Executive Officer and Managing Director of Malaysian Airline System Bhd. (MAS), MASKARGO Sdn. Bhd. (MAS kargo) and Shell Middle Distillate Synthesis (MDS). Dato' Sri Idris spent 23 years with Shell, working across countries such as Malaysia, Sri Lanka and London, taking on various positions. His career milestones include turning around Shell MDS, the world's first gas-to-liquid plant and turning around Malaysia Airlines from a nine-month loss of US\$ 400 million to a record profit of US\$ 270 million in 2007 in less than two years.

Dato' Sri Che Khalib Mohamad Noh

Group Managing Director of MMC Corporation Berhad (MMC)

Former Chief Executive Officer of Tenaga Nasional Berhad (TNB) (2004-2012)



Dato' Sri Che Khalib Mohamad Noh was appointed the Group Managing Director of MMC Corporation Berhad on 1 July 2013. He is also a member of the Executive Committee. Dato' Sri Che Khalib's involvement in the GLCT Programme started when he was appointed as CEO of Tenaga Nasional Berhad in 2004. Dato' Sri Che Khalib was previously a member of the Board and the Executive Committee of Khazanah Nasional Berhad from 2000 to 2004. He also served as a board member within the United Engineers Malaysia Group of companies and Bank Industri & Teknologi Malaysia Berhad. Dato' Sri Khalib is currently the Chairman of Pelabuhan Tanjung Pelepas Sdn. Bhd., Johor Port Berhad and Senai Airport Terminal Services Sdn. Bhd. He also sits on the Board of Gas Malaysia Berhad, Zelan Berhad, Malakoff Corporation Berhad, NCB Holdings Berhad, MMC Engineering Group Berhad, Aliran Ihsan Resources Berhad, Pos Malaysia Berhad, Bank Muamalat Malaysia Berhad and several other private limited companies.

Dato' Ahmad Pardas Senin

Chairman of Malaysian Directors Academy (MINDA)

Former Managing Director and Chief Executive Officer of UEM Group (2004-2009)



Dato' Ahmad Pardas Senin had 40-years of experience in the corporate sector, including more than 20 years at board level. He retired as the Managing Director and Chief Executive Officer of UEM Group Berhad in June 2009, after having served the UEM Group for more than 17 years since 1992. During his 17 years of tenure at UEM Group, he held various key positions including as Managing Director of UEM World Berhad, Renong Berhad, TIME Engineering Berhad, TIME dotCom Berhad, EPE Power Corporation Berhad, and had also served as Director and CEO of Silterra Malaysia Sdn. Bhd. He was also Deputy Chairman of PLUS Expressways Berhad, UEM Land Holdings Berhad, UEM Builders Berhad and Costain Group PLC., as well as a board member of Faber Group Berhad, Pharmaniaga Berhad, Opus High Technology (MIGHT), and Universiti Teknologi MARA (UiTM). Dato' Ahmad is currently the Chairman of Malaysian Directors Academy (MINDA), which was the product of one of the ten GLCT Initiatives. His involvement in the GLCT Programme can be broken down into two parts: the first as CEO of UEM Group Berhad and the second, in the development and growth of MINDA. He is a Fellow of The Chartered Institute of Management Accountants, a Chartered Member of the Malaysian Institute of Accountants, and a Member of the Institute of Internal Auditors, Inc.

Mohd Izani Ashari

*Executive Director in the Special Projects Office of Khazanah Nasional Berhad
Secretariat to the Putrajaya Committee on GLC High Performance (PCG)*



Mr. Mohd Izani Ashari is an Executive Director in the Special Projects office Managing of the Director's Office at Khazanah Nasional Berhad. He joined Khazanah in April 2009. Mr. Izani leads the work on the GLC Transformation Programme, and has been pivotal in the initial development to form the foundation of the Government Transformation Programme (GTP). He has 30 years of working experience covering six different industries mainly with multinationals and large companies including Shell Malaysia Berhad, Malayan Banking Berhad (Maybank), Sime Darby Berhad, Nasional Berhad Petroleum (PETRONAS) (both in Petronas Dagangan Berhad and Petronas Carigali Sdn. Bhd.), and Malaysian Airline System Berhad (MAS). He has spent 20 years of his career specialising in organisation transformation/reengineering. Prior to joining Khazanah, he was General Manager of Special Projects at Petronas Carigali, responsible for the transformation to strengthen the company and Petronas' position in its Global Championship journey. Most recently, MAS has approved the appointment of Izani to its board as a Non-Independent Non-Executive Director. Relating to MAS, he was the head of the Turnaround Management Office (TMO) that had helped MAS' turnaround under the leadership of its former CEO Dato' Sri Idris Jala, from 2006 to 2007.

Nora Abd Manaf

Group Chief Human Capital Officer of Malayan Banking Berhad (Maybank)



Nora Abd Manaf is Group Chief Human Capital Officer of Malayan Banking Berhad (Maybank). Aside from leading the People transformation programme of the Maybank Group since 2009, Nora is also actively engaged in the country's financial and business employers' circles in her roles which include Chairman of the Malayan Commercial Banks' Association (MCBA), Chairman of the Human Resource Management and Development Group (HRMDG) under the sponsorship of Institute of Bankers Malaysia (IBBM) and BNM (Bank Negara Malaysia) and Vice-President and Council Member of the Malaysian Employers Federation (MEF). Nora was appointed for a second term as a Council Member of the country's National Labour Advisory Council (NLAC). In 2013, Nora was inducted into the Global HR 50 World Top 50 Human Resource Professionals. Recently, Nora was appointed as a member of the Advisory Committee for UUM Master of Science (Finance) and Advisory Council Member (Financial Services Sector) under the Yayasan Peneraju Pendidikan Bumiputera. Prior to joining Maybank, she was with Standard Chartered Group for over 9 years, where her last held position was Head of Human Resources of Scope International (a wholly owned subsidiary of Standard Chartered UK PLC). Nora is a qualified Chartered Accountant. She also holds a post-graduate certification in Human Resource Development from Cornell University and is a Gallup Strengths Level II Coach. Nora accepts a few speaking invitations annually and has presented in forums internationally.



Dato' Sri Jamaludin Ibrahim

President & Group Chief Executive Officer of Axiata Group Berhad

Dato' Sri Jamaludin Ibrahim is the President and Group Chief Executive Officer of Axiata Group Berhad, which he joined in March 2008. Axiata is one of the GLCs under the purview of the GLC Transformation Programme. Today, Axiata is one of the largest telecommunications companies in Asia with over 260 million customers in eight countries. Dato' Sri Jamaludin has worked for 34 years in the ICT industry – 16 years in IT and 18 years in telecommunications. Prior to Axiata, he was with Maxis Communications Berhad as a Chief Executive Officer in 1998 and was re-designated to Group Chief Executive Officer before his retirement in 2007. He was also the Chief Executive Officer of Digital Equipment Malaysia (the Malaysian branch of Digital Equipment, then the second largest IT company worldwide). His other experiences were in IBM working as a Systems Engineer and held other positions in Sales, Marketing and Management. He was also a lecturer in Quantitative Methods at California State University, USA.



Tan Sri Azlan Zainol

Chairman of Malaysian Resource Corporation Berhad (MRCB)

Chairman of RHB Bank Berhad

Former Chief Executive Officer of Employees Provident Fund (EPF) (2001-2013)

Tan Sri Azlan is a Fellow of the Institute of Chartered Accountants (England and Wales), Fellow of the Asian Institute of Chartered Bankers, a Member of the Malaysian Institute of Accountants and a Member of the Malaysian Institute of Certified Public Accountants. Tan Sri Azlan moved from the corporate sector to become the CEO of EPF in April 2001 and was given the task of transforming the long – standing public sector oriented corporation. He saw a pressing need to switch this corporation from a transactional mode into a customer-oriented mode and ultimately increase the efficiency of the corporation. Tan Sri Azlan spent his 12 years at EPF and left in April 2013. He is currently the Chairman of RHB Bank Berhad, Eco World International Berhad and Yayasan Astro Kasih, member of the Board of RHB Capital Berhad, Rashid Hussain Berhad (in Members' Voluntary Liquidation), Kuala Lumpur Kepong Berhad, Jardine Cycle & Carriage Limited and RHB Holdings Hong Kong Limited (formerly known as OSK Holdings Hong Kong Limited). He is also a member of the Advisory Forum, Battersea Project Holding Company Limited.

**Tan Sri Dr. Ahmad Tajuddin Ali***Chairman of UEM Group Berhad (UEM)**Former Executive Chairman of Tenaga Nasional Berhad (TNB) (1996 - 2000)*

Tan Sri Datuk Dr. Ahmad Tajuddin Ali is currently the Chairman of UEM Group Berhad, UEM Sunrise Berhad, PLUS Expressways International Berhad, Linde Malaysia Holdings Berhad, Construction Industry Development Board (CIDB), SIRIM Berhad (Standards and Industrial Research Institute of Malaysia), UPM Holdings Sdn. Bhd., UPM Innovations Sdn. Bhd. and a member of the Board of Trustees of Yayasan UEM. He led UEM Group to complete major restructuring exercises throughout his term as Chairman in the company. He worked to transform UEM Group into Malaysia's leading engineering-based infrastructure and services Group. The GLCT Programme, as it did with many other GLCs, has accelerated and aided the transformation of UEM Group. Tan Sri Tajuddin Ali is also the Joint-Chairman (Industry) of the Malaysian Industry-Government Group for High Technology (MIGHT) and the President of the Academy of Sciences Malaysia, a member of the Governing Council of the International Institute of Applied Systems Analysis (IIASA) in Laxenburg, Austria, a Registered Professional Engineer with the Board of Engineers and a Fellow of the Institution of Engineers.

**Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor***Chairman of Malayan Banking Berhad (Maybank)**Former Regional Business Chief Executive Officer and Managing Director,**Shell Exploration and Production Business Venture (1999-2004)*

Tan Sri Dato' Megat Zaharuddin was appointed as Director and Chairman of Maybank on 1 October 2009. He was the Independent Non-Executive Director of Maybank from July 2004 to February 2009. He also holds various directorships within the Maybank Group. Maybank under his leadership, participated in the GLCT Programme from 2004 – 2014 and through this period has transformed into Malaysia's biggest company by market capitalisation as well as one of the industry leaders in the region. Prior to Maybank, he built an outstanding career in the oil and gas industry for 31 years with the Royal Dutch Shell Group of Companies and was a Regional Business Chief Executive Officer and Managing Director, Shell Exploration and Production Business Venture prior to his retirement in early 2004. To date, he had held chairmanships in Maxis Communications Berhad, Etiqa Insurance & Takaful, Malaysian Rubber Board and directorships in Capital Market Development Fund and Woodside Petroleum Ltd, a company listed on the Australian Securities Exchange. Recently, he has been appointed as the Chairman of Education Performance and Delivery Unit (PADU) Corporation, a company linked to the Ministry of Education, and as a Director of Financial Services Professional Board.



Dato' Sri Nazir Razak

Chairman of CIMB Group Holdings Berhad (CIMB)

Former Group Chief Executive Officer of CIMB Group Holdings Berhad (CIMB) (1999-2014)

Dato' Sri Nazir Razak became the Chairman of CIMB Group Holdings Berhad (CIMB) in 2014 after serving 15 years as CEO. Nazir spearheaded the Group's transformation from a Malaysian investment bank to an ASEAN universal bank via organic growth and several acquisitions of banks in Malaysia and throughout the region. Today, CIMB is Malaysia's 2nd largest financial services group and the 5th largest in ASEAN. Under Nazir's stewardship, CIMB has won many awards in recent years including best investment bank and best Islamic bank in Asia and best bank in Malaysia. Nazir himself has been recognised as Malaysia's top executive/CEO on several occasions. He was the youngest recipient of FinanceAsia's "Lifetime Achievement Award" in 2009 and was also awarded Euromoney's "2012 Outstanding Achievement Award." Nazir is also a Director of Khazanah Nasional Berhad and a member of the Investment Panel and Chairman of the Investment Panel Risk Committee of the Employee Provident Fund Board. He also serves as a Trustee of the Rahah Foundation and the Pride Foundation. Nazir has been a strong proponent of ASEAN economic integration, spearheading the ASEAN Business Club comprising CEO's of the largest ASEAN multinationals.



Tan Sri Bashir Ahmad bin Abdul Majid

Adviser of Malaysia Airports Holdings Berhad (MAHB)

Former Managing Director of Malaysia Airports Holdings Berhad (MAHB) (2003-2014)

Prior to being appointed as an Adviser to Malaysia Airports Holdings Berhad (MAHB), Tan Sri Bashir was formerly the Managing Director of MAHB for 11 years. At the request of the Board, Tan Sri Bashir has agreed to stay on as Adviser, as his experience and knowledge of the industry continues to be valuable to the company. Under his stewardship, MAHB underpinned the implementation of the six strategic pillars that transformed the Company to what it is today. These include the review of the organisational structure; inculcating the culture of high performance; effective stakeholder management; staff wellbeing and engagement; corporate governance; and adapting to industry changes. All these, together with the restructuring exercise in 2009 had enabled MAHB to become financially strong with an AAA RAM rating. Yearly profits have benefitted shareholders with good dividend payments, as well as staff through increase of bonus payments over the years. Tan Sri Bashir had also been instrumental in leading the team towards the completion and successful opening of klia2. He was the Aviation Advisor to the Ministry of Transport prior to joining MAHB and held various senior positions, which includes Director of Corporate Planning, Commercial Director, Senior Vice-President Commercial and Executive Vice-President Airline.

Dato' Izzaddin Idris

*Group Managing Director/Chief Executive Officer of UEM Group Berhad (UEM)
Former Chief Financial Officer of Tenaga Nasional Berhad (2004-2009)*



Dato' Izzaddin Idris was appointed Group Managing Director/Chief Executive Officer of UEM Group Berhad on 7 July 2009. He was previously the Chief Financial Officer of Tenaga Nasional Berhad, a position he held since 1 September 2004. From day one of his appointment, Dato' Izzaddin knew he had a big task and responsibility in front of him which is to turn around UEM Group Berhad (UEM Group) and he has to do this on several fronts – operationally and financially, and doing so with the support of the employees. Under his leadership, UEM Group carried out several streamlining exercises as part of their effort to shape the organisation into what it is today – Malaysia's leading engineering-based infrastructure and services group. With over 20 years of experience in the fields of investment banking, financial and general management, he rose to the challenge. Several hard but necessary decisions and actions took place under his stewardship which resulted in UEM Group being a stronger and more focused entity. He also put in place initiatives that complemented the Government's aim in becoming a developed and high income nation by the year 2020 and programmes that benefitted Malaysians at large. Prior to joining UEM Group, he was the Cabinet Financial Officer at Tenaga Nasional Berhad (TNB) from 2004-2009.

Dato' Johan Abdullah

*Deputy Managing Director and
Chief Executive Officer of Lembaga Tabung Haji (TH)
Former Group Managing Director and Chief Executive Officer
of BIMB Holdings Berhad (BHB) (2008-2014)*



Dato' Johan has been the Group Managing Director and Chief Executive Officer at Lembaga Tabung Haji (TH) since 15 January 2015. Dato' Johan was the Group Managing Director and Chief Executive Officer of BIMB Holdings Berhad and sits on the Board of several of its subsidiaries including Syarikat Takaful Malaysia Berhad, BIMB Securities Sdn. Bhd., BIMB Securities (Holdings) Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd. He was also appointed as a Director of Bank Islam on 1 August 2008. BIMB Holdings, as one of the GLCs participating in the GLCT Programme, went through a series of successes since the commencement of the Programme in 2004. Despite stiff competition, BHB, rose to become a champion of Islamic Banking, takaful and stockbroking industries under the leadership of Dato' Johan. Dato' Johan holds an MBA in Finance from the Morehead State University, USA, a BBA in Finance from Eastern Michigan University, USA, and is a member of the Board Financing Review Committee.

Stephen Hagger

Head of Equities and Country Manager of Credit Suisse Group Malaysia



Stephen Hagger is the Head of Equities and Country Manager of Credit Suisse Group in Malaysia. His team has been rated number one by Institutional Investor more than five times. He also heads up Credit Suisse equity research in ASEAN and Pakistan and is the country head for Credit Suisse in Malaysia. Prior to joining Credit Suisse in 1998, he was the Managing Director and Head of Research at BZW Malaysia. He has also worked as Head of Research at Kim Eng Securities in Kuala Lumpur, in fund management with Hill Samuel Bank, Singapore and as a buy-side analyst for Robert Fleming in London. Stephen received an MBA from Durham University Business School and a Bachelor of Science degree (Agriculture) from the University Edinburgh. Stephen's research team at Credit Suisse started writing strategy pieces on the GLCT Programme since the start of the Programme in 2004.

Tun Ahmad Sarji Abdul Hamid

Chairman of Permodalan Nasional Berhad (PNB)



Tun Ahmad Sarji is currently the Chairman of Permodalan Nasional Berhad (PNB). PNB a Government-Linked Investment Company (GLIC), was conceived as a pivotal instrument of the Government's New Economic Policy and has emerged as the country's premier investment institution. PNB was covered under the GLCT Programme. He had a distinguished career in the Malaysian civil service spanning over 35 years. He had served as Director General of the Farmers' Organisation Authority; Deputy Director General of the Public Service Department; Deputy Director General of the Economic Planning Unit; Deputy Chairman and Director General of the Council of Trust for the Indigenous People (MARA). He was the Secretary General of the Ministry of Trade and Industry as well as Chairman of Malaysian Investment Development Authority (MIDA) before being appointed as the Chief Secretary to the Government, Secretary to the Cabinet and Head of the Civil Service in 1990. He holds a Bachelor of Arts (Honours) degree from the University of Malaya, a Diploma in Public Administration from the Institute of Social Studies, The Hague and a Master in Public Administration from Harvard University. He had also been awarded numerous Honorary Doctorates from prestigious local and foreign universities. In December 2012, he was also awarded by the Europe Business Assembly the prestigious "Queen Victoria Commemorative Medal."

Tan Sri Dato' Seri Hj. Lodin Wok Kamaruddin

Chief Executive Officer of Lembaga Tabung Angkatan Tentera (LTAT)

Group Managing Director and Deputy Chairman of Boustead Holdings Berhad (Boustead)



Tan Sri Dato' Seri Lodin is the Chief Executive Officer of Lembaga Tabung Angkatan Tentera (LTAT, Armed Forces Fund Board) since August 1982 and the Group Managing Director and Deputy Chairman of Boustead Holdings Berhad (Boustead) since 1 July 1991 and 3 March 2010 respectively. LTAT is a Government-Linked Investment Company (GLIC), a fund established by an Act of Parliament in August 1972, to provide for the development and welfare benefits of the Armed Forces. LTAT was under the purview the GLCT Programme. He also sits on the board of a number of companies under Boustead AFFIN Holdings Berhad (AFFIN), MHS Aviation Berhad, the University of Nottingham in Malaysia Sdn. Bhd., Financial Institutions Director's Education (FIDE) Forum and Minority Shareholder Watchdog Group (MSWG). Tan Sri Dato' Seri Lodin has extensive experience not only in managing a provident fund but also in the establishment, restructuring and management of various businesses. He has also been awarded by the French Government, Universiti Teknologi Mara (UiTM) and The BrandLaureate. Prior to joining LTAT, he was with Perbadanan Kemajuan Bukit Fraser (Fraser's Hill Development Corporation) as a General Manager from 1973 to 1982.

Tan Sri Ismee Ismail

Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji (TH)



Tan Sri Ismee Ismail has vast experience working in the private sector, holding key positions in several organisations including as a General Manager with Arab Malaysia Development Berhad and several financial positions with Shell Malaysia. He served Pengurusan Danaharta Nasional Berhad as Chief Accountant, and was Senior General Manager of Finance in Lembaga Tabung Haji (TH) from December 2001 to November 2003. He later joined a stockbroking company as the Chief Executive Officer. Tan Sri Ismee Ismail rejoined TH as the Group Managing Director and Chief Executive Officer following his appointment as a Member of TH's Board of Directors on 1 January 2006.



Shareen Shariza Abdul Ghani

Director in the Special Projects Office of Khazanah Nasional Berhad

Shareen Shariza Dato' Abdul Ghani is a Director in the Special Projects Office (SPO) of the Managing Director's Office of Khazanah Nasional Berhad. Shareen was previously the Director of Corporate Responsibility (CR) at Khazanah Nasional Berhad. As the Director of SPO at Khazanah Nasional Berhad, Shareen played a role in the GLCT Programme. She is particularly passionate about the Silver Book, launched by the Putrajaya Committee on GLC High Performance (PCG). The Silver Book is about Achieving Value through Social Responsibility and has inspired the setting up of foundations and programmes such as Yayasan Sejahtera, Graduate Employability Management Scheme (GEMS) and GLC Disaster Relief Network (GDRN). Prior to joining Khazanah, she served as Chief Operations Officer for MERCY Malaysia, a humanitarian organisation working with vulnerable communities around the world. She was a board member of the Humanitarian Accountability Partnership, an organisation based in Geneva to promote greater beneficiary accountability for humanitarian organisations and donor agencies. Her career footprint spans various sectors from retail and capital markets to strategic brand management with a multinational oil and gas corporation.



Tan Sri Dato' Sri Hamad Kama Piah Che Othman

Chief Executive Officer of Permodalan Nasional Berhad (PNB)

Tan Sri Dato' Sri Hamad Kama Piah Che Othman is the President and Group Chief Executive of Permodalan Nasional Berhad (PNB). His working career spans over 35 years and he has been at the helm of PNB for the last 17 years since 1998. Tan Sri Dato' Sri Hamad is a Senior Fellow of the Financial Services Institute of Australasia (FINSIA), a Certified Financial Planner (CFP), a Registered Financial Planner (RFP) and holds the Capital Markets Services Representative License. A statistics graduate from Universiti Teknologi MARA, Tan Sri Dato' Sri Hamad also holds a Masters of Philosophy degree from the University of Swansea, United Kingdom. He was awarded an Honorary Doctorate in Economics and Muamalat Administration from Universiti Sains Islam Malaysia, as well as an Honorary Doctorate in Business Administration from Universiti Tenaga Nasional. Tan Sri Dato' Sri Hamad serves as a director on several other companies within the PNB Group such as Amanah Saham Nasional Berhad, Amanah Mutual Berhad, Pelaburan Hartanah Nasional Berhad, PNB Merdeka Ventures Sdn. Bhd., PNB-Wasserstein Holdings LLC, PNB (UK) Limited and PNB Asset Management (Japan) Co. Ltd. He is also the Chairman of PNB Development Sdn. Bhd., PNB Equity Resource Corporation Sdn. Bhd., and Singapore Unit Trust Limited. In addition, he is also the Chairman of Universiti Malaysia Kelantan and a director of the Securities Industry Dispute Resolution Center (SIDREC) and Professional Golf Malaysia, as well as a trustee of the Merdeka Heritage Trust and Yayasan Karyawan.



Datuk Dr. Hamzah Kassim

Group Chief Executive Officer and Co-Founder of The IA Group

Datuk Dr. Hamzah's career spanned both the private and public sectors. He is currently the Group Chief Executive Officer and Co-Founder of The IA Group, one of the largest business consulting, technology and human capital firms in Malaysia specialising in large scale business and technology transformation. He was a former Executive Director/Partner of the international firm of Ernst & Young, Vice President and Country Head of the global firm Cap Gemini Services Malaysia and member of the global management team and Country Head of PA Consulting Group. Datuk Dr. Hamzah has led large scale consulting assignments related to business and IT transformation, merger integration, institutional reform and public policy development. Prior to joining the consulting industry, he had served the public sector holding various senior positions in the field of technology policy, industrial change and led strategic assignments for government and international institutions. Datuk Dr. Hamzah was also a member of the National Economic Advisory Council (NEAC) tasked with preparing the New Economic Model (NEM) from 2009-2011, and currently serves as board member in a number of institutions.



Dato' Seri Johan Raslan

Senior Adviser and Member of the Board of Directors of

AMMB Holdings Berhad (AmBank Group)

Former Executive Chairman of PricewaterhouseCoopers Malaysia (PwC) (2004-2012)

Dato' Seri Ahmad Johan Raslan is Senior Adviser and Member of the Board of Directors of AMMB Holdings Berhad (AmBank Group). Dato' Seri Johan is a former Executive Chairman of PricewaterhouseCoopers Malaysia (PwC). He spent 10 years of his career in London and 20 years in Malaysia, working in the fields of assurance and advisory. Dato' Seri Johan's clients included some of the most prominent companies in Malaysia, including Government-Linked Companies (GLCs). In addition to his assurance and advisory work, Dato' Seri Johan has frequently been consulted in the important field of corporate governance. He has worked with main Malaysian regulators including Bank Negara Malaysia (BNM), the Malaysian Securities Commission (SC), Bursa Malaysia and the Companies Commission of Malaysia.



P. Gunasegaram

Publisher and Founding Editor at KiniBiz

P. Gunasegaram is the publisher and joint CEO of KiniBiz an online subscription-based business news and analysis portal, and produces a fortnightly print magazine. Both deal largely with the Malaysian business and economic scene. He has worked over 38 years in business journalism, and equity analysis in Malaysia covering business and political affairs. He has had stints at senior editorial positions at Business Times (specialist writer), Malaysian Business magazine (Editor), The Edge (Group Editor), and The Star (Managing Editor). He was Head of Research at Standard Chartered Securities and Leong & Co covering Malaysian equities and was Research Manager at OCBC Securities covering Malaysian and Singaporean banks. He was a consultant for the Government during the Asian Financial Crisis when he was working for Bulletin International. He has a degree in Physics and Diploma in Education from the University of Malaya, an MBA from the Cranfield Institute of Technology, UK and holds the Chartered Financial Analyst designation issued by the CFA Institute. He also holds a Certificate in Economic and Business Journalism from Columbia University, New York earned as part of a fellowship programme there.



Dr. Nungsari Ahmad Radhi

Managing Director of Prokhas Sdn. Bhd. (Prokhas)

Former Executive Director of Khazanah Nasional Berhad (2007-2013)

Dr. Nungsari Ahmad Radhi was appointed as the Managing Director of Prokhas on 1 September 2013. He currently serves as the Principal Officer and board member of Pengurusan Danaharta Nasional Berhad (Danaharta), Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) and Syarikat Jaminan Kredit Perumahan Berhad (SJKP). Dr. Nungsari is also the Principal Officer of DanaInfra Nasional Berhad and sits on the Board of Blue Archipelago Berhad and Agrifood Resources Holdings Sdn. Bhd. Prior to joining Prokhas, he was an Executive Director at Khazanah Nasional Berhad. In his career of almost 30 years, he has been an academic, a Member of Parliament, a consultant, a columnist and a policy advocate. His professional interest is in the microeconomic aspects of policy and strategy research. He is trained in Economics and Mathematics and holds a PhD from the Krannert School of Management, Purdue University.

The Context and the Beginnings:

Strategic Significance and the Genesis of the GLC Transformation Programme

Galvanising GLCs to Drive the Nation Forward
Tun Abdullah Ahmad Badawi

35

A Personal Journey Revisited
Tan Sri Nor Mohamed Yakcop

41





Galvanising GLCs to Drive the Nation Forward



TUN ABDULLAH AHMAD BADAWI

*Fifth Prime Minister of Malaysia
Founder of the GLC Transformation Programme*



In early 2003, my team and I began to think about the policy priorities of my Administration. I was about to take office as Prime Minister at the end of October and had some time to reflect and ponder on the direction to take Malaysia forward. Of course this was taking place in the context of significant uncertainties and anxieties globally, notably the world post 9-11 and the impending Iraq war. Two major international meetings were lined up in Malaysia in 2003: the summit of the Non-Aligned Movement (NAM) in February and the summit of the Organisation of the Islamic Conference (OIC) in October. This added to the excitement but also the weight of expectation of my becoming Premier that year, taking over from the strong leadership of Tun Dr. Mahathir Mohamad for more than 22 years.

There were many aspects to be considered as policy imperatives: national unity, economic progress, balanced development, education, law and order, public service delivery, good governance, foreign policy, to name but a few. In exploring these policy ideas, I strongly believed that in our quest to become a developed nation, not only did we need to achieve first world infrastructure, but also, first world mentality. Our “software” needed to match our “hardware”, so to speak.

On the economic front, I knew that Malaysia needed to move up the value chain, bolster the current growth engines, find new sources of income and wealth, and sharpen its competitiveness and productivity. The country had just emerged from the Asian Financial Crisis. We were just shifting from the Government being the engine of economic recovery, back to the private sector as the engine of economic growth. The landscape was littered with failed projects and shattered companies, although many companies were recovering well and the economy was poised for growth and expansion. As a whole, confidence had returned and corporate leaders were feeling bullish again.



Although Government-Linked Companies (GLCs) seemed to be spared from the brunt of the Asian Financial Crisis, they continued to underperform the broader Malaysian market, both financially and operationally. Words such as “lethargic”, “sluggish”, “slow”, “unimaginative” and “unexciting” were often used to describe GLCs at that time. GLCs were of strategic importance, of course, fulfilling key roles in the national economy; but they appeared to be trudging along and were not a force to be reckoned with. They did not inspire confidence nor were they attracting the best and brightest to work for them. There were a handful of exceptions, of course, but that seemed to only prove the point.

I was keen to improve GLC’s performance and to inject new life into the companies. Even when I was Acting Prime Minister in March 2003, I announced the introduction of a performance incentive scheme for GLCs. Among others, I asked for the setting up of pre-agreed and transparent key performance indicators (KPIs) for management staff of GLCs. Behind the scenes, this was followed by pilot projects at two GLCs to flesh out the idea of KPIs, of which the concept as KPIs was then carried through into my Administration proper.

In my first major speech on the economy as Prime Minister in January 2004, I spoke of the need to create a strong “national performance culture” encompassing the Government, the private sector and right down to the individual. I not only wanted to instill a passion for performance across the country, I wanted to imbue a desire for quality and psyche for success in the *rakyat*. I again touched on the use of explicit KPIs as a means of enforcing performance accountability for senior management at GLCs. I even announced that the newly appointed Minister of Finance II, Tan Sri Nor Mohamed Yacop, would lead a steering committee tasked to spearhead the use of KPIs across all GLCs.

All of this work led to the groundbreaking seminar on a “Culture of High-Performance for GLCs” organised by the Ministry of Finance on 14 May 2004. In my opening speech then, I had pointed out that “improving GLCs is simply one of the most significant steps we can take towards our vision for competitiveness and prosperity.” I felt that with the right culture, values, attitudes and mindset, buttressed by a strong measurement and rewards system, we would be able to attain high performance in all GLCs.

I wanted to see the strong performance focus of culture become evident in all GLCs, irrespective of their controlling which Government-Linked Investment Company (GLIC). I asked for the Boards of these GLICs and GLCs to be strengthened to exercise greater oversight over the GLCs. In order to get the ball rolling, I announced that Khazanah Nasional Berhad would be restructured to emerge as one of the biggest and most dynamic investment houses in the region. Critically, new professional management would be injected into Khazanah Nasional Berhad and over time, into the other GLICs as well. At the end of the seminar, I



announced that I had handpicked Encik Azman Mokhtar (as he then was) as Khazanah's new Managing Director, while simultaneously appointing new Chief Executive Officers for three prominent GLCs.

The GLC transformation effort then continued apace and expanded quickly. The Putrajaya Committee on GLC High Performance (PCG) was established soon after in January 2005, with all GLICs present as members. The so-called Transformation Management Office was working overtime to flesh out and refine the process of transformation. This culminated in the comprehensive GLC Transformation (GLCT) Programme – with distinctive principles, policy thrusts and 10 initiatives – which I launched in July 2005.

Throughout my tenure as Prime Minister, my support for GLC transformation was unwavering. I ensured necessary resources were made available, while allowing significant latitude and flexibility for the transformation process to take place. As expected, criticism and attacks against GLCs and certain GLC individuals were commonplace, especially in the beginning, but I was steadfast that this initiative was a critical component in Malaysia's journey forward. I firmly believed that we needed to defend and protect the GLCT Programme not only for the benefit of GLICs and GLCs, but more importantly, for the larger economy and broader *rakyat*.

Certainly, the GLC transformation journey over the last 10 years was not a walk in the park. Oftentimes, we found ourselves hampered by forces that were dead against change; at other times, people almost overwhelmed by the enormity of the task at hand. Even building a community of GLICs and GLCs, to begin with, required hard work and deft management. At the same time, a few GLCs needed special attention. PROTON Holdings Sdn. Bhd. (PROTON) faced tremendous challenges in many respects, for which solutions were not easy to come by. Malaysian Airline Systems Berhad (MAS) continued to require restructuring, confronted by severe legacy issues and new competition from low-cost and other carriers. Sime Darby Berhad went through a massive merger exercise, which, when completed, put them on even stronger footing to take on the world. Suffice to say, all the GLCs went through their respective renewal and transformation programmes; new people (some of the best and brightest) joined the journey along the way; new plans and targets were drawn up; and results, operationally and financially, came relatively quickly. *Alhamdulillah*.

Hence, it is with great pride that I read how the GLCT Programme, even after I left office, has continued to make great strides. The almost tripling of the market capitalisation of the G20 GLCs from RM133.8 billion to RM386.0 billion between 14 May 2004 and 28 July 2015 and the increase in Total Shareholder Return (TSR) by 11.1% per annum are impressive financial numbers. But more importantly for me is the tremendous benefit flowing to all stakeholders from the GLCT Programme, whether employees, customers, suppliers or society at large. There



is also a new luster to GLICs and GLCs alike, and the image and respect accorded to these companies is now drastically different from 10 years ago when the GLCT Programme began.

Of course, the achievements of the GLCT Programme would have been impossible without committed leadership. Thus, let me take this opportunity to thank the Ministry of Finance, the PCG, GLIC leaders, the GLC boards and executives, the Transformation Management Office, GLC employees and all stakeholders for meeting the objectives that have been set forth in the GLCT Programme. I am honoured to have been at the start of this journey of change, and I thank each and every one of you for having walked this path with me. Let me remind everyone that this journey is, however, far from over. As the next leg unfolds, it is again vital that we, as a community, stay the course.

Economic crises will continue to rock the world. The shocks to the increasingly fragile economies and markets will rise in frequency and impact. At the moment, we see many global economies where growth is slowing; trade weakening; capital flows ebbing; and consumer confidence faltering. As we are more wired into the global economy as a trading nation, Malaysia has of course felt the adverse effects of these issues more acutely.

The last leg towards attaining Vision 2020 will therefore surely be the toughest. The hardest part of any climb is always the reach towards the final summit. Not only do we have to contend with a myriad of domestic issues and global complications, but we need to solve them in the context of a more inter-connected world. To be sure, GLICs and GLCs have become more competitive and resilient. They are now better managed and more capable to tackle problems and issues. But they and the other parts of the private sector will be tested to their very limits in the days to come. How we respond and rise to the challenge will determine how we fare. We must exercise true leadership. We must seek excellence and distinction. We must value ethics and integrity. We must care for our people. We must display courage and fortitude. Indeed, I pray that GLICs and GLCs will continue to play their rightful roles in moving the country forward, and to lead the efforts in galvanising Malaysia to join the league of developed nations in the near future.



Voices: Reflections on a Transformation Journey



A Personal Journey Revisited



TAN SRI NOR MOHAMED YAKCOP

Deputy Chairman of Khazanah Nasional Berhad

Minister in the Prime Minister's Department in charge of Economic Planning Unit (EPU) (2009-2013)

Former Minister of Finance II (2004-2009)

Former Chairman of the Putrajaya Committee on GLC High Performance (PCG) (2005-2008)



I would like to begin with the famous words of Nelson Mandela (Long Walk to Freedom):-

I have walked that long walk to freedom. I have tried not to falter. I have made mistakes along the way. But I have discovered the secret that after climbing a great hill, one only finds that there are more hills to climb. I have taken a moment here to rest, to see a view of the glorious vista that surrounds me, to look back on the distance I have come. But I can rest only for a moment, ...for my long walk is not yet over.

2. The GLC transformation, like Mandela's journey, is not yet over. There is still work to be done. But this season of graduation is a good juncture to pause, and look back at the long road we have successfully travelled. The then Prime Minister, Tun Abdullah Ahmad Badawi, officially launched the 10-year Government-Linked Company (GLC) Transformation (GLCT) Programme on 29 July 2005, but the work had begun since May 2004, when we first announced the GLC Transformation Agenda.
3. My personal journey began four years earlier, when I was appointed as the Economic Adviser to then Prime Minister Tun Dr. Mahathir Mohamad on 15 May 2000.
4. Sitting in my room, not far from the Prime Minister's office, I contemplated my role as Economic Adviser. The immediate challenge of the Financial Crisis of 1997/1998, in terms of exchange rate and interest rate instability, had been resolved via the implementation of the Unorthodox Measures on 1 September 1998. We had also, at the same time, forced the closure of Central Limit Order Book (CLOB) operating in Singapore, but trading mainly in Malaysian shares, which created innumerable problems for the Malaysian stock market.



I recall working very long and lonely hours with Tun Dr. Mahathir Mohamad on these measures since October 1997. I use the word lonely because no one else believed in what Tun Dr. Mahathir Mohamad and I were doing at that time. But history has proven us right.

5. By 1999, the property market overhang had also been resolved with the resounding success of the two property fairs, held in 1999, on the instruction of the then Prime Minister, where some RM6.2 billion worth of properties had been sold. Tun Dr. Mahathir Mohamad's instruction to me was to sell RM500 million worth of properties!
6. What should be my next task as Economic Adviser, I kept asking myself. The answer that emerged, somewhat faintly at first, but very clearly subsequently was: the reform of the corporate sector. By May 2000, some 20 months had passed since the implementation of the Unorthodox Measures of 1 September 1998. However, corporate Malaysia was still in a moribund and despondent state. The country had successfully navigated itself out of the financial crisis through the imposition of selective capital controls and proactive measures, such as the setting up of Danaharta Nasional Berhad and Danamodal Nasional Berhad. However, the common view was that these proactive measures had merely enabled corporate Malaysia to buy time and delay the inevitable corporate restructuring.
7. Therefore, the "Remaking of Malaysia Inc." (which later became the title of my speech on 20 February 2002 at the Promuda Dialogue) became my focus. We started with the most urgent interventions:-
 - i. By July 2001, Malaysian Resources Corporation Berhad (MRCB) was on the verge of a collapse. I met with the Prime Minister on 27 July 2001 and explained to him the severity of the situation. The Prime Minister approved and gave me the mandate to turnaround MRCB. The management of MRCB was replaced on 9 August 2001, with Dato' Rahman Ahmad and Datuk Shahril Ridza Ridzuan appointed as Executive Directors. Subsequently, Tan Sri Syed Anwar Jamallullail was appointed as Chairman. Over the next few years, MRCB was successfully revamped. By 2004, the Media Prima Group was spun-off to form a separate entity (Media Prima), allowing MRCB to refocus itself as an integrated property and construction company, with KL Sentral as its crown jewel. At the start of the journey in 2001, the combined businesses were near collapse with over RM4 billion of debt, negative equity value and combined market capitalisation of RM400 million. By 2009, the market capitalisation of the two companies was more than RM6 billion. Every single creditor was paid. A further RM400 million was credited at Realmild (M) Sdn. Bhd., the holding company, through the resolution of its debt. All this, the result of eight years of hard work.



- ii. Corporate borrowings, was privatised through Khazanah Nasional Berhad (Khazanah) in September 2001 and Dato' Sri Wahid Omar was appointed to lead the Group. Subsequently, PLUS was successfully relisted in July 2002, and the money raised was used to reduce the Group's debt.
 - iii. By July 2001, rumours were surfacing that Lembaga Tabung Haji was facing serious liquidity problems. In order to quickly resolve the crisis at Lembaga Tabung Haji, Tan Sri Bakke was appointed as the new CEO and Tan Sri Dato' Seri Syed Anwar Jamallullail was appointed as the Chairman of Lembaga Tabung Haji's Investment Panel. Lembaga Tabung Haji did well under their leadership.
 - iv. By late 2002, it became obvious that critical issues in KUB Malaysia Berhad (KUB) needed to be resolved. We appointed Dato' Sri Che Khalib Mohamad Noh as the new CEO of KUB in February 2003 and he and the staff of KUB successfully brought the company back to an even keel.
8. I need to explain how I came to know the persons mentioned above. I had known Tan Sri Dato' Seri Syed Anwar Jamalullail for a long time since my Bank Negara days, and I had always been impressed with his professionalism.
9. My relationship with Dato' Sri Wahid Omar needs some explanation. Since the mid-1980s, my portfolio in Bank Negara included supervising the discount houses, which had been around since the 1970s. By the early 1990s, there was a view in Bank Negara that discount houses had outlived their usefulness and should be discontinued. However, I kept the discount houses going by enlarging their scope of operations. I left Bank Negara in 1994 and Bank Negara subsequently decided to close down the discount houses. The target date for the closure was the end of 1998. However, fate must have conspired with the discount houses to bring me back to Bank Negara in September 1998. One of the first persons who visited me in Bank Negara was Dato' Sri Wahid Omar, in his capacity as the Chairman of the Association of Discount Houses. That was the first time I met Wahid. As a result of his pleading for more time, discount houses were allowed to continue operations for another six years to enable them to close down their operations in an orderly manner. According to Dato' Sri Wahid Omar, with the extension, the discount houses made an additional one billion ringgit profit. I kept in touch with Dato' Sri Wahid Omar since then and was impressed with his character and abilities. When the need for a CEO for UEM arose, his image appeared before me!
10. I called him on the phone: "Wahid, I want you to run UEM as the new CEO." There was no answer. After an anxious 20-second pause, I heard a faint voice reply, "UEM maybe too big for me." I assured him that he was the right man for the job. He joined UEM in October 2001.



11. Tan Sri Bakke assisted me in undertaking the property fairs (also known as Home Ownership Campaign) in 1999, and later, he was a regular visitor to my office in the Prime Minister's Department, working mainly on the Bumiputera Agenda, particularly the setting up of PROSPER in Perbadanan Usahawan Nasional Berhad (PUNB). I saw great potential in the man. When the need for a CEO for Lembaga Tabung Haji arose, Tan Sri Bakke's name was mentioned to me by my friend, Tengku Dato' Hasmuddin Bin Tengku Othman. I agreed immediately. Bakke initially declined the offer because he was not used to the work-culture of a typical government agency. I persuaded him to accept by reminding him that such an offer to serve the *ummah* comes rarely in a lifetime, and that he would regret it for the rest of his life if he declined this once-in-a-lifetime offer. Bakke joined Lembaga Tabung Haji on 15 October 2001.
12. I was introduced to Dato' Abdul Rahman Ahmad and Datuk Shahril Ridza Ridzuan, as well as Johan Mahmood Merican by Tan Sri Azman Yahya when I assumed office as Economic Adviser. Johan Merican ended up being my loyal and effective aide for more than a decade. I picked Dato' Rahman and Datuk Shahril to turn MRCB around because I saw in them the ability to think out of the box, as well as the capacity for hard work.
13. I came to know Dato' Sri Che Khalib Mohamad Noh when I joined Khazanah's Board of Directors in November 2002. He was already on the Board by then. Dato' Sri Che Khalib has a razor-sharp mind. When the need to replace the management of KUB arose in early 2003, I remembered Dato' Sri Che Khalib and offered him the post, which he accepted. He did have sleepless nights initially, burning the midnight candle to resolve the problems at KUB, but he did very well in the end.
14. Let me return to my speech at the Promuda (Young Professionals Chamber of Malaysia) Dialogues in 2002, where I spelt out the main parameters of the philosophy of the restructuring exercise that we were undertaking since May 2000, as follows:-
 - i. There is an urgent need to institutionalise ownership and professionalise management in major corporations, particularly where the Government had a direct interest, to provide greater controls and improve risk management.
 - ii. The controls must, however, be balanced with an entrepreneurial-culture as well as a performance-oriented culture.
 - iii. The profitability objective must be balanced with socio-economic objectives.
 - iv. The development of human capital should always be a major agenda.
 - v. The growth of Malaysia Inc. must be inclusive, and must reflect the diversity of the ethnic mix of the nation.

15. I also took the opportunity of the speech to address the criticism leveled at me at that time – that I was appointing persons who were too young to be CEOs. This is what I said :-

The young professionals in this country have abundant opportunities to progress...we are not ageist. For the young, if you are good enough, you are old enough, and, by the same token, for the older ones, if you are good enough, you are young enough.

16. When Tun Abdullah Ahmad Badawi appointed me as Minister of Finance II in January 2004, I immediately saw the opportunity to get GLCs to adopt a performance culture in a big way, as well as to undertake the GLC transformation in a more structured and holistic way. To do that, however, I needed a strong anchor. I sought and obtained the approval of the Prime Minister to appoint Tan Sri Azman Hj. Mokhtar (Encik Azman, then) as the new Managing Director of Khazanah Nasional Berhad.

17. I need to explain my relationship with Tan Sri Azman Mokhtar. I met him, for the first time, in October 2001, introduced by Encik Hamdan Abdul Majeed. I was immediately impressed with Tan Sri Azman's depth of knowledge, his clear and logical mind and his ability to articulate complex issues in simple terms. I wanted to make sure that he remained in the Government's orbit, but the only post available at that time was that of Manager of Keretapi Tanah Melayu (KTM). Tan Sri Azman was interviewed by the late Tan Sri Dato' Thong Yaw Hong, the Chairman of KTM. Tan Sri Thong was impressed with Tan Sri Azman and wanted to employ him immediately, but it did not quite work out. One thing led to another, and Tan Sri Azman subsequently set up BinaFikir Sdn. Bhd. as an investment banking and financial advisory services firm. Tan Sri Azman played an important role in the restructuring of MAS in 2002.

18. I did not immediately inform Tan Sri Azman of the Prime Minister's approval to appoint him as CEO of Khazanah. Instead, I invited him to accompany me to the World Bank and International Monetary Fund (IMF) Spring Meeting in Washington in April 2004. On the way to Washington, flying at 30,000 feet above sea level, I informed Tan Sri Azman that we were appointing him as the new CEO of Khazanah. He could accept or decline the appointment. If he chose to decline, he had to leave the plane! Tan Sri Azman was visibly shocked at the offer of such an important post, but he accepted the challenge. The rest, as they say, is history – history which is exhilarating, and with important lessons for the future.

19. When we formed the Putrajaya Committee on GLC High Performance (PCG) in January 2005, we wanted Tun Abdullah Ahmad Badawi, the then Prime Minister, to chair it. However, he delegated the function to me and I chaired the first 18 PCG meetings from February 2005 up to September 2008. The meetings were long, with each meeting taking up the whole



afternoon, but they were effective. The PCG was an important vehicle in the transformation programme of GLCs to create competitive, resilient and sustainable corporations, rooted in best management practices and with exemplary corporate governance.

20. In June 2004, when I was asked to speak at the Kuala Lumpur Business Club, I consulted Tan Sri Azman Mokhtar, who had just assumed the post of Khazanah CEO, and we agreed on the main theme of the GLC transformation. Based on what we agreed, I outlined 10 principles for the GLC transformation, as follows:

- i. The overall vision of economic management has not changed, which is balanced growth with equity. There must be robust growth as well as fair distribution so that the fruits of development are enjoyed by all Malaysians.
- ii. The gains in efficiency and productivity, through better use of knowledge and human capital, would be a crucial component.
- iii. It is a baton relay, not an individual sprint. In addition to teamwork, there must always be succession planning. (There is a French saying that the graveyard is full of indispensable people!). Timing the baton change, however, is critical.
- iv. The emphasis on GLCs and the model of institutional holding and professional management do not equate to neglecting other channels of economic management. Entrepreneur businesses, small and medium-sized enterprises (SMEs) and multinational corporations (MNCs) will continue to play significant roles in the economy.
- v. The emphasis will be on driving a performance-based culture through the use of key performance indicator (KPIs), and performance-linked compensation and contracts for senior management.
- vi. There must be a fair equity alignment between shareholders, senior management and the rest of the staff.
- vii. GLCs must ensure greater emphasis in human capital development and talent management.
- viii. The selection of senior management and board members must be on the basis of a rigorous process to ensure good governance.
- ix. GLCs must be proactive to ensure that regulators are fully informed of their activities from the standpoint of service levels and public interest.
- x. GLCs must work together with the Government to drive the necessary industry restructuring. An active and pragmatic government is indispensable for the success of the GLC transformation.



21. Over the following years, the principles above were implemented, albeit in stages. Challenges were aplenty, but we stayed the course. While we did not let the perfect become the enemy of the good, we did not sacrifice our principles either.
22. When Dato' Sri Mohd Najib bin Tun Abdul Razak took over as Finance Minister in September 2008 and as Prime Minister in April 2009, he strongly supported the GLC transformation agenda, and he also chaired all subsequent PCG meetings.
23. How time flies! Ten years have quickly passed since that glorious day in July 2005 when Tun Ahmad Abdullah Badawi launched the 10-year GLCT Programme. And as time passes into history, it deems retrospection.
24. Let us gauge the effect of the GLC transformation through the counter-factual lens. What would be the status today of GLCs in particular, and Corporate Malaysia in general, if the GLCT Programme did not take place?
25. If we look back at our history since 1957, we will see that there were only three periods when talented professional Malaysians were given the opportunity to take up top leadership roles at a young age. The three periods were :-
 - i. Immediately after Independence in 1957, as colonial officers returned to the United Kingdom, many senior positions in the Government service became vacant. This enabled qualified Malaysians to take up senior positions in the Government service at a very young age (mainly in their 30s). Names that come to mind are Tan Sri K. Thanabalasingam (Royal Malaysian Navy Chief), Tan Sri Dato'. Sulaiman Bin Sujak (Royal Malaysian Air Force Chief), Dato' Malek Ali Merican (Deputy Secretary General of the Ministry of Finance), and the late Dato' Shamsir Bin Omar (Deputy Accountant General in the Ministry of Finance). There were, of course, many others.
 - ii. During the 1980s, the privatisation exercises implemented by the Economic Planning Unit provided great opportunities for many young Malaysians to assume senior positions in the private sector.
 - iii. The GLC transformation agenda, which began in 2000, and implemented in a big way since 2005, undoubtedly enabled many young Malaysians to assume senior positions.
26. If not for the GLC transformation, young professionals (such as Dato' Sri Wahid Omar, Tan Sri Azman Mokhtar, Tan Sri Bakke, Dato' Sri Che Khalib, Dato' Abdul Rahman Ahmad, and Datuk Shahril Ridza Ridzuan and many others) who, at that time were mainly in their 30s, may not have had the opportunity to prove themselves heading major corporations. Having



been exposed to difficult challenges early and having proven themselves in meeting these challenges, they have moved on to even larger responsibilities today.

27. The appointment of young and capable professionals to lead major GLCs also had a waterfall effect, since the CEOs themselves attracted other young, talented professionals to join them. Tan Sri Azman Mokhtar attracted many young professionals to join, not only Khazanah, but also many other GLCs. The new professionals, in turn, attracted others – hence the waterfall effect.
28. The GLCT Programme, in the way it was structured, also provided the necessary air cover for the CEOs, particularly during the early years, to carry out the policy changes and implement the necessary measures, which were sometimes not popular. The air cover came in two forms. First, the support from the Minister of Finance II, who chaired the PCG, where all sensitive issues were discussed and resolved. Second, the air cover from the Prime Minister himself, who launched the multi-colored books on various aspects of governance for the GLCs. The last resort defense (if required) for the CEOs in implementing performance-based reward, contract for senior management, governance for Boards and many other aspects of the reform agenda was: Look guys, these measures have been endorsed by the Prime Minister himself, since he was the one who launched the Coloured Books!
29. The conclusion is clear: without the GLCT Programme, the Malaysian corporate scene, and particularly the GLC scene today, would be less robust, less vibrant and contribute less to the national economy, whether in terms of GDP, employment, talent management or the Bumiputera agenda.
30. Going forward, although the PCG regime is over, the GLCs, as a community, need to stay the course, whatever the challenge and whichever direction the wind is blowing. At the same time, we need to adapt our strategy in the context of changing circumstances.
31. Congratulations to all the men and women who have participated in the GLCT Programme. We pray to *Allah SWT* to continue to bless us all, as well as bless this beloved nation of ours.



2

Transformation and Leadership: Doing the Right Things Right

This is My “Story” on GLC Transformation <i>Dato’ Sri Abdul Wahid Omar</i>	53
Colourful Books & Great Leaders <i>En. Johan Mahmood Merican</i>	61
Malaysia’s GLCs: From Good to Great <i>Mr. Dominic Barton in collaboration with Mr. Seelan Singham and Ms. Diaan-Yi Lin</i>	71
Taking off to Clearer Skies: A Perspective on the Transformation of Malaysia Airlines <i>Dato’ Sri Idris Jala</i>	79
We Learned Along the Way <i>Dato’ Sri Che Khalib Mohamad Noh</i>	87
Transformation, Change, Leadership and Governance – Reflections of a Journey <i>Dato’ Ahmad Pardas Senin</i>	95
Catalysing Transformation through Leadership <i>En. Mohd Izani Ashari</i>	103
Winning Together <i>Pn. Nora Abd Manaf</i>	113
The Making of a Talent Factory: A Personal Reflection <i>Dato’ Sri Jamaludin Ibrahim</i>	123





This is My “Story” on GLC Transformation



DATO' SRI ABDUL WAHID OMAR

Minister in the Prime Minister's Department

Former President and Chief Executive Officer of Malayan Banking Berhad (Maybank) (2008-2013)

Former Chief Executive Officer of Telekom Malaysia Berhad (TM) (2004-2008)

*Former Chief Executive Officer and Managing Director of United Engineers (Malaysia) Berhad (UEM)
and UEM World Berhad (2001-2004)*



1. The Prelude to GLC Transformation

As an accountant, I achieved my ultimate ambition to be a Chief Financial Officer (CFO) when I was appointed as CFO of Telekom Malaysia Berhad (TM) on 1 March 2001. At 37, I was very excited and driven. Apart from dealing with the day-to-day finance matters, I immediately worked on the funding plan for TM, followed through on some of the mergers and acquisitions (M&A) initiatives including the initial public offering (IPO) of Telkom South Africa and initiated Project Homecoming - the return of Celcom into TM's fold. I was in the midst of chairing a meeting at Level 1 of TM's previous headquarters, Wisma Telekom when I received an urgent phone call from Tan Sri Nor Mohamed Yakcop (TS Nor), the then Adviser to Prime Minister Tun Dr. Mahathir. I excused myself from the meeting and answered the call. Khazanah Nasional Berhad (Khazanah) through Syarikat Danasaham Sdn. Bhd. (Danasaham) had just undertaken a takeover of United Engineers (M) Berhad (UEM) for RM5 billion as part of the effort to remove a major corporate governance overhang which has been affecting market sentiments since UEM's controversial acquisition of Renong Berhad shares in September 1999. That acquisition caused the Kuala Lumpur Composite Index (KLCI) to decline by some 20% within 3 days. Tan Sri Nor was looking for someone to spearhead the turnaround of UEM Group. "How would you like to be considered as a candidate for CEO of UEM Group?" asked Tan Sri Nor. I was a bit dumbfounded while my brain started to process the totally unexpected question. "Wahid, are you still there?" I replied, "Yes Tan Sri." In that 15 seconds silence, I figured out 3 reasons why I should say yes. First, I was very familiar with the UEM/Renong Group as they were my client when I was at Bumiputera Merchant Bankers Berhad. Second, I am experienced in corporate transactions, restructuring and M&As which I regard as one of my core competencies. And third, I was only 37 and felt that if I were to fail as a CEO, I could always fall back to being a CFO of another organisation. So I said yes! Tan Sri



Nor arranged for me to be interviewed by the UEM Board a few days later and after an intense interview, I was offered the job. After getting the necessary blessing from the then TM CEO Dato' Dr. Khir Rahman and Chairman Tan Sri Radzi Mansor, I joined UEM Group as its MD/CEO in October 2001.

2. Turning around UEM Group

Being my first CEO job, I still remember the nervousness and awkward feeling of having to chair the first UEM Group management meeting. After all UEM/Renong Group is a large conglomerate with some 11 listed companies under its wings. Imagine a 37 year old “freshie” being the boss to many much senior Datuk CEOs of subsidiaries and associated companies. But I was fortunate. My fellow management colleagues were professional and respected the chair. Plus they were also hoping that I would be able to steer the Group out of troubled waters.

Khazanah's decision to takeover UEM received mixed reactions. Some were very quick to call it a bailout. But there were many good reasons why the Government of the day had to initiate such a bold move. First, the UEM Group owned a number of strategic national infrastructure concessions and assets such as North South Expressway/Projek Lebuhraya Utara Selatan (PLUS), Malaysia-Singapore Second Link (Linkedua) and Light Rail Transit (LRT) systems. Second, the UEM Group had a total group debt of some RM30 billion and some banks had very large exposure to the Group. Should the Group fail, some of the banks would suffer considerable losses. And third, the UEM Group had some 24,000 employees and a collapse of the Group would result in significant job losses. Notwithstanding some opposition, the market certainly welcomed the UEM takeover.

The first step towards addressing the predicaments of the UEM Group was to unlock the value of its highway concessions led by PLUS. So, with the support of the management team, the shareholder Khazanah, the Government, the bankers and the investing community, we reviewed the toll concession to lower the toll rate increase (from 5% pa to 3.2% pa) but made the increase automatic every 3 years, restructured the debts of PLUS and thereafter undertook its IPO listing on Bursa Malaysia in July 2002. This was followed by disposal of non-core assets in order to reduce the Group's debt to a more manageable level. While I focused my efforts on corporate matters, my fellow management colleagues continued their efforts to improve operational efficiency and profitability. So after two and a half years, we managed to halve the Group's debt to a more sustainable level of RM16 billion with the bulk of them in the form of project financing. The UEM Group was back on profitable track with annual profit of RM500 million and revalued net assets of RM10 billion. So Khazanah not only achieved its main objectives but also doubled the value of its investments within three years.



3. Return to TM

Having completed my task at UEM Group, I returned to TM in a larger capacity as CEO on 1 July 2004 as part of the larger transformation of GLCs. The mandate given to me was to transform TM into a regional telecommunications company with a particular emphasis on mobile communications. The experience of turning around UEM Group and having been the CFO of TM before made me feel relatively comfortable to take on the TM CEO task. The mandate was clear, the people and the business were familiar to me. TM had its origin as a Government department Jabatan Telekom Malaysia that was corporatised and subsequently listed on the then Kuala Lumpur Stock Exchange (KLSE) in 1990. Although TM had been listed for more than 14 years then, its corporate culture was still not as competitive as one would expect of a large public listed telecommunications company. An all-round transformation was needed.

Organisationally, we streamlined management structure, brought in new talents to complement existing technical staff and strengthen the performance management system/balanced scorecard. Culturally, we removed the traditional morning and afternoon tea breaks normally associated with public sector and implemented 5-day weeks with extended working hours normally associated with the private sector. Many people thought removing tea breaks was an impossible task back then but the staff and Union officials were very receptive as they appreciated the need for cultural change and the benefits it will bring to TM and its people. We improved customer service and revamped our Kedai Telekom outlets into a more customer-centric TM Points backed by better trained staff, more efficient processes, upgraded IT systems, competitive products and a more pleasant environment. Business wise, we expanded our mobile operations into Singapore and Indonesia and strengthened our presence in Cambodia and Sri Lanka. After 18 months, we realised that while we have made significant progress overall with improved financial performance and higher contribution from our international operations, our domestic operations were not doing that great. The traditional fixed line business was growing much slower than anticipated due to migration to mobile communications. At the same time, Celcom the domestic mobile communications subsidiary of TM, despite registering higher revenue and profit, was losing market share to rivals Maxis and DiGi. Realising this worrying trend, the TM Board and management formulated and executed a holistic performance improvement programme that enabled TM to grow its data business and Celcom to regain market share. The fundamental improvements in customer service, distribution channels, network quality, business expansion and financial performance were reinforced by a global rebranding of TM into a competitive, private sector driven regional communications company.

Having addressed the fundamentals of the business and as part of the efforts to enhance shareholder value, it was decided that the TM Group would be better off being demerged into two separate listed entities. TM International (now known as Axiata Group) with Celcom and



other regional mobile communications business under its wings were successfully demerged and listed on Bursa Malaysia in April 2008. That leaves TM being repositioned as the National High Speed Broadband (HSBB) Champion spearheading the national HSBB deployment in Public Private Partnership with the Government of Malaysia. The demerger “unleashed” Axiata Group to grow further across Asia.

4. Back to “First Love”

I was in the midst of planning for the TM demerger exercise in May 2007 when I received an “awkward” proposition from the then Chairman of Maxis Communications, Tan Sri Megat Zaharuddin who was also a board member of Maybank. We were seated next to each other at a corporate function when he popped the unexpected question “What do you think of going back to banking?” Coming from the Chairman of a competitor, it was rather odd and I wasn’t sure whether I heard him right. So I asked him “What do you mean?” He then clarified that Maybank board members thought I would be an ideal candidate to succeed Tan Sri Amirsham who was planning to retire as Maybank CEO. Tan Sri Megat then arranged for lunch with him, the then Maybank Chairman, the late Tan Sri Mohamed Basir, and Tan Sri Amirsham. When asked about the qualities they were looking for in the new CEO, there were three, among others. First, they were looking for someone with sound banking/credit experience. Second, someone who had run a large organisation and third, someone who had the experience of growing a company regionally. Although I didn’t have any intention to leave TM, the thought of transforming Maybank into a regional banking group was quite appealing. Plus, I will be going back to my “first love” - banking.

I then consulted Tan Sri Azman Hj. Mokhtar, the MD of Khazanah, on the intended move to Maybank. The lengthy discussion at Starbucks Pantai Hospital ended beyond 2am with one clear resolution. I would only be allowed to leave TM Group if we can convince Dato’ Sri Jamaluddin Ibrahim (who had just retired from Maxis) to take over as CEO of TM International. After months of “courting”, we succeeded. Dato’ Sri Jamaludin joined TM International in March 2008 just in time for its IPO in April 2008. The plan was for me to join Maybank on 1 June 2008 with a one month break and one month handover from Tan Sri Amirsham. As it turned out later, Tan Sri Amirsham was appointed as a Minister in the Prime Minister’s Department in charge of the Economic Planning Unit (EPU) in March 2008 after the 12th General Election. That necessitated me to join Maybank one month earlier than scheduled on 1 May 2008.

In the three months prior to my arrival, Maybank finalised three major acquisitions’, An Binh Bank in Vietnam, Bank International Indonesia (BII) and MCB Bank in Pakistan. Many investors did not appreciate the valuation and decided to sell their Maybank shares. I had three major challenges in the first few months at Maybank. First, to follow through on the three major acquisitions costing some RM11 billion and to raise the necessary equity and debt capital required to fund the acquisitions. Second, to deal with the Global Financial Crisis that was unfolding with



the collapse of Lehman Brothers, among others, in September 2008. And third, to improve the financial performance of Maybank. Although Maybank was the largest bank in Malaysia, it was growing by only 5% pa between 2003 and 2008 when its competitors such as Public Bank, CIMB and RHB were growing by some 20% pa in terms of assets and profits. If nothing was done and if the trend were to continue, Maybank could have been overtaken by both CIMB and Public Bank in terms of profit within a matter of two years (i.e. by 2010). In fact, the investment and media community had already anticipated that happening when they sold down Maybank shares such that Maybank's market capitalisation dropped below Public Bank's and CIMB's by March 2009.

The acquisition of BII was particularly complex with many twists and turns. I recall that Maybank Board met twenty four times in my first year, mostly to deal with the BII acquisition issues. After much controversy, Maybank managed to complete the BII acquisition at RM1 billion lower than the original price. BII is now an integral part of Maybank's regional presence and strategy. While the corporate finance team was busy completing the three acquisitions, the rest of management and staff members were busy implementing the performance improvement programme called LEAP30 - a series of 30 initiatives identified to improve Maybank's performance and restore its market leadership. After all, after being put on a "burning platform", Maybankers collectively resolved not to allow Maybank to be relegated to number three in the market. The team worked very hard and after 18 months, the results were proven. Assets and deposits grew faster, customer service enhanced, asset quality improved and profit after tax bounced back to a record RM3.8 billion for financial year 2010. Maybank was back as the number one bank in Malaysia and the most valuable company listed on Bursa Malaysia.

Whilst the team, the Board and shareholders were happy with the outcome, we were worried about its sustainability. Maybankers were working very long hours due to the need to work around the existing processes and organisation structure. For me personally, more than half of the time I would still be in the office beyond midnight. Some were already experiencing professional fatigue and we knew this was not sustainable without addressing the organisational structure and revisiting the mission. We then gathered the top 1,000 managers and leaders of Maybank at a "Tiger Summit" in Putrajaya and agreed to adopt a new mission for Maybank of Humanising Financial Services. This means: To provide people with convenient access to financing; On fair terms and pricing; Advising customers based on their needs and; Being at the heart of the community. This was not just a rallying call but a reason for being for the 40,000 Maybankers in Malaysia and across Asia. Organisationally, we created a new "House of Maybank" with three business pillars of Community Financial Services, Global Wholesale Banking and Insurance & Takaful with Islamic Financial Services and International Operations straddling across the three business pillars. With the new mission and new "house", Maybank continued to extend its leadership not only as the number one bank in Malaysia but also as one of the top regional banking groups with presence across all ten ASEAN countries.



5. Lessons learnt

I was beginning to enjoy the fruits of our labour and had no intention to leave Maybank. That was until I was unexpectedly invited by the Prime Minister to join the Malaysian Cabinet in June 2013. I must say that I was privileged to have been given the opportunity to lead three large high performing GLCs over a span of twelve years. There are many lessons learnt but let me just focus on three areas:

First, on corporate leadership and management. Be clear on your mandate. Perform a full diagnosis of the company. Establish the strengths, weaknesses, opportunities and threats. Match the tasks required with the management talent internally before bringing in reinforcements to fill the gap. Revisit the vision and mission to ensure relevance. Formulate strategies and action plans together with the management team and syndicate them with all stakeholders including the Board, shareholders, employees, regulators and business partners where relevant. Communicate your plans and update them regularly with all levels of employees. Set clear and measurable short term and long term targets with clear timeline and accountability. Implement balanced scorecard/performance management system. Align the interest of management with that of shareholders. Share the rewards not just with management colleagues but with all performing employees.

Second, on management principles; always focus on the fundamentals. Address the core issue of customer service, product innovation, competitive/optimal pricing, effective delivery channel and profitable market share. Be clear on the costs and benefits of every venture, product, initiative or plan. Beyond the four quadrants of Corporate Responsibility and Sustainability, for listed companies, bottom line is about shareholder value creation (i.e. more profit, higher dividends and better share price in the medium to long term). Don't worry about short term market fluctuation. Don't over spin. Once you have achieved fundamental improvements, then you can complement it with branding or rebranding as the case may be. Form without substance will not get you anywhere. But when you combine substance with form, you will go a long way. This applies to personal branding too.

Third, on personal leadership skills and attributes. A good leader must be a visionary, articulate, authentic, engaging and have unquestionable integrity. You don't have to be the typical "loud" corporate leader to be effective. In fact, it can be counterproductive. Gone are the days when the CEO just needs to tell people what to do. In large organisations, CEOs are also expected to be more hands on and provide appropriate guidance on how things can be done. Be professional, honest, sincere and truthful to your Board, management colleagues and employees. Do not hesitate to say sorry and admit your mistakes, and learn from them. We are human beings after all. Focus on the job at hand and don't worry about your next career move. Your reputation will precede you.



6. Appreciation

Coming from a poor household, I was fortunate to have been given good education at MRSM Seremban and awarded a scholarship by MARA to pursue a professional accountancy qualification (ACCA). My only ambition was to be the CFO of a large organisation. But I ended up with more than what I asked for; being CEO of three large companies. I am grateful to *Allah* SWT for His blessings. I am grateful to the Government for the opportunity made possible by the New Economic Policy; a policy with twin objectives of eradicating poverty irrespective of race and eliminating the identification of race with any particular economic activity. Leading the three GLCs can be considered semi national service if you like. But being in the Government now is true national service. Thank you Prime Minister Dato' Sri Mohd. Najib bin Tun Abdul Razak for the honour and privilege to serve the nation.



Colourful Books & Great Leaders



EN. JOHAN MAHMOOD MERICAN

Chief Executive Officer of Talent Corporation Malaysia Berhad (TalentCorp)

*Special Officer to the Minister in the Prime Minister's Department in charge of
the Economic Planning Unit (EPU) (2009-2010)*

Special Officer to the Minister of Finance II (2004-2009)



We, as Malaysians, certainly love to dwell on what's going wrong. We don't often enough celebrate what we have done well, especially to glean what was done right as lessons to help us make more of a difference going forward. It is clear to me that the GLC Transformation (GLCT) Programme over its 10 years has been a monumental achievement that should be celebrated and learned from. I consider myself privileged in having a front row seat, as a proverbial fly on the wall to witness the GLC transformation, especially during the early years of transformation beginning 2004, in my capacity as Special Officer to Tan Sri Nor Mohamed Yakcop, the then Minister of Finance II.

Getting started

I would describe Tan Sri Nor as the architect for the GLCT Programme. Prior to GLCT, during his time as economic adviser to Tun Dr. Mahathir, Tan Sri Nor had presided over a number of successful restructurings of GLCs including the likes of UEM, MRCB, Tabung Haji, KUB and MAS. These turnarounds, I believe, proved the point that you get great results when you have the right leaders (of GLCs) and give them the support to do the right thing.

Upon his appointment as Minister of Finance II in January 2004 by Tun Abdullah Badawi, Tan Sri Nor set out quickly to build on the success of past GLC restructurings and scale up the transformation of GLCs. Whereas past restructurings were very much turnarounds of ailing or debt ridden GLCs, the GLCT Programme that kicked off in 2004 was to focus this time on institutionalising a high performance culture in GLCs.

If I may digress, a major problem with Malaysia is that we are like Liverpool at football (which might explain why so many Malaysians are fans). Liverpool is able to raise its game to



play against the best teams but unable to deliver consistent results, often dropping points to weak teams. Case in point -May 2015, the final month of the season, managing to draw with Chelsea away but losing against Stoke and Crystal Palace. Thus, suffering the ignominy of finishing below Spurs in the final standings. Malaysia likewise can raise its game when faced with the biggest of challenges – whether it is the Asian Financial Crisis or Global Financial Crisis. Malaysia handled these crises so well that unemployment never reached 5% over the past 2 decades – in fact, we averaged 3% or effectively full employment. Unfortunately, like Liverpool, corporate Malaysia did not deliver consistent high performance and were seen to continuously perform below potential – especially GLCs. The question was whether GLCs could go beyond weathering crises and pulling off financial rescues, towards truly institutionalising high performance.

To help answer and provide a solution to this question, Tan Sri Nor enlisted Tan Sri Azman Mokhtar (coincidentally a Spurs fan) to anchor the GLC Transformation Programme through his appointment as Managing Director of Khazanah in June 2004. Tan Sri Azman was uniquely suited for this role of optimising GLCs, as he is both very commercially minded and developmental at the same time. This was reflected in his choice of academic qualifications, having the combination of ACCA, CFA and a Masters in Development Studies from Cambridge. His career similarly reflected a good mix, starting off with a decade at Tenaga Nasional, then transitioned to become a top equity research analyst with investment banks and just prior to Khazanah, engineered the famous widespread asset unbundling (WAU) restructuring of MAS. However, Tan Sri Nor was actually unsuccessful in previous attempts to recruit Tan Sri Azman. Therefore, Tan Sri Nor took no chances by engineering to offer Tan Sri Azman the Khazanah job whilst seated side by side on a long flight to Washington DC in April 2004 (Tan Sri Nor was en route to attending his first IMF/World Bank Spring meeting as Minister of Finance). There was no option as is typically the case, to get an offer, go home and think about it, consult family or friends. This time, stuck next to Tan Sri Nor, “no” was not an option for Tan Sri Azman and with that, the GLC Transformation was set in motion.

Coloured Books

For many of us, the GLC transformation is strongly associated with the Coloured Books – policy guideline books which seemed to span the different colours of the rainbow. Rather than being issued all in one big go, the policy guidelines underpinning the GLCT Programme were issued in phases. It started off with the issuance of the Blue Book on Intensifying Performance Management in May 2004, followed by the Red Book on Procurement, Green Book on Board Effectiveness, Orange Book on Leadership Development, and so on.

Considering the scale of what was involved (transforming GLCs accounting for more than a third of Bursa’s market capitalisation and a workforce of almost half a million) it was a relatively



modest beginning with the launch of the Blue Book. No grand hotel ballroom launch nor event management company, the Blue Book was launched on the 1st floor auditorium of the Ministry of Finance (not even MoF's main hall). The Blue Book was not your typical Government blueprint document which would otherwise be a few hundred pages and could best be used as a doorstop. No, the Blue Book on Intensifying Performance Management was more like a brochure, a small A5 booklet with a grand total of 7 pages.

Small in size but big in impact. The Blue Book called for GLC senior management to be put on short term contracts at market pay levels, subject to KPIs and eligible for performance bonuses (this may certainly be the norm today but was definitely not the case back in 2004). The Blue Book stipulated that these elements of performance linked compensation would need to be implemented by 1 January 2005 at the latest, i.e. in less than 8 months. This set the tone for the GLC Transformation Programme to come – BIG change backed by specifics and requiring FAST action.

Some joked about the coloured transformation books, questioning their value. I for one, am convinced the Coloured Books brought value – particularly in providing air cover for GLC CEOs driving transformation. It was less about how clever the content was than how clever CEOs used the books to support their work.

Don't get me wrong. A lot of time, effort and brainpower went into producing the Coloured Books, these included global best practices from the top consulting firms like McKinsey, BCG, Bain, etc. and extensive syndication with stakeholders. Thus, the content was well researched and good judgement applied towards ensuring the coloured book policy prescriptions were what should and could be done.

But however good the content, you would not describe the best practices as being particularly revolutionary or anything a top GLC CEO didn't know. And even if what was contained within the Coloured Books were matters GLC CEOs would have wanted to do, it may have been difficult for them to implement and secure buy in, whether at the board level, management, employees and external stakeholders. With the issuance of the Coloured Books, simultaneously CEOs of the respective GLCs would be able to drive change, leveraging on the mandate of policy guidelines effectively sanctioned by the Prime Minister himself, whether it was for variable bonuses as per the Blue Book, transparent procurement tenders per the Red Book or the removal of regulators from GLC boards per the Green Book. With the GLC Transformation secretariat addressing, syndicating and securing mandate for these policy matters, GLC CEOs were able to focus more attention on the nut and bolts of transforming for high performance.

The air cover afforded by the Coloured Books was further reinforced by the regular Putrajaya Committee on GLC High Performance (PCG) meetings chaired by the Prime Minister himself,



beginning with Tun Abdullah Badawi and continued by Dato’ Sri Najib Razak. The regular performance reporting and monitoring implementation of policies of GLCs at PCG level helped provide GLCs transformation with further reinforcements to soldier on and to overcome any remaining internal resistance. Furthermore, if there were any problems along the way, air cover was also provided by the Ministry of Finance, typically through the Minister of Finance II and if necessary, escalated to the Prime Minister.

Leadership qualities

As mentioned earlier, I believe great results happen because the right people have been given the right support to do the right thing. The GLC transformation results speak for themselves and the GLC transformation infrastructure (Coloured Books, PCG, etc.) provided the support. The key ingredient was ensuring that GLCs had the right people, right leaders, right CEO.

Just like how the Coloured Books did not have any earth-shattering innovations, from my observation, what made for a “right” GLC CEO was nothing fancy that you could write about in a Harvard Business Review. The successful CEOs helming GLCs through transformation were basically those with the traditional qualities of being honest, hardworking, entrepreneurial and courageous leaders who were humble and inclusive. These qualities were very well epitomised by the individual leaders who drove transformation at their GLCs and were able to inspire their people to deliver on transformation.

Honest

As it is often said “it starts with intent.” In my time with Tan Sri Nor, he would always emphasise the importance of “*navaitu yang ikhlas*” or sincerity of intention. This was especially so for those helming GLCs, many of which large corporations with large procurement spend. It would not be difficult for one to lose their way, as many have in the past.

Dato Sri Wahid similarly emphasises how leaders need to be very conscious of their “*amanah*” or responsibility and custodianship. The strong CEOs were those who had a very clear idea of right and wrong, knowing where to draw the line in the sand. I recall many an occasion where the likes of Tan Sri Azman Mokhtar, Tan Sri Azlan Zainol, Tan Sri Bakke, Dato Ghazali Ali or even Dato’ Sri Che Khalib would be quite vocal in objection to what they felt was wrong and were willing to step down if necessary.

I recall how Tan Sri Nor always regarded Dato’ Sri Che Khalib as having a razor sharp mind. Others, however, tended to remember him for his razor-sharp tongue or “*mulut laser*.” I myself thought of him like a “Ferrero Rocher”, a bit hard and nutty on the outside but softer and good on the inside. I recall seeing him in tears when there was a decision being made on power stations that would be value-destroying for TNB. He passionately fought against it and was ultimately



successful in overturning the decision. Such honesty and passion in safeguarding “*amanah*” does unfortunately earn you many enemies. Tan Sri Bakke for one received numerous “*surat layang*” arising from his efforts to introduce best practice at Tabung Haji. However, credit goes to the many GLC CEOs who knew they weren’t in it for a popularity contest and stood their ground courageously to do what was right.

Courageous

GLCs are famous for resisting change. “This is how things are done here” or “You won’t be able to do that” were common refrains. Yet, this was the very thing holding back many a GLC from achieving its full potential. It therefore requires great ambition and courage to set out a plan for major change from the outset.

As Dato Sri Idris Jala sets out in his famous 6 secrets for Business Transformation. Step No.1 is Game of the Impossible i.e. to set seemingly impossible to achieve Olympic level targets. However, such ambitions are not made purely on dreams but involved leaders to anchor it on implementable steps and bottom line. At Malaysia Airlines, achieving the impossible was encapsulated in a Business Turnaround Plan. The scale of ambition was no lofty dream but was matched by the rigour in implementation. At MAS, this involved breaking down the P&L to the level of individual routes and taking action to address each. In Dato Sri Idris’ parlance, the ambition is to be backed by “discipline of action”, rigorously monitoring progress and being very disciplined in taking action to ensure that the transformation remained on course. That’s where hard work comes in.

Hardworking

There are some who champion “working smart.” Despite being some of the best minds in the country, GLC leaders were famous for “working hard.” When Dato’ Sri Wahid speaks to university students he always tells them that it’s not enough to work smart because there will always be many others smarter than you. Hence, there is no substitute for hard work. During his time at Maybank, when informed of a meeting with him, staff would always need to double check whether the meeting time was a.m. or p.m. I believe it was after 3 years at Maybank and things had stabilised a bit that Dato Sri Wahid came up with his New Year resolution to go home before midnight.

Similarly, Tan Sri Azman Mokhtar known for his fierce intellect, was infamous for his work ethic. I am one of many who have attended a meeting with Tan Sri Azman, scheduled for past midnight. I also recall once during the Singapore Points of Agreement negotiations, whereby despite finishing a meeting at the High Commission well past 1am, on the way back to the hotel, he made calls to immediately convene the team for a meeting back in the hotel to discuss follow up actions, that went on till wee hours of morning. And I thought I was already well trained to work hard at MRCB under Dato’ Abdul Rahman Ahmad and at MoF under Tan Sri Nor, no slouches by any measure.



Entrepreneurial

Beyond working hard and smart, success in driving a P&L business requires an element of entrepreneurship. To some extent the implementation of the Blue Book incentivised “intrapreneurship” (entrepreneurship by employees within a company) by providing performance based incentives and stock options. However, government institutions can rarely outperform a true entrepreneur in taking risks, innovating and pushing performance to the limits.

Past experience with bringing in entrepreneurs into GLCs had failed. The likes of Tan Sri Halim Saad and Tan Sri Tajudin Ramli involved individuals taking ownership of GLCs but by getting highly leveraged in the process. This made them vulnerable to economic crises and also decisions made for company may have been influenced by the need to support shareholders’ debt level. The revised model, whereby CEO-managers transitioned to be owner-managers gradually without over leverage worked well. Having a significant stake clearly facilitated Dato’ Sri Nazir Razak to be bolder (not that he normally needs any encouragement to be bolder in his views) in transforming what was once the said and perceived as unexciting retail bank of Bumiputra-Commerce Holdings Berhad into CIMB Group today, a truly regional champion and sexy universal bank.

The revised model also worked well with the likes of Afzal turning around Time dotCom and more recently, the injection of Tan Sri Mohamad Salim into MRCB. Straight talking and out of the box, Afzal started off at Time dotCom as CEO No.14 (over a period of 15 years) but unlike his predecessors, has demonstrated staying power and successfully shocked Time with entrepreneurial dynamism into returning to profitability.

Inclusive

The best leaders were inclusive. Tan Sri Azman was always one to champion promotion based on merit, irrespective of race or gender. I remember how Dato Sri Jamaludin explained that if Axiata was to emerge as a regional champion and multinational organisation, a non-Malaysian working in one of its overseas operations must believe that by merit, they would be able to rise to top management. Today, key positions like CFO, CTO and chief procurement officer at Axiata are held by global talent.

Over the course of the GLC transformation, GLCs have made great strides in improving diversity, particularly at top management. Despite being in typically male-dominated industries, GLCs like TM and PLUS have more than 30% of women at the board level. Senator YB Dato’ Sri Wahid when he first arrived at UEM noted the lack of diversity, for example by virtue of the prevalence of wearing the same school tie on Wednesdays and by the time he left Maybank, he was able to proudly leave behind management levels with a good mix of gender and ethnicity.



At the same time, inclusiveness also extends to developing and promoting leaders from within. Especially as many of those appointed CEOs to drive transformation were appointed from outside, it was common to fear that the new CEO will bring with him large numbers in. Quite contrary to expectations, Dato' Sri Che Khalib when he first arrived at TNB made a point on not bringing in anyone from the outside, choosing instead to work with the existing TNB management and staff. Even his special officer was chosen from among TNB staff.

Inclusivity includes optimising on underrated talent. I must acknowledge UEM for consistently investing in polishing unemployed graduates, under the leadership of Dato Ahmad Pardas and now Dato Izzaddin – what started off as UEM's YES Programme, then evolved into GREEN and later, Graduate Employability Management Scheme (GEMS) which was successfully initiated by Khazanah Nasional Berhad and helped over 10,000 unemployed graduates to realise the potential of their talent.

Humble

Humility is an often overlooked or underrated quality in a leader. Especially in dealing with a multitude of stakeholders, it is so important for GLC leaders to be humble. Dato' Shahril Ridza Ridzuan is probably the smartest person I know and yet, in his unassuming way and disarming manner, he puts everyone at ease and gives them due respect. It's about understanding your stakeholder and speaking to them in their language. I have even seen someone come out of Dato' Shahril's room smiling despite being sacked.

However, humility for a GLC leader is more important than just for dealing with stakeholders. In the course of being at the Ministry of Finance, we have seen many a CEO lose their way, not being able to handle the trappings of leadership, becoming arrogant and losing their perspective and ability to listen. All too easy when you lord over tens of thousands of staff with no shortage of vendors and others trying to “*ampu*” you. There were those who lost focus on business and P&L, becoming more of a politician than politicians. A tell-tale sign is those CEOs, who suddenly live up life and enjoy conspicuous luxuries, like one who now drives around in a Bentley. I recall being pleasantly surprised to once bump into Dato Sri Wahid, whilst he was in Maybank, coming back from a family holiday at the low cost terminal having flown Air Asia. Clearly one who had not lost his groundedness (or alternatively, it could be his cheapskate accountant sensibilities).

Tan Sri Nor, if anyone, is the epitome of humility. Anyone who knows Tan Sri would know how even as Minister for many years, he did not expect much protocol. His humility involved having a true sense of duty, doing whatever he could to support the Prime Minister and serve the nation. I once suggested to him that perhaps he takes “SYMP” (*saya yang menurut perintah*) too far, to the extent of risking self-preservation. He responded by sharing with me of the story from Bhagavad Gita of Krishna's words to Arjuna on the eve of battle i.e. that one should still



do something detrimental to oneself, if it is your duty and right thing to do. Tan Sri's humility extended to allowing others to shine. If the success of GLC transformation was contributed largely by great GLC CEOs, then much credit must go to Tan Sri Nor for having given many of them the opportunity to lead, giving them the space to perform but providing them air cover and reinforcements in time of need.

Concluding thoughts

As I look back, it is with pride that the GLC transformation has been so successful. Clearly, there is still much to do. As one of Tan Sri Nor's favourite poems by Robert Frost goes "But I have many promises to keep, And miles to go before I sleep."

Nevertheless, on the cusp of graduation, we should pause to acknowledge the achievements. The result of honest and hard work by many, which could not have happened without courage and leadership from the level of Prime Minister to heads of GLICs and GLCs. Leaders who, despite their large responsibilities, remained grounded individuals who were humble and embraced diversity. A key part of the recipe for success was the good leaders who were given the opportunity to shine, by virtue of a GLC Transformation Programme that provided them air cover and support, towards helping them achieve their individual potential as leaders and also fulfil the potential of their respective GLCs.

May we learn from this successful episode, given the current challenging times, makes it all the more urgent and important to make more of a difference for the Malaysia we love.



Voices: Reflections on a Transformation Journey



Malaysia's GLCs: From Good to Great



MR. DOMINIC BARTON

in collaboration with

MR. SEELAN SINGHAM & MS. DIAAN-YI LIN

Global Managing Director, Chairman (Malaysia), and Senior Partner of McKinsey & Company



A suspenseful opening act

It was around 5 AM, back in 2005, on Friday, July 29, when the phone rang. The team had gone through the agenda the previous day, and there weren't any pressing issues. "I think you need to come to the printers at once," the voice on the line said ominously. Only a few hours earlier, the printers had reassured us that everything was on track and that about 500 copies of the transformation manual would be delivered to the Kuala Lumpur Convention Centre by 9 AM.

The manual was intended to be a magnum opus of sorts, the result of six months of in-depth reviews and analysis of what it would take to transform Malaysia's Government-Linked Companies (GLCs) into high-performing entities. A team of about ten people had worked full time (and dozens more contributed on a part-time basis) to identify new policy guidelines and initiatives to enable the transformation. It was a tremendous journey, and the work was being codified in a comprehensive transformation manual for broad circulation. The manual and the ambitious GLC Transformation (GLCT) Programme were to be launched with much fanfare at a public ceremony on July 29 at 3 PM.

More importantly, about 500 people had confirmed they would attend the ceremony, including the Prime Minister, Deputy Prime Minister, half the cabinet, and around 200 industry leaders. There was also Tan Sri Nor Mohamed Yakcop, second finance minister and chair of the Putrajaya Committee on GLC High Performance (PCG), as well as the CEOs of all the Government-Linked Investment Companies (GLICs) and GLCs. It was one of Malaysia's most significant gatherings of political and corporate leaders, and the issue was at the top of the Prime Minister's Agenda. Not having the manuals was definitely not an option.



Almost immediately, the team rushed to the nondescript print shop located off Old Klang Road. It was only ten hours before the launch, and not a single manual was ready. To our dismay, the space was an utter mess, with paper strewn everywhere. Workers were manually cutting and sorting printed paper into haphazard piles. All 250 pages of every manual had been printed (nearly 90,000 sheets of A4 paper), but they still needed to be cut to size, sorted, hole punched, and inserted into binders. To say the situation looked bleak would have been an understatement.

After monitoring the situation for about an hour, it was evident that progress was painfully slow. Only six workers were producing 350 voluminous manuals. Unless something drastic was done, and done fast, there was going to be nothing. Only nine hours to launch.

Panic set in. The team soon began organising the workers into assembly lines, with each person focused on a single task—for example, operating the cutting machine, sorting, binding, and so on. Still, the process was laborious, and after about an hour it was proving all too slow. We were down to eight hours.

At 7 AM, it was clear that the print shop's workers were unmotivated and felt no urgency to work faster. It was becoming critical to scale up quickly and run more assembly lines. An impasse had been reached; finally, a mutiny was staged, and the shop owner and his workers were evicted. The team took over the print shop. We hurriedly called in reinforcements—as many Khazanah and McKinsey personnel as possible. It was all hands on deck. We didn't dwell very long on what would happen if the manuals couldn't be produced. A mass purchase order of hole punchers followed immediately, and food and water were arranged for the working team. Only seven hours to launch.

Over the next two hours, people started to trickle in. Executive assistants, associates, vice presidents, assistant vice presidents, senior vice presidents—essentially anybody from any function not needed for ceremony preparations was dispatched to the print shop. By 9 AM, about 40 people were working furiously across eight assembly lines.

The work not only proved time consuming but also required strict attention to detail. More than 250 pages had to be sorted, in the right order, with two holes neatly punched in the centre of each stack, prior to being inserted into binders. Despite the team's best efforts, things were still not running smoothly. As assembly lines were reshaped, new people joined the lines and errors were made before the team designated a few individuals as quality-control supervisors. Only six hours to launch.

All the meticulous preparations, about three months in the making, were coming undone and had to be rapidly reconfigured. To buy more time, the team axed the plan to have a manual placed



on every chair for each guest to pick up. Instead, they would be handed out when attendees left the building.

Finally, around 11 AM, a silver lining emerged. The team had a pile of ten completed manuals—enough, at least, to conduct the official launch. Elated, a few team members immediately took copies to the convention centre. Four hours on the clock.

Adrenaline had kicked in by then, and a batch of 150 manuals was done by 1 PM, but afternoon traffic made another dent in the plans. A journey of 40 minutes took much longer than usual. After about an hour, the driver was still stuck in crawling traffic. Finally, government intervention was required, and a police escort was organised. The first batch of manuals made it to the venue as guests were starting to take their seats.

The final batch of 150 manuals left the print shop just after 2.30 PM; with the benefit of police escorts, the package arrived midway through the ceremony. After the most eventful and nerve-racking ten hours, each guest was handed a copy of the GLCT manual as he or she left the centre. They were literally hot off the press!

Behind the scenes: Enablers of success

The launch was successful, though it was a nail-biter, and the GLCT Programme has delivered clear outcomes in the ten years since. Total shareholder value of the 20 GLCs (which we call the G20), for instance, grew by 12.6 per cent per annum, higher than that of the Kuala Lumpur Composite Index by 0.4 per cent. In addition, G20 market capitalisation more than tripled, to over 430 billion Malaysian ringgit. In scaling these new heights, the G20 with regional champions such as Axiata, CIMB Group, Maybank, and Sime Darby also increased its international and regional presence, with operations in more than 42 countries.

GLICs and GLCs have been strong supporters of Malaysia's New Economic Model and national transformation programmes, such as the Government Transformation Programme, the Economic Transformation Programme, and the Strategic Reform Initiatives. These players are also champions for other national priorities, including developing Malaysia's economic corridors, delivering major infrastructure projects, supporting the nation's aspirations to become a global hub for Islamic finance, driving inclusivity through diversity and the Bumiputera Empowerment Agenda, and promoting sustainability initiatives. Employees, customers, suppliers, shareholders, and society as a whole have benefitted from the transformation of the GLCs through improved work environments, better products and services, vendor-development programmes, and corporate-social-responsibility initiatives.



Today, at the “graduation” of the GLCT Programme, we felt compelled to share the story of what really happened on that infamous day back in July 2005. Little did we realise that this would be, in many ways, a microcosm of the GLCT Programme. Let us elaborate by sharing our reflections on what we learned over the course of the programme and what we believe were some of the crucial factors that enabled its success.

1. Secure enduring sponsorship from the highest levels

Over the course of the ten-year journey and through multiple leadership transitions, the GLCT Programme remained a top national priority on the prime ministers’ agendas; it was also critical for the second ministers of finance and the CEOs of all the GLICs and GLCs. Having this level of consistent support from senior leaders has been an important enabler, particularly in tough economic conditions. For example, the financial crisis of 2008, a slump in exports, and commodity-price swings posed severe challenges, yet GLC leaders remained focused and never strayed from the singular purpose of transforming every organisation to raise overall performance. Being able to react and adapt—particularly in a shifting economic, political, and social climate—is often what sets organisations apart from their peers. As in the eventful episode at the print shop, leaders of the GLCT Programme remained focused on the outcome, whether it was producing manuals, empowering the team to make the right decisions, providing support, altering the programme schedule, or arranging additional reinforcements for personnel and equipment when required.

2. Establish leadership to influence change

Much of the GLCs’ success can be attributed to the chairmen and CEOs who had the ambition and skills to transform their organisations. Boards played their part as well; improving the effectiveness of boards and reinforcing the corporate governance of GLCs were among the most important initiatives specified in the GLCT Programme. Too often, boards spend the bulk of their time on compliance—instead of focusing on matters crucial to the future prosperity and direction of the business. However, we observed some notable shifts when boards began to play a much more active role in charting the strategic direction of their companies.

This included taking bold decisions, such as bringing in new CEOs with strong convictions to drive sustainable change—some organisations sought leaders with more diverse backgrounds and even recruited non-Malaysians. Indeed, McKinsey research and experience suggests that half of all efforts to transform organisational performance fail because leaders and senior managers don’t act as role models for change. In the print shop, it was one strong leader from the working team who had the courage to step forward, mobilise and energise the team, and valiantly lead the effort while making fundamental changes to how the print



shop was being managed. Creating an aspirational vision for growth and inspiring others has been a recurring theme in the success we've seen at the GLCs.

3. Have a clear unifying objective—and make sure everybody is “all in”

The first principle of the GLCT Programme was that GLCs must above all be focused on performance and create economic and shareholder value. There was never any doubt as to the primary objective of the GLCs. To achieve this, ground-breaking guidelines outlined in the Silver Book required all social obligations to be identified, quantified, made transparent, and, ideally, separately funded. At the print shop, getting 350 copies to the convention centre by 3 PM was the unifying objective.

To have broader scale and more sustainable impact, the programme was designed to improve the overall ecosystem and not just individual companies; for instance, the aim was for GLICs to strengthen monitoring and management and for boards to improve their effectiveness and capabilities. The GLCT Programme required everybody to go all in and come together to achieve a shared mission to transform GLCs—whether they were from the Government, regulators, GLICs, GLCs, boards, management, staff, or suppliers.

4. Promote transparency and public accountability

One of the objectives of the GLCT Programme was setting clear targets via key performance indicators and holding GLCs publicly accountable for their outcomes. This in turn generated healthy performance pressure, and PCG further committed to maintaining momentum, as well as ensuring transparency by tracking headline key performance indicators and publishing comprehensive progress reports and annual reports. Transparency begets trust, and trust begets effective governance. The right kind of transparency—focused on outcomes, performance, and challenges—served GLCs well to greatly improve the level of trust within and across agency boundaries. GLC Open Day, held in 2011, is another example of a public event to showcase how organisations contributed to the nation.

The next act for GLCs: Where to from here?

With the transformation in its final stages, GLCs are now well equipped to shift from being followers to leaders of management practice—and they can potentially take on some of the nation's and society's biggest issues in the next ten years. GLCs continue to be a critical segment of the economy; their influence extends across a variety of sectors, and they will be crucial to the Government's ability to achieve its aspiration, namely to transform Malaysia into a high-income nation by 2020.

At these crossroads, we would like to present a set of questions to challenge the thinking on the future of GLCs and examine how they might continue to shape the development of Malay-



sia. We hope these questions will incite discussion and debate that can help inform and influence an even stronger road map for the next ten years.

In that spirit, let us consider several subjects

Are key institutions, such as GLICs and GLC boards, strong enough that the GLCT Programme can be sustained, especially as the sponsorship it has enjoyed will inevitably change?

Some might ask whether Malaysia needs a GLC Act, similar to New Zealand's State-Owned Enterprises Act, to enshrine the objective function of GLCs. New Zealand's act was established in 1986 and aimed to improve efficiency and profitability in government operations, and become more commercially oriented organisations. To ensure that its objectives were not misinterpreted, it clearly laid out the role of state-owned enterprises as value-creating entities.

Can Malaysia and its GLCs pioneer a new and more inclusive employer-employee model?

It is time for organisations to move beyond being an employer of choice and instead reinvent the HR model. This implies narrowing the wage gap between management and the front line to create a more inclusive and healthy employee base; however, higher salaries for the front line will require these employees to take greater accountability and improve productivity and outcomes. Doing so may also necessitate reorganising the composition of the workforce to reflect a Malaysia that embraces diversity with respect to education level, disability, ethnicity, and gender. In response to growing income disparity, for instance, companies such as Aetna and Walmart in the United States recently raised the wages of their lowest-paid employees to help narrow the gap—and to motivate and increase incentives for these employees.

Do GLCs have the mind-set and capabilities to pioneer a Malaysian model of triple-bottom-line impact?

Companies such as FedEx, Nike and Patagonia are striving to achieve more than financial profits and improvements to the bottom line. They are also delivering on social and environmental responsibility and actively addressing measures that affect their employees, local communities, and societies. Can GLCs do the same for Malaysia, going beyond conducting corporate-social-responsibility initiatives to embed these practices into their business models? Many GLCs are mature enough to take long-term views on their investments and consider more than just financial performance and returns.

How can GLCs be pioneers on productivity—for example, by focusing on their core businesses and emphasising digitisation and innovation?



The outlook is for global economic conditions to remain challenging. Consequently, GLCs will need to make productivity improvements to remain competitive. Are they focused on areas where they have competitive advantage, or do their businesses spread over too many noncore activities? At the same time, digitisation, automation, and other innovations are transforming industries, labour markets, and many fundamental ways we live and work. How are GLCs capturing these opportunities to enhance customer interfaces and experiences, digitise end-to-end processes, deploy advanced data analytics, or undertake organisation-wide systematic transformations?

How can GLCs catalyse participation from the private sector?

To support the expansion and growth of the economy, how can GLCs better leverage their positions and help catalyse participation from the private sector, both domestically and internationally? This participation need not be limited to capital but can also encompass new technologies and capabilities.



Taking off to Clearer Skies: A Perspective on the Transformation of Malaysia Airlines



DATO' SRI IDRIS JALA

Minister in the Prime Minister's Department

Chief Executive Officer of Performance Management and Delivery Unit (PEMANDU)

Former Chief Executive Officer of Malaysian Airline System Berhad (MAS) (2006-2009)



I was very fortunate to have been involved in the GLC Transformation Programme as CEO of Malaysia Airlines from 1st December 2005 to 15th September 2009. Prior to that, I spent 23 years holding various managerial positions at Shell, based in Malaysia, United Kingdom, Holland and Sri Lanka.

I was hired as CEO of MAS to do two things; first, to turnaround the airline from its biggest financial crunch to date, and secondly, to transform the company into a successful airline in terms of sustainable profitability and growth.

During my tenure, we successfully achieved the first objective of the business turnaround. My appointment as Government Minister in September 2009, however, meant I did not have the opportunity to complete the transformation.

The business turnaround

When I clocked in to work on my first day at the Malaysia Airlines headquarters in December 2005, I was clear about what the overarching goals should be and what I had to do as the CEO. The company was in a financial crisis—the worst in its entire 50-year history.

In my first 100 days as CEO, we announced our Business Turnaround Plan (BTP) Roadmap, which spelt out exactly what we had to do.

We were in a cash crisis as we had only less than four months of cash. This meant that if we did not find a way to generate additional revenue by April 2006, we would run out of cash to pay staff salaries or to pay for fuels for our planes. Consequently, we had to dispose assets in 2006 to generate cash for operation.



In my first year as CEO, we nearly broke even. In my second year, we recorded the highest profit in our 50-year history. In my third and fourth year at MAS, we remained profitable despite tough business conditions triggered by the highest oil price in history and the Global Financial Crisis.

Critics have been unfairly misguided in suggesting that we made profits in MAS from asset sales. The truth is we sold assets in 2006 to raise cash for operation but we did not make a profit that year. MAS actually made profits in 2007, 2008, 2009 and 2010, and certainly not from asset sales but through operational improvements.

We were also getting international recognition. MAS was awarded the CAPA Airline Turnaround of the Year Award in 2006 and the Air Transport World (ATW) Phoenix Award for Turnaround in 2008. We received numerous awards such as Skytrax 5 Star Award, Skytrax Best Cabin Crew, Travel Weekly Best Airline to Asia and more.

Business transformation

Having successfully completed the turnaround in 2008, we announced our Business Transformation Plan 2 (BTP2) Roadmap which spelt out exactly what we needed to do to transform the company. In pages 26 and 87 of this document, due to the tough business environment and intense competition, we predicted that if MAS did not implement the transformational measures outlined in the Roadmap, it could lose up to RM1 billion by 2012. This was almost prophetic!

Sadly, as I watched from outside what was happening to MAS in the last few years, the company went back into the red and lost even more than we had predicted.

Let me quote what I said in our BTP2 Roadmap (page 26):

MAS has successfully turned around and we have earned the right to stand alongside our peers. However, we have not reached a state of sustainable growth and profitability. We cannot remain on our current course as Asia and Malaysia in particular, are rapidly progressing towards Phase 4 market conditions; the liberalisation of the ASEAN skies will result in more intense local competition while boosting the presence of foreign carriers. Our yields and margins will be further challenged as prices drop with the expected increase in capacity. To make matters worse, fuel prices are currently very volatile and the crude oil price broke through the USD100/bbl barrier in January 2008. Unless we take drastic actions, MAS will hit a wall and fail, badly.

In 2007, the MAS management team engaged in a comprehensive forecast exercise while preparing our business plan for 2008 to 2012. We tried to forecast what would happen to our financial result based on a number of reasonable business assumptions and “revenue scenarios”. The exercise demonstrated that along with declining industry profitability and without business transformation, MAS stands to lose RM650 million (pessimistic) to as high as RM1 billion (worst case) in 2012. This will place us squarely back to where we started in 2005.



This time, though, there will be no turning back for us. MAS would spin into a downward spiral from which it will not recover. Such losses will damage our credit rating and cripple our balance sheet, eliminating our ability to pay for aircraft orders, and invest in products and talents. Our suppliers will cut us off and shareholders will abandon MAS for better investment prospects elsewhere”.

Notwithstanding the tragic loss of MH370 and MH17, until today, I remain convinced that the prescriptions in BTP2 are valid for the transformation of MAS. The current efforts to transform Malaysia present an excellent opportunity to do so. The team is indeed taking radical and bold steps to transform the airline.

Labs as a new way of working

Looking back, we needed to find a new way of working to unlock the talents of our people to solve our many problems. Operating costs were on the rise, and this left us no recourse but to consolidate and cut costs. Part of our network was inefficient, so we had to make the decision to do away with routes and flights that were bleeding cash. Big on the agenda was to fix the yield as we had a very real problem with low yield.

I believe that in any business turnaround, it is crucial to focus on key business activities that positively impact the profit and loss (P&L). We had no interest in slow and incremental results. We focused these labs on routes and many other parts of the business but never, never on minor activities. We knew we had to run labs on key business activities which had the potential to achieve big, fast results.

We ran laboratories (labs) to come up with breakthrough ideas and solutions and to craft detailed programme of actions for implementation. Labs were time-boxed to be completed in four to six weeks. Lab participants were required to work full-time in an intense working environment. Typically, a lab consisted of a team of 20-40 people from various functions and backgrounds but they all share something in common – they had a direct stake in a given activity and represented the organisation’s best and brightest. Instructions to them were straightforward. Tell us how to fix the problem or jobs will be lost. People in the labs were fully accountable to deliver big, fast results.

Labs forced our people to work together as teams on top of breaking down barriers and getting rid of the silos. Labs became the nurseries for breakthrough ideas and solutions. They were analogous to growing the seedlings of innovation in these nurseries, and once they were sturdy enough, they were then translated into the operating environment. As CEO, it was my job to protect these ideas and keep an eagle eye over them so they continued to thrive when transplanted into the operating jungle of the organisation.



The one item with the biggest P&L impact was yield. Hence, we set up labs to assess the profitability of various routes, with a sharp focus on yield. The participants of these labs were inherently aware of the fact that inability to fix a route would leave us no other choice but to close it, thus, terminating their jobs. It was as simple as that. For example, we had a team looking at the Kuala Lumpur–Manchester route. They found themselves in a corner without a way to fix it. To be profitable, we would have needed 40 percent more passengers than we had capacity for. Due to tough competition, it was not possible to raise fares. After undergoing an intense and full analysis, everyone on the team knew the route simply could not be fixed, and as a result, they were all out of jobs as we had to close the Manchester office.

In the first three months, we were rigorous in getting rid of routes that were bleeding cash and not contributing to the P&L. Within another six months or so, we also did away with routes deemed unsalvageable. Ironically, in the process, we rescued a number of routes as well. If I had to name one value that emerged from this catalytic exercise, it would be real personal accountability of individuals and teams.

Lessons and key takeaways

There are four lessons and key takeaways that I think are worth sharing from our work at MAS.

Firstly, I am convinced that the best way to start any business turnaround is to decompose or break down the corporate P&L statement into the lowest common level. At MAS, we decomposed the corporate P&L statement so that we had the P&L for every flight. With this decomposition, we could unearth the stark realities behind our losses.

We identified profitability levers for each flight such as network rationalisation, rescheduling, fare and pricing changes, cost reduction, aircraft matching, etc. Each decision we made ultimately “moved the needle” of the flight P&L. Activities that moved the needle were our priorities. We stopped doing things that did not move the needle. This P&L approach gave us a sharp focus on our real priorities.

It was a gargantuan task. We recorded individual P&Ls for each route—by day, by month, and by flight number, totalling more than 100,000 P&Ls. These were grouped into regional P&Ls, and every day at 5pm I would get all these listings streamed to my phone, as well as those of all route managers. At that time, I was a board member of the International Aviation Transport Association (IATA). As far as I was aware, there was no other airline in the World that decomposed their P&L into individual flights because it was a laborious task.



Let's take a very simple example of how we used the decomposed P&L. We used to have three daily flights between Kuala Lumpur to London. Our flight P&L statements delivered a startling and shocking revelation that only two flights were profitable and one was consistently unprofitable. Its losses wiped out all the profits made by the other two flights. If we looked only at route P&L, rather than flight P&L, we could have concluded that the KL-London route was unsalvageable. With the help of flight P&L, the solution was staring us in the face: stopping the loss making flight would make the route immediately profitable!

Secondly, as the CEO, I needed to provide the leadership for the organisation to "play the game of the impossible". I had to demand and set seemingly impossible targets so that people in the organisation looked for breakthrough solutions. I think transformation is not about "incrementalism". Rather, it is a whole system change to achieve big, fast results.

Since these targets appear impossible, it is unfair to punish people who achieved outstanding performance but failed to meet the stretched targets. 'Seemingly impossible' are the magic words. As the leader, the CEO must believe deeply in his heart that these targets and goals are in reality, not impossible. The journey can only begin with confidence and energy if the leader believes in it. I grew up in a small village in the jungle of Sarawak. Using a jungle analogy, the CEO plays the role akin to cutting a clearing in the dense tropical jungle. Everyone else is under the canopy, where they cannot see the sky and where it can get very dark and depressing. The leader has to bring people out to the clearing. This is where innovation begins. One of the single biggest things a leader brings to a business turnaround is hope. MAS's business turnaround was originally slated to be achieved in three years. Not only did we complete it in two years, we overshot our profit targets.

Thirdly, subscribing to "discipline of action" during the implementation phase is vital. Most corporations have elegant strategies and beautiful plans. However, the problem is poor implementation of these strategies and plans. Why? Because they are so high level (what I call "30,000 feet"), it is extremely difficult to translate them into detailed practical action steps at ground level (what I call "3 feet"). Failure to do so is the main reason why people have implementation difficulties.

For this reason, I have introduced a new language to make this idea distinctive. We call it a 3-feet programme, so that people know that strategies and plans must have a detailed programme, without which, the strategies will fail.

There is only one test to ascertain whether the programme is at 3-feet: We ask the implementer if he knows exactly what to do when he is assigned an activity. If the response is that he needs to study and look for solutions, then it is not yet at 3-feet. This means further deep dive refinements have to be made.



We use labs to develop 3-feet programmes for implementation, with clarity on key performance indicator (KPI), activities, action parties and individuals, a timeline and budget for each line item.

Once the 3-feet programmes are developed, we shifted into what I call the “DMS implementation” i.e. Do it relentlessly, Monitor it constantly and Solve problems recursively. Hard work is required. There are very few short cuts in successful implementation. Always be ready to refine the solutions or come up with new ones if the original solutions do not work. Daily tracking of results is fundamental to successful transformation. It is this type of discipline that brings a winning culture of implementation.

Fourthly, I believe it is important to ensure leadership continuity. Changing leadership guard while the work is still at its infancy is risky. In the case of MAS, my reassignment in September 2009 to lead Malaysia’s transformation took place before we had reached the point where changes at MAS had become ‘sticky’ and institutionalised. But we all understand that national transformation was the greater need at the time.

Nevertheless in ordinary circumstances, I think leadership change should only happen when transformation has reached a point where there is no turning back. The new ways of working and other changes needed to be institutionalised before this happens.

The airline industry is a notorious testing ground. A quick Google search will show that many airlines have failed over the years and around the world for a number of reasons and there will always be reasons beyond our control due to black swan events. Leaders must recognise and accept this uncertainty as we operate in highly complex systems. There is no excuse. I know that MAS is back to the drawing board and I believe that Khazanah, the current CEO and his team are doing their best to undertake the transformation of MAS. This time, no stone should be left unturned.





We Learned Along the Way



DATO' SRI CHE KHALIB MOHAMAD NOH

Group Managing Director of MMC Corporation Berhad (MMC)

Former Chief Executive Officer of Tenaga Nasional Berhad (TNB) (2004-2012)



Prelude of GLC Transformation Programme

When YABhg. Tun Haji Abdullah bin Haji Ahmad Badawi became the Prime Minister in 2004, he was committed towards accomplishing Vision 2020, to shift Malaysia from a developing nation to a developed nation. In particular, he pursued the remaking of Malaysia Incorporated (Malaysia Inc.) - the concept of a close partnership between the Government and businesses which can produce tangible achievements and performance as well as improve the delivery system of public services. More importantly, the need to build first class mentality, nurture a positive set of values as well as discard old habits that may stand in the way of progress and forge a high performance culture in the country. For this to happen, right foundations needed to be laid, and this is a process that involves a comprehensive and almost system-wide transformation to the way we do things in both the public and private sectors. In the public sector, the Government requires a major transformation to enhance the public service delivery system, so as to meaningfully play its part as the facilitator, regulator, investor and developer. At the same time, the then Prime Minister emphasised the importance of the private sector in the economy, in particular the position of the Government Linked Companies (GLCs) which are quite unique and exceptional. GLCs are of strategic importance. They make up the backbone of the country's economy, through critical services such as transportation, energy, utilities, highways, telecommunications and financial services which contribute significantly towards improving the quality of life of Malaysians.

Prior to 2004, GLCs underperformed the broader Malaysian market, both financially and operationally. A trend that risked derailing Malaysia's efforts towards becoming a developed nation in 2020. Hence there was an urgency to transform GLCs as strategic service providers



to the nation as improving the performance of GLCs would have a far reaching effect on the performance of the overall economic sector as well as the well-being of all Malaysians.

The then Prime Minister began the effort by announcing the Transformation of GLCs as a national priority on 14 May 2004, which led to the launch of the GLC Transformation Programme (GLCT Programme) on 29 July 2005. Central to this Programme is to extract maximum value and achieve maximum performance in everything that we do.

The new wave of leaders at the start of the reform process

In May 2004, Tan Sri Azman Mokhtar was appointed as Khazanah Nasional Berhad's Managing Director to revamp Khazanah and to anchor the GLCT Programme. The same year in July 2004, I was appointed as Chief Executive Officer (CEO) of Tenaga Nasional Berhad (TNB), where I served TNB for eight years until the completion of my contract on 30 June 2012. With the appointment as TNB's CEO, I stepped down from the Khazanah Board in which I was a member from 2000 to 2004.

From 2004 – 2006, the corporate landscape of GLCs experienced a wave of appointments of many new and mostly young CEOs at GLCs. Among them were the appointments of Dato' Sri Wahid Omar (now Minister in the Prime Minister's Office) for Telekom Malaysia Berhad, Dato' Ahmad Pardas for UEM World Bhd., Dato' Noorazman A. Aziz for BIMB Holdings Bhd., Dato' Sri Idris Jala for Malaysian Airline System Berhad (now Minister in the Prime Minister's office and holding the post of Deputy Chairman and Chief Executive Officer Performance Management and Delivery Unit (PEMANDU), Dato' Sri Syed Zainal Abidin bin Syed Mohamed Tahir for Proton Holdings Bhd. (Proton was divested in January 2012) and Dato' Sri Nazir Razak for CIMB Group. Changes were also made at the helm of GLCs under Permodalan Nasional Berhad (PNB) such as Dato' Sabri Ahmad for Golden Hope Plantations Bhd., Dato' Wahab Maskan for Kumpulan Guthrie, Dato' Ahmad Zubir Ali for Sime Darby and Dato' Dr. Mohamad Hashim bin Ahmad Tajudin for Chemical Company of Malaysia Bhd.

Having strong leadership, skills and passion to drive change can impact on the pace and effectiveness of the transformation efforts at GLCs. At the beginning of the Programme, being part of the new wave of CEOs in GLCs, we were “gung ho” and over confident, and believed that with corporate discipline and hard work we can transform the GLCs. We were confident that we were the modern warriors who can change the world and that we can do better and do things efficiently through our corporate culture. We were professional managers with the attitude of “just do it.”

But we were proven wrong. We underestimated the politics in managing GLCs. The truth is we were naive in managing politics. Managing politics is not a science, it is an art. It is a balance



between what is right, what needs to be done and what is politically right to do and the latter may not echo what is right and needs to be done. What is technically right to do may not necessarily be politically correct. For example, when I was in Tenaga, rightfully if people don't pay the bills, we cut the power supply. However, in some rural areas, we can't simply cut the power supply. This is where the Corporate Social Responsibility (CSR) concept came about, where we had to provide this basic necessity (electricity) to improve the peoples' standard of living even though it was at a cost to Tenaga.

We have to thank Tan Sri Nor Mohamed Yakcop, the Minister of Finance II at the time for mainly two reasons: (1) providing us support and guidance (2) providing us air cover – not so much to cover our mistakes but to lend his maturity and experiences in dealing with politicians and the authority and therefore, helped to bridge the corporate leaders and the politicians and the Government. That tremendously helped cushion the reform process of the GLCs and helped us understand the correct ways of handling the politics of managing things during the reform process.

The formal setting of the GLCT Programme was established as a committee named as Putrajaya Committee on GLC High Performance (PCG). Tan Sri Nor was appointed by the then Prime Minister to lead the Committee, along with the heads of the Government-Linked Investment Companies (GLICs), namely Khazanah Nasional Berhad (KNB), Permodalan Nasional Berhad (PNB), Employee Provident Fund (EPF), Lembaga Tabung Angkatan Tentera (LTAT) and Lembaga Tabung Haji (LTH), to work together to monitor the developments and to recommend further measures.

The work of the Committee has culminated into a "Transformation Manual" that was eventually launched on 29 July 2005. This manual has two parts. Firstly, the overall policy guidelines to address some of the core challenges and guide GLC transformation strategy. Secondly, the GLC Transformation initiatives.

Three key principles run through the GLCT Programme – GLCs must first and foremost be focused on performance (1st principle). Only with performance and results can they then be "part of the solution" in helping to develop the country (2nd principle). In executing the first 2 principles, GLCs are expected to operate within a clear governance structure and serve stakeholders interest, thus providing benefits to the society at large (3rd principle).

The policy guidelines in the manual have been set out to achieve five objectives: one to clarify the GLC mandate in the context of national development, two to upgrade the effectiveness of Boards and reinforce corporate governance of GLCs, three to enhance GLICs capabilities as professional shareholders, four to adopt corporate best practices within GLCs and five to implement and enforce the GLCT Programme.



In addition to the policy guidelines, 10 initiatives aimed at enhancing the fundamentals of GLC performance have been identified. These 10 initiatives relate to board effectiveness, GLICs' monitoring and management functions, regulatory environment, procurement policies and practices, Corporate Social Responsibility (CSR), capital management practices, talent development, performance management practices and operational improvement.

Implementation of the policy guidelines

Through these 10 policy guidelines, many initiatives were established and created. In this essay, one initiative that I was very committed to during my tenure in Tenaga was the Corporate Social Responsibility (CSR) initiative. The CSR initiative came later in the GLCT Programme (not at the onset of 2004). The concept of CSR in the Programme was under the Silver Book – Achieving Value Through Social Responsibility. Through the GLCT Programme, we introduced many initiatives that supported the second Principle of the Programme i.e. GLCs' contribution in nation building and thus benefitting the Rakyat.

What was interesting was that many of the initiatives under the Programme originated from informal discussions of issues and how to go about to find solutions among the pioneer group of leaders in GLICs and GLCs in the Programme. These sessions usually take place over the informal dinners organised by Tan Sri Nor once every 2 months at the start of the GLCT Programme. It was during these informal dinners that we discussed and brainstormed issues that eventually become initiatives implemented across the GLCs through this Programme.

Addressing improved education system through the PINTAR Initiative for a better standard of living

I remember that in the early years of the brainstorming sessions, education was the key game-changer in everyone's mind to improve the standard of living particularly among the rural Bumiputeras. We discussed how GLCs can help improve and complement the current public education system.

The brainstorming sessions culminated into the birth of PINTAR Programme. PINTAR is a school adoption initiative aimed at improving the educational outcomes of students, in particular children from low-income families and rural communities nationwide.

PINTAR stands for Promoting Intelligence, Nurturing Talent and Advocating Responsibility.

Additionally, PINTAR Foundation (PF) works in partnership with corporate Malaysia, particularly GLCs and NGOs where companies adopt schools for three years and have direct involvement with the schools, i.e. beyond providing financial aid. Employees of the respective companies actively organise and implement various educational activities. PF is



also directly involved in managing and implementing a number of national programmes at PINTAR schools nationwide. I recall having to compete with Tan Sri Bashir of Malaysia Airports Holdings Berhad in the selection of a school in Penang where I come from in Bayan Lepas. TNB adopted 20 schools with close proximity to its operational activities to demonstrate the symbiotic relationship between TNB and its surrounding communities. The success of the PINTAR Program clearly shows that it does not take much to help the poor and rural school children to excel academically. The result of the PINTAR Program is so astounding that it has become one of the most significant contributions by GLCs to the nation.

Cross- fertilisation – bridging understanding between Government and GLCs way of doing things

Another initiative that originated from these informal brainstorming sessions among leaders was the Cross-fertilisation between Government staff and GLCs.

The objective of Cross-fertilisation was for the GLCs and Government staff to have an appreciation and understanding of the different functions, way of doing things and culture in the two separate entities and therefore foster better understanding between the government and the private sector. Secondly, it is for the participants' development and acceleration in their careers and as well as for the transfer of knowledge.

There are a few value propositions of the Cross-fertilisation Initiative. Assignees will gain exposure and experience working in diverse teams and different work culture, expand their network with government and GLC staff and attain better understanding of the various practices in the Government and GLCs.

For the Government, Cross-fertilisation is another way to solve problems raised by the GLCs, transfer tacit knowledge from industry players, addresses the development needs of the high potentials in the Government by exposing the talents to the various cultures and practices of GLCs. Currently the Initiative has extended to PLCs. The Cross-fertilisation is for both GLCs and Government staff to be seconded for a period of one year in each of the organisation.

When I was in Tenaga, we had our staff attached to Suruhanjaya Tenaga, Economic Planning Unit, Kementerian Tenaga (KeTTHA) and vice versa. When both sides understand the way things are done, it will improve communication and efficiency. What's important is that GLCs and regulators can solve issues proactively. Since the cross-fertilisation programme was introduced, better understanding from both sides was achieved, leading to faster decision making.



Closing

At the Programme level, the GLCT Programme has seen the G20 market capitalisation triple from RM133.8 billion to RM386.0 billion from 14 May 2004 to 28 July 2015. Over the same period, G20 total shareholders return grew at 12.6% per annum.

GLCs have also been providing significant benefits to all other stakeholders including employees, customers, vendors, suppliers and society. I always believe efforts on improving the education system such as PINTAR and staff development through initiatives such as cross fertilisation give greater impact to stakeholders and society at large. And I hope post the GLCT Programme, these efforts continue and GLCs continue the good work that has been put in place.

On a personal level, I was glad to be given the mandate and opportunity by the Government to be part of this transformation journey. My previous experiences in other GLCs such as 2 years in KUB and 8 years in Tenaga have given me invaluable experiences and lessons. Accepting failure, I believe is one way to achieve something. During my tenure in Tenaga, I did not succeed in fully convincing the Union to follow the new ways in Tenaga. Perhaps I introduced too many shocks! However, outside the formal environment, I do have good relationships with the Union members. If I was given a second chance to lead Tenaga, I would not have done it differently. I would still emphasise high discipline, integrity and dedication wherever I go. I believe these three values are important in all settings whether you are serving the nation or a small company. Despite the sweat, pain and tears, overall, I must say that I have countless sweet memories from the GLCs transformation journey.

Before I end, I would like to reminisce that before I start working I was reminded by my uncle “Che Khalib you are from *kampung*, no one is going to help you except for yourself. Always work your way up and secondly, do not eat and “s#t” at the same place...” Finally, I would like to share what my mother always reminds me – “Do not fear anyone, if you do the right thing, *Allah* will always be there for you but if you do the wrong thing, do not expect *Allah* to help you!”





Transformation, Change, Leadership and Governance – Reflections of a Journey



DATO' AHMAD PARDAS SENIN

Chairman of Malaysian Directors Academy (MINDA)

Former Managing Director and Chief Executive Officer of UEM Group (2004-2009)



The GLCT Programme has been quite a journey. By most measures, many GLC and related organisations have benefitted from the initiatives, especially those that have adopted the various guidelines and were committed to the objectives.

I had the benefit of experiencing the journey in two capacities. Firstly, as a member of senior management and later as CEO of UEM Group, one of the G20 companies during 2004-2009. My other involvement was in the development and operationalisation of the Malaysian Directors Academy (MINDA), which was the product of one of the ten GLCT Initiatives. More specifically, my experiences can be linked to Initiative 1, which focused on “Enhancing Board Effectiveness”, and Initiative 2 on “Strengthening Directors Capabilities.” I was appointed by the Minister of Finance as Chairman of the Board of MINDA in June 2008.

Throwback to 2001

The year 2001 was the beginning of a new chapter in my career. This was the year I began my involvement as a member of a GLC. Up until then, my professional career involved my employment in multinationals and non-GLC corporations.

Khazanah Nasional Berhad, through Syarikat Danasaham Sdn. Bhd., had acquired the entire equity of United Engineers (Malaysia) Berhad (UEM) in September 2001, and UEM was subsequently delisted from Bursa Malaysia. I was then the Managing Director of Renong Berhad (Renong), a 32.6% associated company of UEM. As the significant shareholder, UEM had management control of Renong.



I still remember my anxiety then, a feeling shared by all senior management staff of UEM and Renong. It is normal to expect that in a takeover situation, the existing key management will be replaced. I cannot speak for my colleagues, but I was mentally and emotionally prepared for that inevitable eventuality. I had in fact asked my long-time PA then, Puan Wan Norlida Wan Abdullah, to be prepared, and perhaps start packing. We waited anxiously. Then came the call from the office of the Special Economic Adviser to the Prime Minister, asking me to meet Tan Sri Nor Mohamed Yakcop in his office. Naturally I had assumed that that was my D-day. I remembered telling my PA to brace ourselves, as I may be out of job later that day.

The meeting with Tan Sri Nor Mohamed was surprisingly pleasant. That was the first time I met him in person, although I have of course read much about him. He spoke about UEM and Renong, and his expectations of the group. He talked about the need to maintain operational stability and for UEM to continue operating its businesses as usual. And there I was, anxiously waiting for my D-day moment. We must have talked for about 40 minutes, and then Tan Sri asked if there was anything else I wished to discuss. I remembered asking him one thing... that when it is time for me to be replaced, I would appreciate to be given reasonable notice! Tan Sri smiled and brushed my comment off, and I felt great relief!

Life in a GLC

Following completion of the takeover in 2001, Encik Abdul Wahid Omar (now YB Senator Dato' Sri) was appointed as the Executive Chairman/CEO of UEM.

One of the early initiatives undertaken by YB Dato' Sri Abdul Wahid was a major corporate restructuring plan, including the merging of the management restructure of UEM and Renong. The two companies were merged into "UEM-Renong Group" in 2002. I was assigned to manage the new ICT Division comprising of Time Engineering Berhad and Time dotCom Berhad. It turned out to be a very short 7-month stint, as I was subsequently appointed to manage another Khazanah investment, Silterra Malaysia Sdn. Bhd. in April 2003. And some 15 months later, I was appointed Managing Director and CEO of UEM Group in July 2004, following YB Dato' Sri Abdul Wahid's departure to Telekom Malaysia Berhad.

At the helm of UEM Group – challenging years (2004-2009)

The task before me was indeed overwhelming. UEM Group was a diversified conglomerate with businesses in concession expressways, construction, engineering and properties, and with more than 20,000 employees. The biggest challenge was how to orchestrate these components to head the same direction, and move in unison. Our task was to achieve financial performance and decent total shareholders returns, whilst also achieving asset growth. Dato' Seri Abdul Wahid had successfully restructured the Group, including the listing of PLUS Malaysia Berhad (PLUS) and renaming Renong to UEM World Berhad. My task was to continue with the plan. 2004 was the



repositioning year, to put the people and operations in a better position to achieve our goal of value creation and growth.

One issue that had to be addressed then was the not-so-favourable market and public perception of the Group. This was visibly demonstrated by the low market capitalisation of UEM World that did not at all reflect the true potential and value of its underlying assets, specifically the massive land bank in Nusajaya, and UEM World shares were trading below its par value.

One of the factors that weighed down on the market valuation of UEM World Berhad was that it remained a conglomerate, and thus had suffered from the infamous conglomerate discount. This was addressed by a restructuring of UEM World in 2008 that resulted in UEM Land taking over the listing status of UEM World, as a pure-play property company. Today UEM Land Berhad is known as UEM Sunrise Berhad.

Mission 300

In the group-wide restructuring in 2002, UEM had undertaken the Employees Equity Scheme (EES) as a long-term incentive for all employees of the Group, whereby employees were given the right to purchase UEM World shares at RM1.44 on a deferred-payment basis. However, with the share price languishing in the sub-Ringggit zone, this was generally perceived by employees as of little value. Thus, one of my rallying call to our employees then was to work with me and put in all our efforts and energy to create value for all stakeholders, with the conviction that if all works well, we will be able to deliver value and reverse the unfavourable market perception. This would have a favourable effect on financial returns for shareholders, and potentially improve market capitalisation to a more reasonable level. Internally, we refer to this project as “Mission 300.”

I remember when we presented our Business Plan that included this strategy to the Board of Directors, there was scepticism. One board member remarked that it was wishful-thinking, whilst another commented “You can always dream!” Quite discouraging, actually.

We set out on a mission to create value for all stakeholders, through productivity and growth. We introduced a group value-creation architecture that focuses on five pillars: Productivity of Resources, Expansion of Our Businesses, People and Organisational Development, Systems and Processes Improvement, and Image and Perception Improvement. The team came up with an acronym “PEPSI” for this. Conceptually we introduced a 2-tier foundation of these pillars. One is our shared-values of Teamwork, Integrity, Passion for success, and Sincerity of intent, with the acronym “TIPS.” The other foundation is the development of effective business leaders.

On the outset, it was clear that every company and their employees needed to work together in order to achieve the elusive group synergy. This was one of my primary focuses. I have always



been a firm believer in the development of people, as individuals are the backbone of any organisation. If we invest time to manage the people well and groom them to be leaders in their own field, the organisation stands to gain and prosper.

On leadership development, I fully subscribed to the saying of John Maxwell, author of the book “Developing the Leaders Around You.” He said: “A leader who develops people, ADDS; A leader who develops leaders, MULTIPLIES!”

In our bid to develop effective business leaders, I had introduced a philosophy borrowed from Jack Welch of General Electrics (GE). He has what is called as the 4E principle of management. In the GE system, an effective leader must have these four qualities: Possesses high ENERGY level; ability to ENERGIZE others; have the EDGE to make tough decision; and consistently EXECUTE and deliver on their promises.

Essentially, in order to be successful, you must be able to lead effectively, that’s what the GE’s 4E principle is about. I had added the need for leaders to also be PASSIONATE in whatever they were tasked to do. Thus the 4E+P model was launched as the model of our leadership development.

As to be expected, there were many who were less receptive to the idea of the 4E+P model. Some argued in favour of other known models, such as those of Motorola, Shell etc. We could of course have chosen any, but what was more important was that we implement them well. The GE system was familiar to me and I thought it was fairly easy to understand and explain, as I also had the task of selling and convincing our top management and the 20,000 employees of the Group.

These initiatives, aided by other favourable external factors such as the launching of Iskandar Region, showed positive effect on productivity and financial performance, and also began to yield positive reaction in the market. By March 2007, the market capitalisation of UEM World had increased almost four-fold. But the target shareholders returns was still a long way and the challenge of value creation continued.

I had retired in June 2009, and I trust many of those challenges have been dealt with by the company.

The GLC transformation journey

The GLC Transformation Programme was launched in 2005. Having worked in an established multi-national for 17 years prior to joining Renong, I was indeed very pleased and encouraged by this initiative which, in my view, was much overdue. UEM Group was selected as one of the 20



companies under Khazanah that will partake in the GLCT Programme. We were involved with the study conducted by McKinsey & Co, and took part in the design of what was later known as the Board Effectiveness Assessment Survey, and the proposed guidelines that were adopted into the Green Book. These were among the preparatory works that eventually led to the first two of the 10 themes of Initiatives developed under the GLCT Programme, i.e. (1) Enhancing Board Effectiveness, and (2) Strengthening Directors Capabilities.

When the guidelines containing the 10 Initiatives were issued, we were pleased that our own internal action plan actually mapped very well to the 10 key Initiatives. In one way it was a confirmation that we were on the right path, and on the other, made our compliance to the GLC Transformation guidelines much easier. We executed our business plan whilst at the same time met the objectives of the Programme.

Malaysian Directors Academy (MINDA): Enhancing board effectiveness

As mentioned earlier, the second part of my experience and involvement in the GLCT Programme was in the development and growth of the Malaysian Directors Academy (MINDA), which was set up pursuant to Initiative number 2 of the Programme.

One of the findings of the McKinsey study was that there needed to be some kind of institution to focus on the development of the Board, not only to provide training but also to provide development. Under the Programme, the Putrajaya Committee on GLC High Performance (PCG) had issued and published several guidelines (generally referred as the Coloured Books). The “Brown Book” deals with the setting up of the Malaysian Directors Academy (MINDA). To kick-start the programme, a small team visited top business schools in Europe to explore partnering opportunities. We picked International Institute for Management Development (IMD) to be our partner as the institution already has an established director’s programme known as Building High Performance Boards, which suited our needs. This paved the way for partnerships with other schools like INSEAD, Harvard, etc. We then saw that it would be beneficial to bring top class lecturers or practitioners to Malaysia and expose our local directors to what they have to offer with PowerTalks and a series of professional programmes tailored for directors.

This is where MINDA differs from other training organisation. Our mission is to enhance board effectiveness. It’s about how people should contribute, how the board should behave, how the chairman should conduct himself; basically it’s how you use all these elements to improve effectiveness of that body called the board. MINDA was registered as a company limited by guarantee, owned by Ministry of Finance. It was “incubated” within the secretariat of the Putrajaya Committee on GLC High Performance (PCG), housed at Khazanah Nasional Berhad. This gave the perception that MINDA is a Khazanah company!



By 2008, MINDA was deemed ready to operate independently as a full-fledged organisation. The board of MINDA was expanded, and I was appointed as Chairman. Tan Sri Nor Mohamed and Tan Sri Azman Mokhtar must have taken note of my passion for people and leadership development in UEM.

One of our first tasks was to find a CEO for MINDA. We wanted someone that has strong HR background with the same passion for people and leadership development. We were fortunate to have found Dato' Abdul Aziz Abu Bakar who was about to finish his contract with Telekom Malaysia as Chief Human Capital Officer at the time. Dato' Aziz also has a good 20 years with Shell in his early years, so he inherited the other well-known leadership model other than GE. That's a great complement!

Then, the task at hand was to address board performance and to equip Directors of GLCs with world-class knowledge, skills and mindset – the three core areas that have come to be the essence of what we do here at MINDA.

Since the launch of MINDA, we have had the uphill task to be one of the catalysts of growth in order to reform and transform GLCs into high-performing organisations that will help Malaysia achieve a developed nation status. Through the McKinsey study, we identified that board composition was an important element of board effectiveness. It is vital for an organisation to get the right composition of the board that takes into account the members' experience, education and even age to avoid a complete disconnect. Along the way, the need to have a good director orientation programme soon became critical to set the right foundation for new directors. We tailor-made an on-boarding programme that strengthens compliance with the mindset of being an effective director.

Another issue is gender diversity; the workings of a board should be gender neutral. In support of board diversity, MINDA has been involved with Ministry of Women in training more than a thousand potential women directors over the last three years, a move to support the Prime Minister's target to achieve a 30% representation of women directors on boards.

But of course, this all boils down to a director's contribution. On the board, the most common question raised is how do members contribute? To be an effective board, directors must be prepared in terms of knowledge as well as behaviour; it's an aspect of active participation. These are among the things that MINDA constantly addresses. Our approach is to assist the boards to focus on their fundamental roles and responsibilities as Directors; the position requires them to have deep functional and relevant skills, knowledge as well as experience in order to be effective. For example, our Building High Performance Director (BHPD) Programme seeks to enhance the board and organisation's performance with a wide range of experiences in different



cultures, industries and governance framework. MINDA also developed a series of advanced programmes that focus on key performance areas of directors such as Finance, Strategy & Risk, Human Capital, Ethics, Innovation and Mergers & Acquisitions.

MINDA's courses and other service offerings have provided value to stakeholders, board directors and management. It is a testament to the effectiveness and efficacy of our programmes. It is also the relentless efforts of Dato' Abdul Aziz and his team to live up to the spirit of the Green book and expand it beyond GLCs. Whilst we have made reasonable inroads in terms of gaining acceptance from GLCs and non-GLCs, it is my hope that more GLCs and directors will take advantage of MINDA's courses. As our experience and reputation grow, the regulators have called upon MINDA to play a more active role in the pursuit of higher corporate governance and activism not just for the GLC but also beyond that. MINDA will be actively involved in professionalising board placements, directors' assessments, research and advocacy on directors' issues and leadership.

My hopes for the future

The GLCT Programme is in its 10th year now, and in the phase of graduation. The effects of the GLCT Programme, and the role that MINDA plays in this, has shown much progress. I'm pleased to note that several GLCs have stepped up to higher level of performance and merit in the last decade. It is my hope too that the momentum of the GLC Transformation Programme does not end with this "graduation." It will be sad and a sheer waste if those guidelines and "Coloured Books" are forgotten and left to gather dust. We may have graduated, but the journey must continue!



Catalysing Transformation through Leadership



EN. MOHD IZANI ASHARI

*Executive Director in the Special Projects Office of Khazanah Nasional Berhad
Secretariat to the Putrajaya Committee on GLC High Performance (PCG)*



This is a story of the journey and insights into how Malaysia's larger Government-Linked Companies (GLCs) were transformed during the GLC Transformation (GLCT) Programme. This is not about individuals, but rather about a collective team of Malaysians who shared the same ideals and vision towards nation building and value creation.

Over the course of the GLCT Programme, G20 performed remarkably compared to 2004, at the start of the Programme. G20 has:

- Improved its market capitalisation by 2.9 times from RM133.8 billion on 14 May 2004 to RM386.0 billion on 28 July 2015
- Increased its aggregate earnings to 162.6% above 2004 levels
- Contributed RM108.6 billion and RM62.7 billion in dividends and taxes respectively from FY2004 to FY2014; far from being liabilities to Malaysia at the start of the Programme
- Became a significant part of the country's economy and social structure by employing 225,050 Malaysians, awarding contracts valued at RM39.3 billion to local suppliers, and contributing RM6 billion in corporate responsibility initiatives and endowments.
- regionalised; a number of our GLCs now operate at a regional level (e.g. CIMB Group Berhad, Sime Darby Group Berhad and Axiata Group Berhad).
- won numerous awards for innovative and customer-focused products and services.

With this remarkable performance, we can now build on our strengths and move forward.

(For further information on the GLCT Programme and G20 performance, please refer to the GLC Transformation Programme Graduation Report).



How did we achieve this far? It has a lot to do with the role of leaders in catalysing transformation. Hence, this illustrates the importance of leadership in transformation.

How did we do it? How does leadership catalyse transformation?

1. There are, in my experience, six broad steps for leaders to undertake to catalyse transformation successfully:
 - i. First, leaders must make the transformation meaningful in terms of reason, ambition and how stakeholders are connected to the effort, eventually producing a transformation roadmap
 - ii. Second, having drawn the roadmap, the leader must illustrate and role model the desired mindset, behaviour and expectations, and performers to the new beginning to be rewarded
 - iii. Third, the leader needs to establish a strong and committed team supported by pervasive change agents, and good stewardship and intense governance
 - iv. Fourth, the leader must relentlessly focus on the desired results with good programme management
 - v. Fifth, people must be assisted for them to go through the transition of the transformation effort
 - vi. Sixth, for the transformation effort to be sustainable, the leader must build more transformational leaders

Let me take each broad step in turn.

2. First broad step: Reason, ambition and meaning, roadmap

First, leaders must make the transformation effort meaningful in terms of reason, ambition and how stakeholders are connected to it. Some of you are familiar with change gurus such as, John Kotter who advocates for building a case for change and the vision of change when you first embark on your change effort.

3. I would say the starting point, after building the case for change, must be about setting a very ambitious target, such that it forces you to find unconventional and radical solutions i.e. you need to really transform to achieve such ambitions. Some transformations can be initiated by radically changing the context e.g. some GLCs were told no help will be coming from the Government. As Einstein once said “insanity is doing the same things over and over again and expecting different”. In the case of our GLCT Programme, we set ourselves an ambitious target: at the end of our 10-year GLCT Programme, we want to produce several regional and global champions, the minimum is that our GLCs must be operating at world



class standards. To-date, many of our GLCs have become champions as targeted in their plan. Our examples are CIMB Group Berhad, Malayan Banking Berhad (Maybank), Sime Darby Berhad (Sime Darby) and Axiata Group Berhad (Axiata).

4. We also make the reason for transformation to be clear and also meaningful, stating why we had to embark on this journey. This reasoning is arrived based on a number of aspirations and concerns.
5. Our country has set its sights on Vision 2020, to essentially become a developed country by year 2020. By definition, a developed country is very much synonymous with having championship firms i.e. firms that are regionally and globally competitive. Why do countries need to have champions' firm? Having champions is very synonymous to wealth creation to a country in many ways, for example, through iconic branding, employment (both domestic and abroad) and the generation of gross national income (GNI).
6. One yardstick to measure our success is to see how many of our companies are in the Fortune Global 500. So far, we only have Petrolia Nasional Berhad (Petronas). Thus creating regional and global champions, by 2015, is the goal of our GLCT Programme. Another yardstick is to benchmark ourselves with similar competitors. You can also see of late, becoming regional and global champions is very much on-going and is an increasing expectation of GLCs by our country leaders; in line with our aspirations to be a high-income nation. Leaders also need to create and personalise the transformation story. This can be done by sharing experiences and anecdotes to demonstrate their determination, commitment and beliefs to demonstrate that challenges to transformation can be overcome.
7. At the start of the GLCT Programme, our GLCs constituted more than 36% of the market capitalisation of Bursa Malaysia and their employees represented 5% of the nation's total workforce. Many GLCs are also mission critical service providers to the nation. Thus, GLCs make up a sizeable chunk of the Malaysian economy. The fact GLCs are significant to the country means they are also dependent on the Government for a number of things.
8. However, this arrangement of dependency on the Government is not sustainable. If you could recall, prior to 2004, many GLCs were underperforming both financially and operationally, and became quite a burden to the Government. We saw during those days, Malaysian Airline System Berhad (MAS), Tenaga Nasional Berhad (TNB), Telekom Malaysia Berhad (TM) and the then Bumiputra-Commerce Bank became liabilities to the country and yet we could not simply dispose them to other parties as they are also our country's strategic assets. The 1997 Asian Financial Crisis and the prospect of increased market liberation, with the



Free Trade Agreements (FTAs) and the World Trade Organisation (WTO) banging at the nation's door, to open up our markets made it clear to us that GLCs will need to really transform. It became also very clear that the Government expected GLCs to no longer become a burden to the country. In the case of MAS, at the height of the need to transform, our then Prime Minister Tun Abdullah Ahmad Badawi famously declared in late 2005, to MAS employees, “No bail out!” There was no escape, change had to happen. There is therefore clearly a burning platform on why GLCs have to not only change, but really transform.

9. Once the reason for transformation and the ambitions are set, a transformation roadmap has to be created with clear success criteria and agreed trade-offs. This becomes the reference document for leadership to not only engage the stakeholders and to make the effort better understood but also to serve as a guide to move the effort and check its progress. Some companies like MAS, in 2006, went to the extent of publicly declaring their transformation roadmap to demonstrate leadership seriousness on the effort.
10. Leaders, based on the roadmap created, must openly and regularly engage with the relevant stakeholders. By engagement, this is not only merely the act of talking and conversing, but also the act of getting stakeholders' involved in initiatives under the effort. Explicit clarity and repetition are important. There is some saying that you need to engage people and repeat the message up to 6 times before the message is well understood. Leaders must also be seen as addressing concerns of affected stakeholders e.g. removing perennial pains and resolving problems they face and addressing the “what's in it for me” (WIIFM) syndrome. In the engagement, leaders must use this opportunity to explain the roles the stakeholders can play to support the effort.
11. Leaders also need to create and personalise such transformation story by sharing experiences and anecdotes to demonstrate their determination, commitment and belief that challenges to transformation can be overcome. The leaders themselves must be passionate about the effort, and be willing to go the extra mile to make it happen. It is almost like “*makan*” (‘eat’) transformation, *minum* (‘drink’) transformation, *main* (‘play with’) transformation, *tidur* (‘sleep with’) transformation”, in fact the effort should consume the leaders, and the effort then becomes a calling to the leaders rather than a job. We see this behaviour in many of the CEOs of our GLCs.
12. **Second broad step: Illustrate, role model, boundary actions, reward**
Having gone through the above first broad step, the next broad step to reinforce the transformation effort further is for the leader to role model the desired mindset, behaviour and



expectations, to execute boundary actions and reward those who deliver the new transformational results. John Kotter in his book “Leading Change” talks about quick wins. In the works of other gurus in change, it is said ‘the first steps’ are crucial. This is indeed important as inaction connotes false start. As the transformation progresses, a powerful way to reinforce its meaning and effort is to role model the desired mindset, behaviour and to highlight the successes and quick wins.

13. In this respect, the organisation needs to be guided on what is newly required, what is acceptable, and what is no longer required, to be discarded and ended in terms of mindset, behaviour and conduct. In the case of our GLCT Programme effort, we launched 10 Initiatives to create a new language and to provide uniform understanding on what we want GLCs to focus on.
14. The leader is the message i.e. every move that the leader makes will be watched by the stakeholders. In order to support the transformation effort, the leader must reinvent himself. He must internalise in himself the saying “for things to change, first I must change”, followed by lots of role modelling and examples set. It is analogous to cooking curry. In this analogy, the leader is the curry powder, a key ingredient of which without, curry is not curry. This must be quickly followed by those in the leadership team, and the leader sometimes will need to handhold, coach and remind his leadership team on this aspect from time to time. This is well understood, as changing one’s mindset and behaviour to embrace new beginning is a challenge to most people including leaders themselves.
15. Another quickest way to illustrate the intent of transformation effort and send shockwaves about its seriousness through the organisation is to execute a series of symbolic acts or boundary actions, signalling to stakeholders that they should behave in ways appropriate to the effort. For example, the supporters of change and those who produce the desired transformative results must be rewarded, recognised and given appropriate air cover by the leadership team. At the same time, some boundary actions and the term “shape up” or “ship out” including dealing with “sacred cows” are sometimes needed to be illustrated. Success criteria, performance assessment and reward/recognition structure needed to be changed so that they are aligned to the effort. Such signalling actions, both with the “carrot” and “stick”, will give people clarity, confidence and will help to address complacency.
16. **Third broad step: establishing guiding coalition, more change agents**
In parallel to the second broad step, leadership team and governance (in the words of John Kotter, the guiding coalition) must be quickly set-up. The leader must recognise that no matter how passionate or well-placed he is, he cannot transform the organisation alone. That is why he needs to quickly set up a credible leadership team or best called his transformation



team, and increasingly expand the sphere to include those who can have major influence on the effort, supported by change agents throughout the organisation and beyond. In our GLCT Programme, we have purposely included in Putrajaya Committee on GLC High Performance (PCG) not only relevant ministers but also senior government officials, such as the Chief Secretary to the Government (KSN) and Treasury Secretary General (KSP) due to their influence on the Government machinery, a crucial element to the success of our GLCT Programme.

17. Sometimes the leader needs to import and bring in some fresh blood to the organisation though this must be carefully treated with the existing organisation setup. We saw this with great success in some GLCs. In some cases, the leader needs to make tough decisions about who amongst the members of the management team has the ability and motivation to make the journey i.e. “who will be on the bus”, and hence establish the required “leadership bench”. Removing unaligned members of existing management team, is sometimes necessary.
18. The leader himself needs extra support and assistance as the entire effort must be programme managed. Without this, the effort may stand a chance of not being delivered. Often this is done by creating a unit called “Programme Management Office (PMO)”, in some organisations they are sometimes called “Transformation Management Office (TMO)”. In the case of our GLCT Programme, Khazanah Nasional Berhad has been entrusted to undertake this role to help our YAB Prime Minister. Often subject matter experts are needed to provide further guidance, though in my experience organisation do have a wealth of readily-available experts internally. The use of external subject matter experts is to check for blind spots and best practices that organisation can emulate, improve and adapt.
18. Once the new guiding coalition is formed, it is important that the leader needs to quickly align its members, often at the end, by having a team charter and common understanding with respect to the ambitions and roadmap. These are important as the CEO he and the members can periodically use as reference to ensure the guiding coalition is on the right track.
19. To ensure that the effort is pervasively supported, the leader must work on having change agents at all levels in the organisation. These gems often, in my experience, are discovered through various projects/initiatives or labs. Once discovered, they should be nurtured to take on key initiatives, given the necessary air cover to ensure the delivery of the results of these initiatives.



20. An aspect that is crucial to a transformation effort is dedication and intense governance. The governance for transformation effort must be established separately from typical operations governance; otherwise it is likely that the urgency of attending to operational issues will overtake the transformation effort. By doing so, the organisation is better focused on the transformation effort with the appropriate given intensity. Such intensity through depth and regularity of discussions are important to ensure that all issues, aspects and impediments to the efforts are adequately addressed.

21. Fourth broad step: focus on results, publicise them

The fourth broad step is for leaders to relentlessly pursue on getting the desired results, the results that matter to the transformation effort. Getting results is key to the success of the effort; it provides the energy and momentum for organisation to move forward.

22. There is no such thing as doing transformation remotely or through a memo. To give visibility and impact, there is no substitute for a leader rolling up his sleeves and getting personally involved when symbolic results and achievements are at stake. The leader must “*turun padang*”, get out of their executive suites and offices, to see for themselves the impact and issues faced by those on the ground. Sometimes such “*turun padang*” provides good reality checks as to what are reported and help to reduce hierarchical barriers. Also by doing so, many important decisions can be made quickly without having to go through the bureaucracy of preparing proposals for approvals.

23. The leader must also quickly establish accountability especially at the senior leadership level with respect to the various results of the transformation effort. This is important as without senior management being accountable for such results, the effort will not garner the serious attention and commitment it needs.

24. Once accountability and desired results are established, often I found that publishing them publicly (both the target and actual results) within internal domains (and at times external domains), the point about creating “fame and shame” produces a lot of pressure on all parties to perform. In the case of our GLCT Programme, we asked our GLC CEOs to publish publicly headline key performance indicators (KPIs) and their corresponding results. In the words of the Minister in-charge then, “that’s why it is called headline KPIs, as if you don’t perform; your head is on the line”. Such approach promotes discipline of action and execution.

25. Fifth broad step: helping people through the transition

The next broad step, the fifth, involves helping people through the transition of the transformation effort without themselves (the people) being damaged. Often many transforma-



tion efforts fail to move forward mainly due to poor transition management. By transition I mean, how to get people through the transformation from the beginning to the end.

26. People often talk about resistance to change. In reality it is not the change that people resist, it is the transition that people resist. If you hear corridor talk, often people talk about the need to change. So yes, people do want change, not resist change. People actually resist the loss of existing identity and their world once status quo is changed; people resist the disorientation when moving from one phase to another; and people resist the risk of failing when embracing something new. All these must be properly managed, if transformation effort in its phases is to receive acceptance.
27. At the start of a typically exciting transformation effort, normally people will go through some phases: in the beginning there is the “Uninformed Optimism”, where people will get excited by the effort but rather uninformed about what is needed as many parts are still uncharted. As the effort progresses, the organisation will experience the “Informed Pessimism” phase where people are now more informed about what it takes but feel rather pessimistic due to the extent of workload needed and the transition they need to go through. If the effort is performed rather well, the organisation will start embracing the “Hopeful Realism” phase such that the effort is really felt and starts producing results. Once momentum and the tipping point are reached, the organisation will eventually be in the “Informed Optimism” phase, whereby the people will be more optimistic about the transformation efforts due to their informed experience. In a change effort that is sudden, people will go through the phases of shock, anger, rejection, acceptance and hope. This also requires proper transition management.
28. **Sixth broad step: build more transformational leaders**
For organisation to be able to continue to transform, it needs to produce more transformational leaders. By transformational leaders, I mean leaders who can lead transformation efforts. This is an important capability organisations need to have as it embraces the challenges ahead, which sometimes bring forth more discontinuities that warrant “big results fast” to take place.
29. In my experience, the quantity and quality of transformational leaders can be increased if an organisation is deliberate from the beginning. Start identifying them and give them the opportunity to lead major initiatives in the transformation effort. In the course of the GLCT Programme, we had an Accelerated Development Programme under our Orange Book Initiative which aims to produce leaders of such quality.



30. The fact that GLCs have to find new curves and break new grounds so that they remain competitive necessitates the need for us to have more transformational leaders. The introduction of Government Transformation Programme (GTP), Economic Transformation Programme and other national agendas e.g. Bumiputera Empowerment Economic (BEE) further reinforces this view.

31. Are we there yet? Where do we go from here?

Certainly not. There is still a lot of work to do. Despite what we have achieved thus far, we still have plenty to learn especially when many of our GLCs are starting to play in the championship game, where standards and performance can be remarkably different and where transformational leadership becomes even more crucial. The existence of gaps to Vision 2020, for the country to become a developed nation, denotes that there is also still much more to do.



Winning Together



PN. NORA ABD MANAF

Group Chief Human Capital Officer of Malayan Banking Berhad (Maybank)



I am constantly asked, “How did people factor into Maybank’s well-regarded transformation?” It did not take long for me to reflect on my answer as the answer is simple. People do not factor into the transformation, people make it happen.

Before I expand on the subject, allow me at the onset to say how much more enlightened I have become and how much more respect I have for the trailblazing GLCs, a community which I joined only in the last 6 plus years. It was easy to form a view of GLCs and the GLC Transformation Programme based on the more widely available opinion and views from the outside. And I certainly watched from the outside, being employed in multinationals and public listed companies (PLCs) for the most part of my more than two decades of employment prior. When you start reading so many of the truly commendable milestones and successes achieved within this compilation of essays, you will be just as proud as I am. So, read on, as my story will tell one of those many achievements.

Facts and statistics on the subject of “People and Performance” in many of the published research and reports, both locally and globally, are wake up calls on the criticality of global talent scarcity. They remind us that future retirements over the next 5 years will result in skilled labour shortages, and that the current as well as future graduates are in need of considerable development in leadership, people-management, critical thinking and problem-solving skills in order to be employable and to excel in their careers.

The “Conference Board CEO Challenge” survey in 2014 continues to list Human Capital as a critical challenge for CEOs globally, often ranking the issue first or second in every region. The survey findings indicated a global convergence around Human Capital, Customer Relations, Innovation and Operation Excellence, four highly related and interdependent challenges. For a



Chartered Accountant taking on Human Capital management, I am reminded of the fire that continues to fuel my passion for this calling.

As Maybank is a significant regional player in banking, it is important that we are aware of our strategic role in developing our talent and addressing talent gaps to shape the nation and region's competitiveness as well as productivity.

I was invited to join Maybank in September 2008 when the global financial crisis was brewing and the Group had reached a stage of its growth where it had to transform to stay ahead of the competition. For the first time in history, the Bank recorded its first single digit growth in revenues while competitors in the industry recorded double digit growth rates. The Bank's employee engagement and performance culture was also lagging with low overall employee productivity at the 25th percentile among all the key banks. Our peer banks were rapidly catching up and the possibility of them overtaking the leadership position from Maybank seemed imminent if the Bank continued on its course back then.

Maybank has a strong legacy of skilled, disciplined and hardworking People who fuelled Maybank's growth since 1960 into becoming Malaysia's number 1 bank. The Bank's Leadership was therefore tasked to ensure it remains so and that its strengths be strongly and rightly channelled to fuel its regional and global aspirations. Fast forward, the determination and strong will of its People have enabled the Bank to achieve breakthrough revenues and profits since 2010, and continue to return high value to stakeholders with many external validations that we are humbled and blessed to have received.

A glimpse into our journey

In 2008, the Group firmly committed itself to scale towards new heights through the process of transformation, to deliver greater value to all our stakeholders. So began Maybank's ambitious "Transformation Agenda" with a mission to "Humanise Financial Services" and a vision to be a leading financial services leader in the region by 2015.

At that time the GLC Transformation Programme was three years into implementation, with GLCs like Maybank responsible in implementing the programmes, amongst them to focus on enhancing performance at the GLC's and to take full cognisance of matters relating to governance, shareholder value and stakeholder management. The transformation was timely and inspiring at that time because overall consumer confidence and trust in the global financial system had been affected by a spate of financial crises and ethical misconduct.



To achieve the Bank's ambitious goals and targets required a total transformation of:

1. Changing the organisational culture towards customer-centricity by adopting relationship marketing approaches and building long-term relationships
2. Inspiring creativity and innovation to develop competitive advantages
3. Cultivating high employee performance, going from good to great
4. Creating a talent factory for the Bank's growth and sustainability of performance

At the onset of Maybank's Transformation Agenda, people development was identified as a key driver to achieve our vision. It was one of the strategic priorities of its mission, i.e. to be in the top quartile of employers of talent in each of our markets.

I believe that a successful organisation is not only managed, but is driven from one peak to another by high performing individuals who care about others, are passionate about their work and are committed to the success of the organisation. Leaders therefore provide clarity on targets and expectations, and are able to explain clearly how they are aligned to the Bank's Vision and Mission. Ensuring the organisation has the right performance management system, right organisation structure, right policies and right processes as well as clear culture anchors are key imperatives.

Our People Transformation Roadmap focused - and continues to do so - on three human capital transformation goals; namely "Strong Performance Management", "Best in Class Talent Management" and "Top-Quartile Employer".

I had joined Maybank, a few months upon returning to Malaysia from my last international posting in my 9 plus years in Standard Chartered Group. I was in Indonesia executing an integration work involving the post-acquisition of PT BankPermata. My last position held in Malaysia was the Head of Human Resource, Scope International; a wholly-owned subsidiary of Standard Chartered Bank UK PLC then. Before Standard Chartered, I was with several multinationals and large local organisations across several sectors including telecommunications in Maxis and semiconductors in Intel. These positions have provided me with the experience to navigate the complexity of a global workforce and the know how to leverage diversity and inclusion. These were useful learnings for me in steering Maybank's People Transformation Roadmap in order to achieve its objective.

Maybank's strategic thrusts of its transformation journey were to secure domestic leadership, strengthen our regional presence, and become a talent and execution focused company. In order to achieve the initial strategic objective, two horizons were outlined with the first being to secure leadership and outperform in our strategic deliverables and the second horizon to expand our footprint and capture new markets. During the second half of 2008, the Bank launched its group-wide performance improvement programme known as LEAP 30.



Some of the key initiatives taken were the creation of a new leadership team, restructuring to a new “House of Maybank” and refreshing of our brand. A new tagline, ‘Our Maybank, Our Future’ was crafted to capture the hearts of Maybankers and make them come together to pursue one mission.

The transformation journey was always driven from the top where the Group President and CEO (PCEO) and Group Executive Committee (EXCO) took the lead in climate, culture and capability building via various personal engagement platforms such as townhalls, roadshows, conversation series, leadership and mentoring programmes, amongst others.

Here, I would like to share some of the initiatives implemented for the three human capital transformation goals:

Strong performance management

Post 2008, we achieved a 100% completion rate of performance plans from a low 30-40% submission rate pre-2008. This was achieved by coaching 1,000 line managers on the expectations, tools and processes to help them manage performance level and talent. We incorporated a Personal Development Plan for career progression and development of employees.

The balance scorecard was reviewed and enhanced to include shared accountability on overall sector’s achievement, assessment of values and mid-year review exercises. In 2014, we simplified the performance management process to give staff greater line of sight and ownership for their own success and deliverables, promote stronger staff/line manager partnerships by mandating and formalising performance conversations between staff and line managers. We also automated and regionalised the performance management process to ensure consistency, quality as well as monitoring one-to-one conversations.

We aligned our total rewards strategy linking it to our business strategy as well as attract, retain and motivate our staff in order to enhance their skills, performance and career growth. Our rewards management implementation is also reflected in our performance management system, shifting it from being human resource (HR)-led to line manager-led, empowering line managers in the total rewards management decision making.

We created a Group HR Shared Service Centre in 2009 offering a one-stop centre for central database intelligence and capabilities, and to provide consolidated comprehensive HR services to enhance our People’s capabilities and productivity. The online HR Services platform gives our People a common shared customer experience and has gone “anytime, anywhere” since 2014. The implementation of our online integrated talent management suite has given us a broad range of functions and decision-making capabilities.



Best-in-class talent management

Prior to 2008, we had limited visibility over our talent. Succession cover ratio was 0.2:1 and average age of senior management and above was 45 years. We built the Group's talent management framework which comprises four main categories (Recruit, Perform, Develop and Reward). This framework gives us the structure to align and rebuild our employees' work experience through an integrated talent management approach.

The framework is now institutionalised and continues to help us raise the bar of excellence and up our game. We have stronger capability to identify and develop talent thanks to a disciplined implementation of "Group Talent Review" forums twice a year and the creation of eight "Entry-level Pipeline Pool" programmes between 2009 and 2010.

Talent under 30 years old increased from 17% in 2010 to 31% in 2014. We launched three key extensive leadership programmes for senior talent with corresponding development interventions to accelerate their readiness to assume higher responsibilities.

We offered learning interventions to upskill our employees and align them with international/local benchmarks. Last year, over 500 credit staff received professional certification and we had the highest number of staff receiving the Certified Credit Professional awards in the then Institute of Bankers Malaysia (IBBM) Graduation ceremony.

Bringing our Employer Value Proposition (EVP) of "GO Ahead and Humanising Mission to Life", we set a policy target that for every 10 internal vacancies, 8 must be filled from within the organisation and all vacancies must be published. Successful internal candidates must be moved within 2 months.

Aligned with our strategy of building international capabilities, we introduced 5 types of International Assignments (IA) and incorporated IA in our pipeline programmes such as the entry level Global Maybank Apprentice Programme (GMAP). As our IA grows and to equip prospective assignees to perform effectively in a new environment, we formalised our Global Mobility Programme in 2014 with 31 talents across the Group enrolled in the programme.

We shifted from traditional classroom learning and adopted a 70:20:10 (experiential : networking and guidance : formal learning) development philosophy to give a more holistic development to our talent. This helps our People to develop greater passion for self-learning. Staff are encouraged to take personal ownership of their development that we reinforce in our EVP. Most organisations across the world understand the value of mentoring as a tool to create a strong pipeline of future talent and within the 20 in the 70:20:10, we have actively structured mentoring programmes as well as coaching. Members of the Group EXCO including myself are mentors in



our Mentoring Programme and commit to a minimum of two mornings per month to teaching at our Maybank Academy.

The government recognises women as co-developers of the country. Under the Human Capital Development Strategic Reform Initiative, a critical enabler in the transformation of the workforce and workplace is female talent. It has set a 55% target of female labour force participation rate by the end of 2015 as well as raising female representation in decision-making positions to 30% by the year 2016. At Maybank, women made up 54% of our workforce in 2014.

Our gender representation is closely tracked as part of our standard People Dashboard since 2009. We set up what we think is unique to our organisation, a “Women Mentor Women Council” in 2014 aimed to increase the number of women in middle, senior and top management working within the current infrastructure available in the Bank. One of the targets of this Council is to appoint qualified women into a minimum of 30% of managerial position vacancies in the year. The Council has already paired 35 women mentees with mentors from senior management, including myself. Our success in driving greater diversity on the leadership bench is evident with women in the succession planning pool.

Women representation

Mission critical positions - 19% in 2010 to 35.1% in 2014 (In real numbers, 168 women in 2013 to 264 in 2014)

Top Management - 15.1% in 2009 to 31% in 2014

We have our in-house Career Transition Programme (CTP) that was first launched in 2009, for employees who have been displaced for various reasons to upskill them in taking up new roles and responsibilities within the Group. The CTP is now also available in Indonesia.

Top-quartile employer of talent

Before the transformation, Maybank in Malaysia was ranked way below our peers. There was average perceived brand value against peers and we lacked consistent employer branding. In 2010, Maybank was ranked 17th place. To change the perception and create a strong brand image we implemented the following:

1. We set up a Group Resourcing Centre to improve our recruitment process leveraging on technology, social media platforms such as LinkedIn, including revamping our career website to be more appealing, informative and engaging.
2. We improved our on-boarding programme and experience for new joiners that incorporates one day orientation and induction day with the Group EXCO. Line managers are



also given clear guidelines to help new staff settle in. All recruits are required to provide feedback after completing their first 30 and 90 days.

3. We revamped our scholarship to offer full scholarships from pre-university levels and accepted multi-disciplines studies scholars. In 2014, we introduced the Sponsorship category for deserving students for families with household income below the poverty line. These scholarships carry no bond to work for Maybank. Scholars pursue disciplines that are priorities under the Nation's Economic Transformation Programme (ETP), e.g. medicine and architecture. We are doing our part in poverty eradication through this award and helping realise the nation's Vision 2020.
4. We offered internship programmes with hundreds of interns enrolled in the programme. This is aligned to the government's initiative to increase employability. 15% of the interns were absorbed into permanent employment with the Bank. As part of our efforts in leveraging on the ASEAN Economic Community, our Maybank scholars are participating in the MY ASEAN Internship Programme in collaboration with TalentCorp and the Ministry of International Trade and Industry. They will undertake their internships at any Maybank office in the ASEAN countries to gain global exposure to work effectively in different geographies.
5. We also participated in career roadshows at international and national levels where our leaders participate as well to engage with prospective talent. Our GO Ahead Employer Value Proposition continues to be actively promoted internally and externally.
6. In 2012, we introduced an award winning revolutionary recruitment platform, the Maybank GO Ahead challenge. This unique business case study spots the best talent in the region and finalists are offered to join our GMAP programme. It also offers cash awards for top winners and opportunities for global attachment at our international branches such as in New York. Its success is shown in the increase in regional applications from 1,000 in 2012 to 15,000 in 2014 and 23,000 in 2015 (with close to 100 nationalities in 2015). Our pride of the challenge is that 85% of the graduated finalists have joined the Bank.
7. We formalised a Group-wide Work-Life Policy in 2013 and one key feature is our Flexible Work Arrangement (FWA). Over a hundred staff members have been approved to work on a FWA basis in the last 15 months. In 2014, we established the Maybank Tiger Cubs Childcare Centre to help staff in unforeseen family circumstances. Since its opening in January 2014, over 3,600 attendees were recorded.



8. We continuously ensure our HR programmes are guided by our people pillars and values that are aligned to our humanising mission.

2015 is a crucial year for us to achieve our aspirational vision to be a leading financial services provider. We are already looking beyond to prepare for the next stage of growth. We have crafted our M2020 roadmap with a strategic objective that we summed up as “To grow optimally skilled staff performing right roles at maximum productivity levels and are regionally mobile, locally effective”. Our programmes year-on-year is differentiated to ensure that they continue to be relevant to changing needs from our People and the business as well as impactful and meaningful.

Given our 2015 journey has been fulfilling within such a short period, I assure you our M2020 journey will be exciting and meaningful for me and all of us at Maybank.

Key Awards related to people development:

Asia Recruitment Awards 2015

1. Grand Winner Award, Best In House Corporate Recruitment (Malaysia)
2. Gold Award for Best Employer Brand Development; Best Regional Recruitment Programme and Best Recruitment Innovation (Malaysia)
3. Best Graduate Recruitment Programme (Gold) (Singapore)
4. Silver in Best Graduate Recruitment Programme; Best Use of Digital Media and Best Candidate Experience categories (Malaysia)
5. Silver, Best Recruitment Innovation (Singapore)
6. Bronze, Best Candidate Experience (Singapore)
7. Malaysia's 100 Leading Graduate Employer Awards 2014
8. Ranked Top and first financial services group to come out top of the overall list (from 17th position in 2010, and 2nd in 2013)
9. Gold winner for four consecutive years in Banking & Financial Services Sector



10. Winner, Best Innovation on Campus for Maybank GO Ahead Challenge
11. Winner Best Internship Experience
12. Top three finalists for Best Management Trainee Programme (GMAP) and Best Social Media Usage
13. Association of Chartered Certified Accountants Malaysia Sustainability Reporting Awards 2014 – Winner, Best Workplace Practices
14. Asia HR Excellence Award 2014 - Gold winner in Graduate Development category
15. Life at Work Award 2014 by Talent Corporation in collaboration with the Ministry of Women, Family, and Community Development - Winner, Best Malaysian Organisation
16. Annual Asian Shared Services & Outsourcing Week 2014 - Winner, Excellence in Creating a Customer Centric Organisation (myHR2u) and 2nd place Best Technology Transformation Award

You can see by now why it's been so exciting and fulfilling for me to witness and contribute to our nation building. It has been truly meaningful.



The Making of a Talent Factory: A Personal Reflection



DATO' SRI JAMALUDIN IBRAHIM
President & Group Chief Executive Officer of Axiata Group Berhad



When I left Maxis in 2007, I had one burning personal goal, what I called “unfinished business.” I wanted to spend my time nurturing and developing potential leaders for the country. I felt that there was a glaring absence of good corporate heads in the pipeline and I was determined to play a role in developing them. To pursue this ambition, the plan was to join a friend in setting up a training company focusing on leadership development. This was when Tan Sri Azman Hj. Mokhtar, the Managing Director of Khazanah Nasional Berhad (Khazanah), approached me for the job as the Group CEO of the newly formed Axiata Group Berhad (Axiata) (then TM International Berhad – inclusive of Celcom). He convinced me that Axiata would be an ideal platform to develop talent not only in Malaysia, but also internationally. He shared with me the goal of making Axiata a Regional Champion. It struck a chord and I was inspired. It was one of the main reasons I joined the Group in March 2008.

Within a few weeks, with the endorsement of the Board, we developed a new vision for Axiata. It was a holistic vision, with “talent” as a key pillar, as important as the financial targets. So, talent development was not going to be just the means of achieving the financial targets, but a goal in itself.

With a blank slate, my first priority was to assemble the best senior management team across the Group. Obviously, we needed the best team to deliver the best results, but it was more than that. We needed them to redefine and set a new standard for future and existing talent. We also needed them to, in turn, attract other talent. In the early days, I noted that some were hesitant to join our operating companies (OpCos) because they were not “comfortable” reporting to the management team. Conversely, we also knew that most “second-tier” management were hesitant



to recruit top notch talent because they were worried or insecure about their own jobs! I believed then, and now, that the “best” would attract the “best”!

The second priority, in those early days, was to revamp our compensation scheme. We benchmarked some key jobs across the region and completely revised our base compensation package to be competitive. We then significantly enhanced our short term incentive (STI) and long term incentive (LTI) programmes. We made them generous but very tightly tied to performance. We also revamped the key performance indicator (KPI) system to reflect near-term financial and customer targets as well as long-term initiatives. We introduced KPI measurements, not just against the budgets, but also against competitors’ performance, and introduced a ranking process as another way to benchmark our teams. The concept of benchmarking became ingrained in our thinking, processes, and rewards. We then standardised it across the Group.

I was very careful that we assembled a super team of stars, not a team of “superstars.” Teamwork and work culture fit are two very important elements. I was also very careful of not employing “pure mercenaries”, no matter the calibre, as they would typically be short-term oriented and would prioritise self over the organisation in a very unbalanced way. Many of them would not put talent development as their main priority. I also wanted people to join us because they believed in the vision and they wanted to be part of the journey. I wanted to create a team that believed firmly, as I do, in a culture of “working hard, working smart and playing hard”!

We then came out with a 7:2:1 rule of thumb for top management in all OpCos. Ideally, I would like to see about 70% of the senior positions held by local nationals, 20% from within the group and 10% from anywhere in the world. Diversity is a key strategy, but when we first started, most of the top management at the Corporate Centre (our headquarters) and OpCos were highly skewed towards either all locals or all expats.

So, in 2008 through 2009, we revamped the top management within the Corporate Centre and most OpCos. We started off with 49 of them and had to replace or redeploy half of them. That was quite drastic. Some were performing below par, and had to be let go, and some were redeployed, not so much because of any lack of capability but more due to job fit. My initial observation was that many in the past were appointed to senior posts in our overseas operations because we had insisted that the majority of top management had to be Malaysians. That was a noble objective but to me, it was a big mistake as quality was often sacrificed. It left a bad reputation for Malaysia. I remember there were many people, internally and externally, who were very uncomfortable with the decisions I made in this aspect. I was even questioned, albeit politely, a couple of times by some “senior personnel” outside of Axiata. I had to explain the whole concept of what I was trying to do. I also pointed out that during my time working in a multinational corporation (MNC), our own government had wanted more Malaysians to be in top positions of



MNCs operating in Malaysia so why was it, when we ventured overseas, we acted differently? On the positive side, some of our OpCos already had great management teams and all we needed to do was to inject new talent to strengthen the team and/or to improve diversity.

Once the new senior management came on board, they began to review their respective teams and further changes were then cascaded down to all levels. I was pleased to see that my philosophy of the “best” attracting the “best” held true as quality recruits were brought in at all levels. This of course had to be balanced with the hard, but necessary, decision of letting some people go which we did, firmly and decisively, but also as humanely and respectfully as possible.

About halfway through the massive changes, we started working on the talent development programme. That was in 2009. We designed five levels of talent pools, starting from ones who would be future CEOs (called P1) down to those who would be future first line managers (or P4). We set up a Group Talent Council (GTC), to oversee the top two tiers (future CEOs and CXOs - effectively the top management of the group), comprising of all the OpCos CEOs and chaired by me. Alongside this, we also established the OpCos Talent Council, to oversee the other talent pools (P3 and P4), which would be based at each individual OpCo. This was chaired by their respective CEO, aided by a selection of his/her management team. The GTC meets 2-3 times a year for almost the whole day, to discuss nominations and development progress of each of our talent. It can be taxing as each one is discussed individually and at great length. However, this gives the leadership team a sense of joint ownership on our talent, whilst also elevating the agenda to the highest level. We apply the framework of four development platforms, namely Experiential Development, Relationship Based, Education Based and Personal Development. During the process, amongst other things, we discuss the Experiential-based Development, for some candidates moving from one job to another, from one function to another, or from one country to another. As all CEOs are present, the decisions on country rotations are made easier. Through concerted effort and focus, we built up the programme slowly, but surely.

The process was of course not without its hiccups. Not least of which was the economic crisis which hit the world just after we started in 2008/9. We too were badly hit and we were forced to drastically revise budgets given the volatile markets and tumultuous conditions. All expenses had to be cut, but not for talent development. We were determined to take a long-term view. Fortunately, the Board not only supported us but in fact encouraged us. This, for me, was really “putting the money where the mouth is.” I could not imagine doing any of this without the Board’s firm backing.

In 2011, I decided that if we were to take our Talent Management agenda to the next level, we had to split Talent Management from Human Resources (HR), in order to achieve better focus. I felt that it was humanly impossible for a HR chief to look at, in my mind, the two functions



with equal focus. We then created the new position of Group Chief Talent Officer. Four years on, this has worked very well for us as Talent is not merely a vertical within HR but on its own, allowing it to go much deeper.

I liken our work in talent management to building a “talent factory”, where we have clear processes to nominate, assess, develop, monitor progress and periodically check for actual readiness to take on a higher level of leadership challenge. This has become an attraction in itself, in our employer branding, as there is a definitive process in career advancement. My value proposition is “join Axiata – it is an applied university.”

I am a big believer in the arts and science of leadership, which I call the right and left brain. There is a school of thought that leadership should focus on just the art of it or the soft skills. I find that is not complete. There is a science to leadership, such as the analytics and the hard-core functional or subject matter. A balanced leadership model is what I have been trying to develop and implement in Axiata. I made it clear that just being able to lead without strong functional footing will not be tenable. I like to see talent with proven functional capabilities. Attention to detail is also a key criterion. Conversely, someone with very strong functional skills but with poor leadership and soft skills won’t make it either to our talent pool. Some can still be developed but for some, we take a tough position to drop them from the pool in order to be true to the original intent and not dilute it. In 2013, recognising the importance of these skills and the need to develop them differently, we created a “Functional Leadership” track and started a new development programme for them.

Over the years, we have made further changes to our programmes. The basic tenets are robust, focusing on leadership, soft and functional skills, as well as other factors like culture-fit and motivation. But recently, we have made our assessment process more stringent and more encompassing. In today’s world, which has been termed the VUCA world (volatile, uncertain, complex and ambiguous), we find learning agility a key factor in determining success in leadership growth. Those that have succeeded the most with us are those that demonstrate this clearly. We have developed a new set of assessment criteria and deployed some assessment tests to measure these attributes. Sometimes I feel that we may be looking for Superman! In reality, we obviously don’t expect everyone to be excellent in all areas. There is a minimum threshold for each area, and we just need to recognise the limitations of each candidate and turn that into his/her development path. In fact, that has led to a nice follow through from assessment to development which we are now also applying for recruitment and, in the future, for promotions.

One of the most important things in the whole journey for me is to be personally and intimately involved with the design of the whole scheme, the processes and the development programmes. More importantly, I also engage with the talent themselves. I make it a point to see



many of them, individually or in a group, when I visit the OpCos or when they come over to the Corporate Centre. For many of them, I also make it a point to get myself involved in crafting their individual development programme. I believe no amount of effort or money can replace a personal touch and a sincere intention to help them succeed. Obviously, this takes a lot of my time, but is just another test of how strongly I feel about talent development.

We tracked our progress in terms of quantity and quality of our talent at all levels. Measuring quantity was easy. Quality, however, was a different matter, which we did via a third party HR consultant who assessed and benchmarked our candidates. I was pleased to see that we were on track. We wanted to be a “CV brand” and a “top employer.” This work was best demonstrated by elevating our brand perception in the minds of desired recruits deciding who to work for, both at the fresh graduate and professional level. This, coupled with our growth story, has had encouraging results with people from all over the globe now wanting to work for us.

At the end of 2009 after the significant changes, our top management mix was 78:22, where 78% were hired externally and 22% internally. By the end of 2014, this mix was the opposite at 19:81, where 81% were promoted internally. Recently, out of the four new CEOs, all were appointed internally, with two of them Malaysians. On job rotation, we have moved numerous senior people from one job to another within the same function, even from one different function to another, such as finance to marketing, marketing to technology, strategy to operations, etc. Since we started the talent programme, we have in fact moved as many as 50 top talents across businesses and geographies. On diversity, most OpCos, except one, have a good mix of senior management consisting of mostly locals, some Group talent and other expats. Consistent with our 70:20:10 rule of thumb, by the end of 2014, out of more than 80 top management positions, 62% were locals, 18% were made up from our footprint (predominantly from the group talent pool) and 20% were expats outside our footprint. Not perfect yet, but we were progressing well. Along the way, we have lost some but that is to be expected and we are happy to note that they went on to C-level positions at large Malaysian companies. We realised that our people are now being targeted by many local and international companies. I see this as a compliment and a positive indication of our talent programme!

Being a CEO requires a complex set of development interventions. For some, they have been lucky in that opportunities were given which allowed them the right development to take their career forward. My philosophy is why leave it to chance? What if we could craft that path to give it a better chance of succeeding? I firmly believe that leaders are both born and developed, but it is crucial to start at an early age. It was at this point that our vision became larger as we decided to take our talent management tenets to the source, to young school children just beginning on their development career. This was the thinking which led to our “signature” corporate social responsibility (CSR), the Axiata Young Talent Programme (AYTP) in 2012.



With the talent team, we created a structured curriculum on how to do this, and partnered with a school, opening up the programme to students from as young as thirteen all the way up to pre-University and University. Obviously, we are not experts in developing academic programmes but we know a thing or two about what it takes to make a good corporate leader. Together with a consultant, who understands training pedagogy as well as the needs of students, and us, who understands what it takes to run a business, we developed the Ax-Factor curriculum, which overlays the academic programme. It is built on the fundamentals of Emotional Intelligence, pillared by what we call the 3C's; communication, creativity and critical thinking. Overarching the 3C's are the leadership fundamentals, mirroring our own internal Axiata Leadership Competencies. I have always said the legacy I would like to leave behind is the product and factory - our great talent and the talent management process. Our business will have its ups and downs but with great people, we will be able to endure the challenges and ensure our long term success.

In retrospect, we could have done a lot more. All things considered, however, we did achieve quite a lot in a relatively short time. This is largely due to great teamwork by all, including the Op-Cos CEOs, Datin Sri Badrunnisa Mohd Yasin Khan, the Group Chief Talent Officer, Darke M Sani, the Group Chief HR and Head of Organisational Development, and all the management teams across the group. The one crucial factor to our success, along the whole journey, has been the unwavering support and guidance from Tan Sri Azman Hj. Mokhtar, the Chairman, and the entire Board of Axiata Group. We are lucky.

The world does not stop moving, especially in the telecommunications industry. At the point of writing this paper, the game has changed again and we have just embarked on the third phase of Axiata's exciting journey to become a new generation telecommunications and a global player. There is now a need to relook critically at our management, talent, organisation, and of course, the talent development process. All over again! As they say, past success is no guarantee for future success. Perhaps this will be the subject of my next paper.



3

Graduating to a Higher Class: Institutionalisation, Competitiveness and Internationalisation

Employees Provident Fund (EPF) – Charting a Legacy of Excellence	133
<i>Tan Sri Azlan Zainol</i>	
Doing Our Bit	141
<i>Tan Sri Dr. Ahmad Tajuddin Ali</i>	
Transforming a Leader	149
<i>Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor</i>	
GLCT Programme - Family Ties	157
<i>Dato' Sri Nazir Razak</i>	
Making Changes Gracefully	163
<i>Tan Sri Bashir Ahmad bin Abdul Majid</i>	
Getting Down to Business, it's Time for Change	173
<i>Dato' Izzaddin Idris</i>	
Corporate Islamic Financial Excellence: The BIMB Holdings Story	183
<i>Dato' Johan Abdullah</i>	
Upped the Game and Upped the Bar	189
<i>Mr. Stephen Hagger</i>	





Employees Provident Fund (EPF) – Charting a Legacy of Excellence



TAN SRI AZLAN ZAINOL

Chairman of Malaysian Resource Corporation Berhad (MRCB)

Chairman of RHB Bank Berhad

Former Chief Executive Officer of Employees Provident Fund (EPF) (2001-2013)



Introduction

Fourteen years ago in April 2001, I began my journey with the Employees Provident Fund (EPF) as Chief Executive Officer (CEO). My 12-year stint with EPF was by no means smooth sailing. It was a journey of growth and experiential learning not just for EPF as an organisation but for me personally. I knew then that for me to deliver the mandate that had been entrusted to me, there were a few key fundamentals that I would need to address. Transformation is a big word, hence, it was not in my dictionary then. For a practical person like me, I chose to focus on areas that I knew would create positive impact to the more than 13 million EPF members who rely on us to maximise returns on their retirement savings.

Early days in EPF

The memory of my meeting with the then Finance Minister, Tun Daim Zainuddin 14 years ago is still fresh in my mind. I remember Tun Daim telling me, that the time had come for me to exit the corporate sector, and that I should use my knowledge and skill sets to serve the country. At that point in time I could hear my inner self telling me “Okay Azlan your war cry is finally here....this is your chance to serve the nation.” Making the decision to move from the corporate sector to the public sector was not a difficult decision for me. In fact, I felt that it was a timely move, not so much from a career advancement perspective or for monetary reasons, but out of a sincere intention to serve the people and the nation. I accepted the offer without even negotiating my pay package and terms of employment.

And so my 12 year journey in EPF began

After having spent decades in the private sector, my foray into EPF was exciting and challenging. My first real challenge was a meeting with the 20-member Board of EPF. The truth is, I have



never handled a Board of such size and diversity in my previous roles in the corporate environment. I have to admit that it was an overwhelming experience. It took me a while to adjust to the Board's diverse composition, represented by the Ministry of Finance, the Employers Federation and the unions, among others. Getting into the grind of work and given the herculean task of transforming a long-standing public sector-oriented corporation, I saw an urgent need to change the way EPF conducted its business. Key to this was turning the focus of the organisation and its people from a transactional mode to a more customer-oriented approach.

My next immediate task was to conduct a pulse rate and to have a first-hand feel of customer service in terms of turnaround time. So I decided to randomly visit the branches and stand in the queue like any other EPF members. I found the waiting period and service turnaround time disappointing. The service counters were all closed during the Friday prayer hour, whilst customers were left waiting to be served. Processing of funds withdrawals for those aged 50 were lengthy and cumbersome. The end-to-end process of approval for the discharge of funds took 4 to 5 weeks. I realised then that we were not doing justice to our members. We were clearly not customer centric. The staffs were just carrying out their daily duties without paying attention to customers' needs.

Taking my cue from these experiences, I set clear priorities for change and embarked on my transformational journey. I decided that the two foremost priorities to invoke transformation within EPF were to change mindsets and my team's attitude towards work. The second priority was to change the way EPF conducted its business. My aim was to inculcate discipline and a sense of urgency amongst the management team and the organisation as a whole; however, as we all know, change is never easy. My formal training as a banker and accountant did not prepare me for the layers of complexities that come with managing politics, commitments and capabilities in a public sector environment at the time.

Internal change

Determined to transform the organisation, I decided that I had to "take the bull by the horns" by taking a hands-on approach and going down to the ground. I embarked on a mission to engage over 5,000 over employees and to dive deep into the culture and operations within EPF. I learned about the various issues; strengths, weaknesses, management capabilities, staff culture, operations and investment activities within the organisation by looking through the lenses of the people. I made it a point to go on regular walkabouts in the office, branch visits, and to have meals at the Cafeteria as often as I could so that I could meet the various teams.

I felt that it was important to bridge the gap between management and employees through two-way communications. I wanted them to know that there is no glass wall between the CEO and staff. Creating an environment that encourages people to contribute greater value and in-



crease productivity was a key success factor in my transformation plans. I initiated less formal meetings in which members of management were made to feel at ease and were given the opportunity to exchange ideas, debate and speak their minds in a conducive environment. I believe that to lead and inspire change, the management team must be able to discuss issues professionally, and agree to disagree in a respectful manner. And this was the culture that I went on to inculcate during my tenure as CEO of EPF.

Performance culture

Having set the foundation for transformation, I went on to define performance parameters. I believe that instilling a performance culture is very important, which was what EPF was lacking at that time. My plans were met with resistance at first, but towards the end of my second year in EPF, we successfully implemented a performance and merit-based rewards system. For an organisation like EPF where bonuses have always been equally distributed regardless of performance ratings, the introduction of a performance-based reward system was a major milestone in EPF's transformational story.

Corporate governance

As a custodian of public funds, I was guided by a deep commitment for corporate governance. Transparency and integrity were core qualities that I mandated on the management team and employees. Processes were revamped and approval matrices for investments were reviewed to be in line with market best practices. New policies and frameworks governing assets allocations, insider trading and investments were introduced and established.

Focusing on members – Enhance service delivery

Core to EPF's transformational journey is the urgent need to re-mould its service delivery which would transform EPF from a transaction based pension fund to one that adopts the principle of customer centricity.

Developing a customer driven workforce is one of the key success factors to customer centricity. And deep inside my heart I knew it was not going to be an easy task. And so our journey to remould EPF's service culture began.

We started off by designing a structured service delivery framework that will put our members at the heart of everything we do. We knew where the service gaps were and we were mindful of the key "pain points" and expectations of our members such as safe savings, attractive dividend pay-outs and product fulfilment, to name a few. Our people are the ones who will leave a first and a lasting impression on our members. They are also the ones who will be handling issues and members' frustrations. Realising this, management introduced a robust service training programme where our counter staff and service ambassadors went through rigorous service



training. EPF has since then continued to provide service training for its frontline employees and at the point I retired from EPF I am proud to state that customer centricity was embedded within EPF's culture.

To ensure greater accessibility to our services, we invested in technologies that enable our customers to transact and check their balances online. The withdrawal processes were made simpler whilst maintaining strict compliance to regulatory requirements. The time taken to process withdrawal approvals was reduced to less than four days compared to 1-2 months previously. The EPF counter service was recognised as one of the most efficient counter services among government agencies in the country. I am proud to say that the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) awarded EPF the front-line government agency award with 5-star ratings during my years in EPF.

In an effort to establish fast and seamless customer experience with reduced reliance on resource-intensive activities, we created links between our IT network and third parties, such as banks, hospitals, universities and other relevant government agencies, to raise productivity and enhance security features, whilst enabling members to enjoy swifter service.

Enforcement was ramped up through the formation of a legal team and the establishment of structured litigation processes. We followed up with corporates and businesses to ensure that they submitted their employees' EPF contributions. We also made sure that EPF's Annual Reports were produced on time for the benefit of our Members.

Capitalising on opportunities, optimising investment

True to my conviction to deliver excellence to EPF's members, I reminded my investment team that it was our responsibility to make sound investment decisions for our members and to offer good returns. We focused on ensuring that investments were made at lower risks and at the same time produced greater returns through well-managed stocks and investments in thriving industries, thus increasing liquidity. Innovative approaches were crucial in enhancing EPF's investment portfolio, whilst maintaining prudence. When I came on-board EPF, dividend dropped from 7% to 4%. As an accountant I tend to take a more conservative approach in managing investment portfolios. Hence upon joining EPF, I requested the investment team to review EPF's investment portfolio and where necessary, provisions were made.

There was also a need then to revisit EPF's investment strategy. The question was, how we get higher returns while at the same time ensuring that investment risk is being managed prudently. I encouraged the investment team to be more innovative and to think out of the box. One of our key investment strategies then was to diversify by intensifying EPF's investment portfolio in equities, at the same time, moving away from the



conventional approach. During my tenure, EPF initiated overseas investments as part of our diversification strategy.

GLC Transformation (GLCT) Programme: The usefulness and the impact to EPF

I was also actively involved in the GLCT Programme during the formation stage. When this Programme was rolled out, the Putrajaya Committee on GLC High Performance (PCG) was established in January 2005, chaired by Tan Sri Mohamed Nor Yakcop, the then Minister of Finance II. At first, I was sceptical on the role of this Committee as I did not see a need for it. But eventually, after having participated in a few meetings, I turned into a believer.

The PCG provided the governance, influence and the platform for Government-Linked Investment Companies (GLICs) and GLCs to embark on the transformation process over a period of 10 years. The Programme was an excellent avenue to exchange ideas and build rapport amongst GLICs and GLCs. This Programme standardised the way we did things through manuals that were eventually referred to as Coloured Books.

I found the book on Enhancing Board Effectiveness on Governance very beneficial, as leading and managing the retirement savings of Malaysian employees is a heavy social and national responsibility, which calls for the adoption of good corporate governance and best practices. We had fully embraced these guidelines and recommendations therein.

EPF's Corporate Governance framework consists of the Board and the Investment Panel. The Board oversees the implementation of EPF's Operational and Organisational policies whilst the Investment panel provides crucial direction on investments. To support this is the EPF's Investment Risk Management framework which provides a comprehensive risk profile with a common approach in identifying, measuring, monitoring and managing portfolio risks. This ensures that all investments are within EPF's risk tolerance level, so as to generate optimum returns. This is backed further by EPF's Operational Risk Management framework designed to align strategy, organisational policy, technology and knowledge in evaluating and managing uncertainties and the risk of loss, due to inadequate or failed internal processes, people or systems, and external events. The Balanced Scorecard monitors this entire spectrum and sets the Key Performance Index for all levels of the organisation.

The manual on Procurement Guidelines and Best Practices, referred to as the Red Book, guided us in ensuring transparency in procurement processes. This led to the debut of the e-Procurement system and the e-bidding process which resulted in a 20 percent reduction in costs.



The GLCT Programme also envisions the creation of competitive GLICs and GLCs. EPF, through Malaysian Resources Corporation Berhad (MRCB) its investee company introduced an initiative that enables Bumiputera entrepreneurs to manage GLCs in an effort to add dynamism and increase efficiency. Another investee company, Malaysia Building Society Berhad (MBSB), was making losses during my earlier days in EPF. The company made a turnaround after restructuring and revamping its internal operations and the appointment of a new CEO. With this, MBSB was back in the black within months.

RHB Bank on the other hand, is not part of the GLCT Programme, although it is administered as a GLC due to EPF's shareholdings. The Bank emulates all the initiatives introduced by the GLCT. When I joined Rashid Hussain Berhad, the Group's market capitalisation was at RM2 billion, however this has grown tremendously to a current market capitalisation in the region of RM20 billion.

I am proud to share that in 2011, EPF was named the sixth largest sovereign provident fund in the world in terms of Asset Under Management (AUM), and the 10th largest investment fund in general by Towers Watson. The Fund's investment performance has made consistent progress over the years despite challenges. In 2012, EPF declared its highest dividend since 2000, at the rate of 6.15 per cent.

Closing

I retired from EPF in April 2013 and my successor Datuk Shahril Ridza Ridzuan was appointed thereafter. I am confident that under the able leadership of Datuk Shahril Ridza, EPF will continue to sustain its success and achieve its aspirations to become a leading sovereign wealth fund. I would like to acknowledge the invaluable contributions of our Chairman, the Board of Directors, the management team as well as the staff who have worked hard and made this transformation possible during my 12 year tenure as the CEO of EPF.

In the course of my leadership journey, I have learned that as leaders of government institutions, we are duty bound to serve the country and the *rakyat*, therefore, honesty and integrity are key to successful leadership. Leaders have to be brave, strategic, bold, risk-taking and innovative. The 12 years of helming EPF has certainly been a memorable and fulfilling journey for me. The people I met and interacted with along the way had in one way or another enriched me with a lifetime experience. I am honoured to have been able to serve my nation.





Doing Our Bit



TAN SRI DR. AHMAD TAJUDDIN ALI

Chairman of UEM Group Berhad (UEM)

Former Executive Chairman of Tenaga Nasional Berhad (TNB) (1996 - 2000)



The year was 2005. We were then 15 years away from Vision 2020 - where Malaysia is to be a comprehensively developed nation in all respects: economically, politically, socially and culturally. A lot of effort was being made across all sectors to move the nation towards realising this Vision.

Among the engines identified to drive economic growth in this critical period are the Government-Linked Companies (GLCs) and Government-Linked Investment Companies (GLICs). However, the state of the GLCs at that time was seen to be relatively underperforming. As a result, the GLC Transformation (GLCT) Programme was introduced with the aim of enhancing the efficiency, competency and productivity of the GLCs, to transform them into high performing business entities and help propel Malaysia towards realising Vision 2020.

Here we are 10 years later, after a concerted effort by all involved under the GLCT steered by the Putrajaya Committee chaired by the Prime Minister himself. I believe the various initiatives undertaken throughout the period have produced significant results. The numbers speak for themselves - the market capitalisation among the top 20 GLCs, or known as G20 has recorded over a three-fold increase from RM133.8 billion back in 14 May 2004 to RM386.0 billion as of 28 July 2015.

Of course, there is always much more that needs to be done and can be done but this is a moment to pause, look back, reflect, and perhaps, consider what's next.

I feel the achievement that has been recorded thus far highlights the importance of leadership in driving this transformation. The success points to the need for starting out with a



strategy, with a well thought-out execution plan in place, with a full-time secretariat to ensure constant close monitoring of progress and reporting back to the top leadership on the status of achievements (or lack thereof) of the identified set of targets or key performance indicators (KPIs). This must happen at all levels starting from the very top i.e. at the Putrajaya Committee level itself, across the GLCs and within each GLC.

Indeed, the success recorded by the GLCT Programme to date could not have been possible without strong leadership, perhaps we call this Transformational Leadership. It involves the process of envisioning the future, with a clear idea of where we want to be, setting targets and the time-frame to achieve them, identifying the changes that must be implemented, developing and communicating that vision into something that is shared across the organisation, and getting everyone on board in executing the changes to help realise the Vision. I consider this a critical factor in driving organisational change - in which UEM Group is certainly no exception. We were part of that transformation and we are happy to share our experience.

The story of UEM Group

Lewis Carroll, an English writer once said - *“If you don’t know where you are going, any road will take you there.”* This is something which I have always kept in mind. In essence, it encapsulates the importance of having a target or end point; of knowing exactly where one wants to get to and do whatever that is needed to get there: plan and execute while having the target or end point in mind. Otherwise, you will just end up where you happen to be: just somewhere but most probably that somewhere is nowhere!

I began my involvement with the Group way back in July 2005 when I took over the Chairmanship of Opus International. Two years later, I took over the responsibility for the entire Group when I stepped in as the Chairman of UEM Group and of the flagship, UEM World Berhad. I still remember trying hard to understand the Group then: a large “conglomerate” or more appropriately perhaps, just a diverse organisation in terms of the breadth of businesses and industries which we were involved in. There was lack of clarity with regard to the ownership of the companies and their assets. Some of our subsidiaries previously owned equities in other subsidiaries while some of our strategic assets were not owned by the companies in the appropriate business area of our core business.

There was also a lack of focus in term of where UEM Group was heading at that time. We needed a clear vision, and we needed to get our entire workforce to embrace this vision. I knew back then this was not an easy task. It will require a determined effort by the entire leadership, not just me as the Chairman but with our Board of Directors and Senior Management team. Although the final decision on all strategic matters rests with the board members, it is imperative that the entire leadership must “buy-in” and embrace what was decided. After all, execution lies with the management team.



I was fortunate that during this period, I have had CEOs who have been able to work well with the Board and in particular with me as Chairman. The Chairman is after all the link man between the Board and management. The “chemistry” between the Chairman and the CEO is a major determinant in the health of an organisation and what more in driving change in the organisation. The Board must empower the CEO to run and manage the day-to-day operations of the organisation. Nothing must go out that hints or signals divergence of views between the Board and management for this will only undermine the authority of management and in particular the CEO in running the organisation. Generally, Board should adopt “eyes on, hands off” approach except very rarely and only under exceptional situation where the Board may decide to be “interventional” in approach. At UEM, I could not be more proud of the synergy between the board members and management team and this had been so throughout my term at UEM Group until today.

Charting the way forward

At UEM, my approach has always been “steady as you go” rather than trying to institute “disruptive change.” I used time as the parameter for achieving optimal solution. I deliberately chose this “soft” approach because I knew I have some time. The company was not about to go under; it was just underperforming. I needed time to do what was necessary especially in getting “buy-in.” I feel that this is critical when dealing with people within the organisation. They must feel comfortable with change. They must see the reason, the purpose and the rationale for it if they are to embrace change. After all they are the ones who are going to implement change and they are also the very people who will be most impacted by the change.

With that as background, here we are, seven years later, through a concerted effort by many, from the Board or Boards I should say as it must also include the subsidiaries’ Boards to the management team initially led by Dato’ Ahmad Pardas Senin since July 2007 till presently, by Dato’ Izzaddin Idris, ready to take stock and poised for growth. Together, we have managed to transform the Group into a more focused entity with emphasis on just four core businesses namely Expressways, Township and Property Development, Engineering and Construction and Asset and Facility Management. We have set a clear vision and direction, with an aspiration to earn a reputation as Malaysia’s leading engineering-based infrastructure and services Group.

We started by streamlining our operations. Through a corporate exercise, we “de-layered” our structure by taking the listed UEM World, UEM Builders, CIMA and Opus private and re-listing our property business, UEM Land. I consider that as the start of our transformation journey to where we are today.

Along the way, we undertook assets realignment, to ensure that assets which are pertinent to certain business areas are strategically placed under the relevant subsidiaries. For instance, at



the start, PLUS Expressways did not have full ownership over our highway assets - Expressway Lingkaran Tengah (ELITE) and Malaysia-Singapore Second Link (Linkedua) were under UEM Group while the Penang Bridge was owned by UEM Builders. Under the realignment, all of our highway assets are now parked under PLUS Expressways to ensure clarity and efficiency of our business operations.

The same goes for the quarry business which is now parked under our wholly-owned subsidiary, Cement Industries of Malaysia (CIMA), one of Malaysia's largest cement manufacturers. Previously, for good historical reasons, the quarries were held by UEM Builders. As part of our effort to streamline the company's business operations, the quarries namely Unipati, Kuari Pati, Matang Pagar and Profitlite Holdings were disposed of by UEM Builders to CIMA. This exercise has enabled CIMA to enhance its business operations to be more efficient and effective, particularly in the supply of ready-mix concrete which in turn strengthened the CIMA's presence in the industry.

We also took initiatives to clean-up inter-company loans/debts for a cleaner and healthier balance sheet. For instance, Setia Haruman which is also an affiliate of UEM Sunrise today, previously had debt with Opus and UEM Builders. I still remember my meetings with Tan Sri Mustapha Kamal, the Chairman of Setia Haruman, to discuss the best arrangement for debt settlement. We agreed to an arrangement through the transfer of a piece of land in Cyberjaya to the then UEM Land which in return would settle the debts with Opus and Builders. The arrangement was beneficial for all parties involved - the debt was settled within the agreed time frame and the land transferred to UEM Land had enabled us to pursue our key development project in Cyberjaya, which is known today as Symphony Hill.

Our transformation journey also comes with its own set of challenges - focusing on core businesses means letting go of those which were deemed non-core to our operations, in line with the general guidance from the Putrajaya Committee on GLC High Performance to streamline GLCs' business operations to keep only what is core and competitive.

One example of non-core business that was divested is our logistics business, Gapima. Instead of keeping it within a large conglomerate, we sold it to an entrepreneur who is in better position to run and grow the business for it to realise its full potential. Another prominent example was the divestment of Pharmaniaga, the manufacturer and supplier of quality generic medicines in Malaysia. The conversation that I had with the affected employees throughout the divestment exercise is still fresh in my memory – “Pharmaniaga has been under UEM Group for so long and we are comfortable with that and we would like to stay that way.”

Given the desire to turn the Group into an engineering-based infrastructure and services company, the pharmaceutical business is a misfit to the new focus of UEM Group's business operations; hence



the decision to divest Pharmaniaga. It was a delicate task: to convince the employees of Pharmaniaga about the rationale for a divestment and to assure them that this was also in their interest and that the divestment will be done in a way that would not jeopardise their interest and welfare. It is about explaining to them that this is indeed an opportunity for Pharmaniaga to grow if acquired by a party that is truly involved in the pharmaceutical industry: to go from being a small fish in a big pond to perhaps even being the biggest fish in the pond. It will give them the opportunities to grow and achieve their full potential, which honestly speaking is something they will not be able to enjoy if Pharmaniaga were to remain under UEM Group as their pharmaceutical business is undoubtedly non-core.

Several potential buyers were identified for consideration and finally in June 2010, UEM Group sold off its 87% interest in Pharmaniaga to Boustead Holdings for RM534 million. With the divestment, UEM Group focused more on its core business operations and at the same time, I am pleased to see the progress made by Pharmaniaga, currently the largest Malaysian pharmaceutical company with strong presence locally and abroad.

Building on our existing strengths

While we divested some of the businesses which are non-core to our operations, UEM Group did not lose sight on the need to expand our core businesses, and this commitment was evident through some of the merger and acquisition exercises that we carried out throughout the period. For instance, UEM Land had in February 2011 completed the acquisition of a renowned property developer, Sunrise Berhad for RM1.39 billion - paving the way towards the formation of UEM Sunrise that leveraged on the expanded operational capability and increasing level of competitiveness in the property development sector.

We also made the decision to take PLUS Expressways private in 2011, and this was realised through the formation of a Special Purpose Vehicle (51% owned by UEM Group and 49% owned by Employees Provident Fund) to undertake all the company's assets and liabilities for RM23 billion. Following the privatisation exercise, we agreed to revise the concession agreement and at the same time put in place a toll hike arrangement which lessened the burden faced by the people.

Having established our reputation as the largest toll operator in Malaysia and with the expertise that we have, also out of the privatisation of PLUS Expressways, we established PLUS Expressways International (PEIB) as a wholly-owned outfit to own and operate our highway assets outside Malaysia. Currently PEIB owns and operates highway assets in India and Indonesia and we are constantly on the lookout for other available opportunities around the region and elsewhere.

We also strengthened our presence in the Asset and Facility Management sector. The RM1.15 billion merger involving Faber Group, Opus and Projek Penyelenggaraan Lebuhraya (PROPEL) was completed in 2014, which allowed the expertise and resources of these three



industry leaders to be extracted and combined under one roof. Today, in the form of UEM Edgenta, we are able to offer unmatched range of services in the market and have established a stronger presence as one of the industry leaders in Malaysia and around the region.

Moving beyond the GLC Transformation Programme

Having completed major restructuring exercises, UEM Group today is now more focused in its business operations and we are ready for further growth. It has been an exciting journey for UEM Group - both the challenges that we had to face and the opportunities that we seized. In achieving what we have achieved to date, I acknowledge the support and guidance of our shareholder, Khazanah Nasional Berhad, in many of the major corporate initiatives undertaken during this period. The regular reporting back to PCG is another push for us to get things done, if not so much to gain accolade as a shining star but definitely at the very least, not to be singled out as a bad apple!

Without a doubt, the introduction of GLCT has accelerated the pace of change which took place not only at UEM Group, but also across other GLCs. However, it must not be mistaken as the end goal - for it only serves as a milestone as we embark on our journey to the future. The real test begins once we have graduated from this Programme and the biggest mistake that we could have made after this would be for us to rest on our laurels - something that must be avoided at all cost. We need to build on this momentum and continue to do more so that we are able to compete, both within and outside Malaysia. I believe that UEM Group is better today than ever before. We still have “work in progress” and we must be willing continue to adjust in order to face new challenges in the future.

The 10-year GLCT is scheduled to complete in August this year and speaking on behalf of UEM Group, I think we have managed to record considerable progress. Now is the time for us to continue translating our vision into action. As a GLC and the nation’s leading engineering-based infrastructure and services group, we are doing our bit and we will continue to assist the Government in driving the country’s economic growth, especially in this final stretch before 2020.





Transforming a Leader



**TAN SRI DATO' MEGAT ZAHARUDDIN
BIN MEGAT MOHD NOR**

*Chairman of Malayan Banking Berhad (Maybank)
Former Regional Business Chief Executive Officer and Managing Director,
Shell Exploration and Production Business Venture (1999-2004)*



You would think that anyone joining the board of one of Malaysia's largest companies by market capitalisation would be enamoured by such a prospect! I had joined this board, of Malayan Banking Berhad or Maybank as it is more widely known, in July 2004. Before that in my executive working career I had worked for thirty one years worldwide in the second largest global oil and gas company, Royal Dutch Shell. Through those years I spent sixteen of them outside of Malaysia and was based in five different countries. I was last based in Holland, as a regional CEO of the company's upstream business spanning some countries in North Africa, the whole of the Middle East and Indian sub-continent, through the Central Asian republics and Russia. So, though not a banker but having seen enough bankers from the outside, I was pretty excited at contributing, more so as one of the early key responsibilities I had was to enable the fledgling joint venture we had with our (then Belgian-Dutch banking and insurance) partner, Fortis Insurance (now called Ageas Insurance, and now only operating in Belgium and insurance) to realise our potential in the domestic insurance and takaful market. Moreover, Maybank Group aspired to become bigger internationally, and I had enough experience in that. In short, we wanted to continue transforming as a market leader, taking Maybank to new heights, perhaps as Malaysia's next global corporate icon.

Maybank was generating profits of around RM2.4 billion at the time and was the leader in the Malaysian market. But anyone knows that being amongst the largest brings with it many challenges, the most common of which are complacency, lack of agility and reliance on past formulae for continuing success. Maybank had realised this and, in around 2003 or so, had put in place a roadmap to a future with larger international operations, called the "M-Plans." This entailed various strategies and plans, to be implemented in phases, geared towards sustaining our size and leadership. The focus was more towards portfolio expansion whilst developing organisational



capabilities. For example, we took out our (mainly foreign) partners in our investment banking arm to enable us to be more focused in synergies with the rest of the Group. Our leveraged model of Islamic banking enabled us to use the Group's vast network of branches in Malaysia to grow fast in this sector (we are now the largest Islamic bank in the country and third largest in the world). The partnership with Ageas Insurance was to enhance our capabilities in bancassurance, again leveraging on the dominant distribution network in Malaysia. The big jump in our insurance business happened in 2005 when we acquired the local insurer, Malaysian National Insurance Berhad (MNI) which came with its subsidiary Takaful Nasional Sdn. Bhd. That gave us recent experience in integrating another company into Maybank, yet having its unique brand, Etiqa, with the mission to humanise insurance.

Our earlier transformation efforts yielded efficiencies in our commercial banking operations which led to much improved returns. By mid-2007, the Group's profits had climbed to RM3.2 billion. Other inorganic growth through acquisitions in such a situation therefore became a strong option. We had been building a "war chest" and had tried several times to make acquisitions of significant size overseas, but had not quite succeeded until 2008, when it all came together around the same time – we acquired a nation-wide banking group, BII (Bank International Indonesia), and minority stakes in two other nation-wide banking groups, MCB Bank Limited in Pakistan and An Binh Commercial Joint Stock Bank (ABBANK) in Vietnam. This all happened around the time when our former CEO retired (and joined the Government as a Minister in the Prime Minister's Office as part of the Economic Planning Unit) and his replacement, from outside, had not yet joined the company. Additionally, the onset of the 2008 global "Great Recession" financial crisis catalysed by the U.S. sub-prime crisis was already being seen affecting all the world's economies. No matter what strategies and plans had been in place before then, we in Maybank had to deal with understanding the "New Normal" in the financial services industry, and with what we had, reformulated a new road-map.

The new CEO was not only an ex-banker, but had had skills and experience of helming two other large (non-bank) organisations before coming to Maybank, the last one of which involved de-merging a multi-national group into two. Inevitably, with his new leadership team, Maybank's new transformation programmes were initiated, initially called LEAP30. We had several "burning platforms", as Group profitability plunged with having to write-down value from our overseas acquisitions due to the changed economic outlook. One key focus was to ensure that in Malaysia, we moved in the direction of becoming the undisputed leader in the retail banking space, because if not, our regional leadership ambitions would sound hollow. This on-going journey, in my view, has also been a lot more holistic, as we concentrated much more on building our region-wide organisational capabilities and stakeholder relationship management whilst not forgetting to obtain new portfolio opportunities. So, in 2010, we formulated a new organisation structure called the "New House of Maybank" from which clear accountabilities were allocated



for those driving our three key businesses – community financial services, wholesale banking and Etiqa insurance and takaful – and those in support of them. We worked hard on building our brand and reputation to enhance our stakeholder relationships. That year too gave us a catalyst as we celebrated our Golden Jubilee (50th anniversary). We used that opportunity to refresh our brand, clarifying its attributes and its linkages to our values and mission. The brand changes were subtle, yet allowed us to be seen as one across the region, cleaning up the proliferation of sub-brands that had crept in through various previous marketing thrusts. The tiger head in our brand now looks more alert, with “sharper teeth”! Many of our stakeholders affected said that they “could hear the Maybank tiger roar again”! Our scale in Malaysia enabled us to widen our reach, and through very well selected sponsorships of major sports events, such as the Maybank Malaysian Open Golf (since 2006) and Maybank Malaysia Open Badminton (since 2012), our brand recognition has been considerably widened around the world through television. However, our sustainability can only be assured if we are seen to “give back” to our communities. Therefore, in 2010, we also reinforced our CR (Corporate Responsibility) efforts through setting up the Maybank Foundation, with the mandate to reach out through five themes to our communities across the region. Recognition of these stakeholder relationship efforts through the many awards we have received has been most gratifying to our employees, more so as once a year, they voluntarily give time to participate in the same day world-wide own community support initiatives.

More significantly, we revised our aspirations, to be the regional leader in humanising financial services. We articulated these with defined strategies and multi-year plans over many phases. However, as many who have been involved with organisational transformation exercises would know, it’s one thing to have come out with strategies and plans, but it’s another to make it all work in the ways intended. The Government Linked-Company (GLC) transformation journey initiative started in July 2005 and Maybank benefitted somewhat in those early years in being guided by implementing the many imperatives in the Coloured Books issued, progress of which were managed by the Putrajaya Committee on GLC High Performance (PCG), chaired by the Prime Minister. Our growth escalated and made us the country’s biggest company by market capitalisation as well as being one of the industry leaders in the region. In the corporate world, the desired result is creating sustainable value to all stakeholders. However, Maybank, a GLC, has a majority shareholder in Permodalan Nasional Berhad (PNB), a GLIC (Government-Linked Investment Company) which is a trustee for millions of Malaysian unit-holders, and whose principal wish has been that we continue to pay out, year upon year, generous dividends so that their unit-holders can be appropriately rewarded. It therefore became imperative for the board of Maybank, not just always to guide and support the management towards meeting our aspirations, but also deliver on shareholder objectives.

I left Maybank in February 2009 to do other things. And I knew the transformation tempo in the Group under the new CEO would rise. However, I was invited to return as chairman in



October 2009 amidst a new board being assembled and our task was to make the company one of Malaysia's regional icons as the nation marches towards high income status by 2020.

Now in mid-2015, Maybankers rightly take pride in our transformation journey over the last ten years or so. Last year, we generated another record profit of RM6.72 billion, an increase of almost 270 percent since 2004, whilst remaining the biggest dividend contributor to PNB. We have presence in 20 countries around the world, yet Malaysia remains our biggest contributor, at 70 percent. We are like a financial superstore, providing customers with products and services ranging from commercial, investment and Islamic banking to insurance and takaful. We have some 46,000 employees and strong brand presence in many countries, some as the Malaysian flag-bearer. Surely, there are many pointers to how this success has been achieved and lessons that many could learn from.

I often say to Maybankers, yes we are big and are successful, but never forget that we should always make things simple and humanise financial services. What this means is to give human character to all that we do with our stakeholders, principally with those that give us value, our customers. This starts with us living our values of teamwork (T), integrity (I), growth (G), excellence and efficiency (E) and relationship-building (R), or "TIGER" as depicted in our brand. From these values, our Human Capital unit has put in place a Group-wide, comprehensive People Management framework, covering organisational structure evolution, cultural shifts, performance management and personal career development, diversity inclusion, rewards and recognition, talent management, mentoring and coaching, training for needs, leadership cadre development and succession planning. Key in monitoring progress has been conducting rigorous annual assessment of effectiveness, be it in organisational engagement to ascertain cultural shifts (where we have consistently ranked high amongst world-class peers), customer focus, team and individual effectiveness (including for the boards). While some in Malaysia might still recognise the remnants of "GLC-mindset" in parts of the (Malaysian) organisation, I can proudly say that Maybank's culture is well on the way towards being a true multi-national befitting its aspirations to be a regional leader. The tricks in successful culture changes are essentials for an organisational transformation are all in place, such as situational leadership role modelling, continuous communications and engagement with the organisation around alignment and focus, diligent measurement of progress of changes in processes, results and mindsets in relationships with the customers. For example, in around 2009, our ranking amongst customers in Malaysia was almost bottom in comparison with our peers, a rude shock for the largest market player. However, we have since risen and are now close to the top, beaten only by the somewhat smaller niche foreign players in our industry.

We used many external consultants to help us frame our journey many times over in the early years, and we benefitted from their "outside-in look" and benchmarking expertise they brought



to help us focus in the right areas. Bear in mind that we had become much more multi-national after our 2008 acquisitions, and we needed to move fast, so extra “transition-management hands” were invaluable. Their work ranged from devising strategies, running workshops, improving project management skills, improving clarity of priorities and implementing well tested tools. But we took the bold decision about four years ago to set up our in-house “transformation unit”, staffed with a mix of hires from outside with operationally experienced internal hands. Many staff have worked in this unit, then moved on to other roles, better equipped with the tools and techniques to implement in their new surroundings the changes needed. This unit now consolidates with other related functions to enable the current CEO (who was promoted through internal succession planning after our previous one left to also become the Government’s Minister for the Economy!) to strategise and sustain the transformation drive. The *raison d’être* of this unit is to always be updated with the current trends and drive agility Group-wide to ensure the right balance between the desire for organisational efficiency now and positioning for new growth areas and capabilities in future.

One key determinant of success in the future is how we leverage on the ubiquitous Information Communication Technology (ICT) serving our customers. The financial services industry has always been one to be in tune with developments in the digital world. Maybank in Malaysia had been one of the earliest innovators in adopting this technology, and its Maybank2U internet banking platform attracts the country’s biggest user base. Being more multi-national meant that we had to frame a roadmap to also transform our IT globally, which we called our (multi-year) ITTP (IT Transformation Programme). We worked with global partners in this effort and three years ago, we decided to bring back into the Group the IT operations services we had outsourced more than ten years ago. This gave us the ability to better integrate our development and coordination of various Group operations to achieve economies of scale, establish centres of excellence and more importantly, work more closely with the business to ensure timely delivery of efforts for clearly identified business benefits. These have not gone without challenges as the industry has been acutely short of talents and skills with many other companies also implementing similar programmes. But with better in-house Group Technology capabilities, we believe we are well placed to manage the transition to the more digitised financial services world that is evolving.

It goes without saying that we have always been mindful of the portfolio actions we need to make so that economic value can be sustainably created. I am pleased that our insurance business, the country’s biggest general and takaful player, continues to grow strongly, now directly contributing almost ten percent to our profits. We expanded strongly internationally recently by leveraging on our commercial banking networks in Singapore, and we are planning on further regional forays in the near future. In 2011, we acquired Kim Eng Holdings Ltd. which immediately gave us wider regional reach and scale in our investment banking activities,



which backed by the Maybank balance sheet, has propelled this arm to becoming one of the regional-based leaders in its field. Our region of focus is ASEAN and Greater China, the world's two strongest growing economies with a population of around 2 billion. Our strong presence in investment, Islamic and commercial banking in this region should enable us to find differentiated value propositions to the growing affluence and financial inclusiveness amongst the population. We remain alert to value-creating mergers and acquisitions (M&A) and divestment activities in order to strengthen our growth potential or organisational capabilities. However, we take lessons from our 2008 acquisitions and have in place clear frameworks to ensure the risk-reward balance is thoroughly deliberated. Guided by our regulators, our risk management frameworks have been strengthening to meet the demands of Basel III. Our multi-national senior executive teams of calibre provide the leadership in priorities and focus, whilst empowering the organisation to remain agile to the dynamics of their market place and always be alert as a means to beat the competition.

Sharpened governance at boards has been a very important feature in our journey. Many elements are in place to focus on the priorities to enable confidence to be built up, not just amongst the Group-wide Board of Directors but also in interactions with management and down the organisation. The financial services industry that Maybank operates in is highly regulated, more so in the aftermath of the Great Recession. Hence, our directors would like to feel that we are playing our roles as efficiently and cost effectively as possible in ensuring that we deliver shareholder value at every level. That meant we now pay a lot of attention to getting our board compositions to be of the right mix and plan for proper succession planning, not just at the Group-level board, but also at the subsidiary-levels. It is important to strike a balance between having the right experience, knowledge and skills that can complement management's. Efficiency means having quality board papers and quality discussion time so that we are all clear that upon execution of the decisions, value can be created. Reviewing our track record, we have increased our Total Shareholder Return (TSR) by an average of 10 percent year on year since 2004, despite the strain posed by the 2008 acquisitions.

But I see many challenges in the financial services industry in the way ahead – margins being squeezed, frequent cyber threats, and cost pressures increasing not just by rising affluence demands of staff but also by regulatory requirements to increase capital adequacy and liquidity ratios. To be successful internationally, size matters and I believe we can attain this through organic growth and selective M&As, provided our fundamentals remain strong and we continue to give trust to our customers. Therefore, in time, I envisage Maybank as being the ASEAN Economic Community's foremost financial services group, with more diverse shareholders, highly energised multi-national leaders at every level, an innovative workforce, a leading brand franchise, in tune with its communities and delivers superior TSR in comparison to its peers.



So, our journey in transforming as a leader continues. I feel we have all the ingredients to remain successful in this journey – our leadership is institutionalised and passionately drives the organisation; we focus on enhancing our people’s productivity in various ways; and we leverage on our differentiated strengths. But it’s important that Maybankers look upon our customers as people, with rational as well as emotional needs, to ensure that our customers’ experiences with us reflect our mission to humanise financial services.



GLCT Programme - Family Ties



DATO' SRI NAZIR RAZAK

Chairman of CIMB Group Holdings Berhad (CIMB)

*Former Group Chief Executive Officer of
CIMB Group Holdings Berhad (CIMB) (1999-2014)*



When I was once asked what the Government-Linked Company Transformation (GLCT) Programme meant for CIMB Group (CIMB), the vision that came to my mind was of the nurturing touches of a parent and the sense of comfort and security of being part of a large family.

CIMB would not have transformed from a Malaysian investment bank into ASEAN's 5th largest universal bank without the GLCT Programme. We would not have dreamt of it nor would we have turned it into reality without the support of Khazanah Nasional Berhad (Khazanah), our major shareholder, and the overall spirit of value creating change embodied in the GLCT Programme launched in 2005.

Daring to dream

CIMB emerged from the late 1990's Asian Financial Crisis as Malaysia's undisputed top investment bank (IB). In January 2003 we successfully listed our company on Bursa Malaysia. Things kept going very well for us; our market capitalisation expanded from RM1.8 billion at IPO to RM4.6 billion at the end of 2004, our pre-tax profits grew at 19% on average in our first two years and our traded price-to-book jumped from about 1x on debut week to 3.25x.

Behind the scenes, however, management was becoming increasingly concerned about our ability to continue to deliver superior earnings growth because of our already dominant Malaysian market shares and emerging international accounting rules that prohibited smoothening of profits- a much more volatile earnings record (as is reality with investment banking revenues) would have brought down our trading multiples. We knew we had to change things. Our first major strategic move was to expand internationally; we acquired GK Goh, a pan-Asian stock-



broker based in Singapore, in January 2005. However, as soon as we began to compete on the international plain, the limitations of the independent Investment Banking (IB) business model became clear to us. We were competing with giant global IB's, and global commercial banks were rapidly morphing into universal banks (UB) and competing for capital market deals too. And more and more clients were selecting their investment bankers based on lending support instead of corporate finance or merger and acquisition (M&A) expertise. The UB model was winning because it is inherently more powerful and sustainable business model than IB due to accessibility to consumer deposits, larger corporate lending capacity, synergies across more business lines, economies of scale and so on. It was around this time in early 2005, during one of my general chats with the new CEO of Khazanah, Tan Sri Azman Hj. Mokhtar, where he suggested that it was time that I “reinvented” myself since I had surely surpassed all my personal aspirations as an investment banker. He suggested that I become CEO of our sister commercial bank, Bumiputera-Commerce Bank Berhad (BCB) which was underperforming. I ruled out his suggestion almost immediately because I could not see myself as a commercial banker and nor could I see how I could turn around the large bank which still had vestiges of the Government policy bank that was its origin. My chat with Tan Sri Azman was, however, one of several conversations that helped to seed the dream of a merger between BCB and CIMB to create a UB platform. It was an idea that I had floated with a couple of my senior management colleagues at the investment bank but we did not take it seriously. How could CIMB takeover its sister commercial bank that was some 5 times its asset size? It was an outrageous idea. And surely we would not be able to handle so many sensitive issues, from the “Bumiputera” brand to politically-linked borrowers to leadership changes to unions. Since late 2004, the new Khazanah leadership had been urging GLCs to transform to do better (the programme was yet to be formally launched then). As I reflected on this new theme, it struck me that a CIMB-BCB merger could be an almost perfect way to have an early demonstration of “transformation” and the principles of the new order at Khazanah. Even the outrageous idea was apparently possible if you could convince Khazanah that it would create value. GLCs were being encouraged to be brave and bold in their strategic thinking; this was certainly that and probably more. So, we dared to dream our outrageous idea, and we even put it down on paper.

Dream to reality

The proposal we presented to Khazanah and eventually announced in June 2005 was simple but its consequences radical. CIMB would form a new wholly-owned subsidiary and transfer all its assets and liabilities to it. This new company would then acquire 100% of BCB from Commerce Asset Holdings Berhad (CAHB) to form the universal bank. CAHB, which owned 75.8% of CIMB, would then acquire the other 24.2% shares via a Mandatory General Offer where minority shareholders could either opt for cash or new CAHB shares. Effectively, after 3 years as a listed company and its share price up 340%, CIMB was privatised in order to lead the operational merger with BCB. CAHB would then comprise two main operating entities, the Malaysian universal bank and Bank Niaga in Indonesia.



All of the universal banking businesses under BCB and CIMB became functionally organised and managed as one entity led by one CEO, me. Until then, all Malaysian banking groups had kept their investment and commercial banking operationally separate in addition to being different legal entities. The simple upside was in combining similar businesses and support units across the legal entities and taking advantage of cost and revenue synergies. There was also significant upside from improving the brand perception and overall performance of BCB's consumer bank.

An immediate challenge was the fact that we had to use the superior "CIMB" brand for the combined business but removing the word "Bumiputera" was politically sensitive. Our solution, which was supported by Khazanah, was to use CIMB for the operating entities but "Bumiputera-Commerce Holdings Berhad (BCHB)" as the name of the listed company, replacing CAHB, until CIMB was sufficiently well accepted. I noted that once Khazanah endorsed this idea, they took on the responsibility of helping to manage the various stakeholders, especially the politicians, which then allowed us to focus on the business turnaround. By 2009, we had done well enough to not only rename BCHB as CIMB but to export the CIMB brand and our UB model to Indonesia, Singapore, Thailand and Cambodia. One of the biggest hurdles to any operational merger lies in the duplication of managers. We were able to address this upfront because of one of the first initiatives of the new Khazanah team was to place all senior managers of GLCs on employment contracts. This was another important enabler for our merger because it meant we had a free hand to construct a new leadership team for the combined entity. I could take on leadership of BCB without giving up leadership of CIMB. I could also retain my key CIMB managers to assist me by retiring a number of the BCB management. For instance, Lee Kok Kwan, head of CIMB IB Treasury would then head the combined treasury division. Similarly, Hamidah Naziadin and Iswaraan Suppiah became heads of the combined HR and IT & Operations divisions respectively.

We were still apprehensive about driving change in work practices at BCB because to do this we had to reduce head count. Would we be allowed to? I remember analysts and fund managers being very skeptical and no one in the Government wanted to reveal their stance on a "hot" topic such as this. Khazanah, however, made it clear from the start that as long as we followed the rules and were seen as being fair, we could institute a staff separation scheme. We were comforted by the clarity of our major shareholder's endorsement. Again Khazanah took it upon themselves to manage stakeholders accordingly. On our part we ended up innovating a new separation scheme; instead of the conventional "Voluntary Separation Scheme" we introduced the "Mutual Separation Scheme (MSS)" where both the company and the employee had to agree to separate and the employee is given a longer time to contemplate the offer. The new scheme was a great success; not only did we part ways with some 10% of ex-BCB staff, many other GLCs subsequently employed the MSS to reduce their operating costs.



Reality to history

The transformation of CIMB from a local investment bank to an ASEAN universal bank was historic. At the end of 2004, CIMB had less than 1,000 staff and only RM112.4 billion and RM4.6 billion in total assets and market capitalisation respectively. Only six years later we were operating in 13 countries with over 37,000 staff and RM269.4 billion and RM63.2 billion in total assets and market capitalisation respectively. From relative obscurity we had become the flag bearer for ASEAN economic integration, with our brand tagline “ASEAN For You” unmissable at major airports across the region. The GLCT Programme and Khazanah played an important role in CIMB’s evolution, not just during transformation periods. We were not the most obedient followers of the various GLCT Programme transformation initiatives but we always found the sharing of knowledge and experiences between GLCs very helpful. Khazanah was always open to engagement and professional disagreements even on matters enshrined in its multi-coloured range of manuals, and this approach earned the respect of its investee companies. For us though, it was Khazanah’s strategic support that we valued the most. We engaged their Investments team, led by Datuk Ganen Sarvananthan, before and during all our deals. In 2008, Khazanah played the decisive role to enable us to enlarge our presence in Indonesia by allowing us the exclusive opportunity to acquire Bank Lippo, which they had bought in 2005, on the basis that a merger with Bank Niaga would create the most value for Khazanah via the impact it would have on the value of its CIMB shareholding. Becoming Indonesia’s 5th largest bank and largest foreign owned bank in Indonesia was crucial to us, earning our stature as a leading ASEAN franchise.

I would however argue that the Khazanah team’s support during our hostile takeover bid for Southern Bank (SBB) in 2006 was the greater “defining” event because merging BCB-CIMB with SBB gave us the strong domestic business platform that anchored our international expansion. The battle for SBB saw us in daily corporate combat for over 5 months. It was physically and emotionally draining especially in the full glare of the media – everyone in corporate KL seemed to have a view not only about who would win, but in that Malaysian way, on whether the Government should allow us to win as this was a mighty GLC “attacking” a successful Chinese entrepreneur-run bank. In such situations, the unwavering support of our major shareholder was absolutely crucial because at times even I began to waver under pressure.

Graduation

I am not sure what lies ahead for the GLCT Programme as its 10-year horizon comes to an end. It has been a huge success, no doubt at all. I had a unique “front row” seat watching Khazanah and GLCs transform, having known Khazanah and many GLCs pre-2004 intimately as corporate adviser for many M&As and fund raising transactions, and then leading a GLC and still advising many other GLCs during the GLCT Programme. The extent and impact of changes were just remarkable, as were the financial results.



In the early days I was apprehensive about how the GLCT Programme would impact our business as smart new professionals at Khazanah and GLCs would be less dependent on advice from investment bankers. It turned out quite differently. There were so many more deals and fees for bankers to earn with the GLCT Programme, but the new GLC CEOs and CFOs demanded so much more from their advisers in terms of quality of advice and value add. And CIMB had to rise to the occasion or lose our dominant share of this client set, no matter our shared parentage as our staffs were told on many occasions. Going forward, I expect GLCs that have not done so well despite the GLCT Programme to remain under Khazanah supervision while those who have “graduated” will be less GLC, more “GIC” or Government Investee Companies. But I do hope that Khazanah will retain a platform for us to exchange ideas and network amongst family. We have grown up, graduated and are moving out, but still we want to come home frequently. And we will never forget the importance of the family in making us who we are today.



Making Changes Gracefully



TAN SRI BASHIR AHMAD BIN ABDUL MAJID

Adviser of Malaysia Airports Holdings Berhad (MAHB)

Former Managing Director of Malaysia Airports Holdings Berhad (MAHB) (2003-2014)



Looking back, during the 9 year period from 2005 to 2014, MAHB underwent a significant transformation. This transformation was not without its challenges. The transformation was implemented across all areas of the organisation and this required the support of every individual in the company from the Chairman, board members, management, unions and staff.

When Khazanah Nasional Berhad (Khazanah) first mooted the plan to engage the GLCs in the transformation exercise, I volunteered on behalf of MAHB to be the first to begin the transformation. The first and immediate step was to place the top management on contracts and establish KPIs which would determine the bonus payment. This was to promote accountability. MAHB and MAS were the two companies selected to pilot placing senior staff on contracts with KPIs.

The reason I was ready to embark on this transformation was because by then, after being the MD for a while, I could already see the need for this transformation.

Let me begin by giving my views on the transformation.

When I joined MAHB, for the first six months, I did not try to change anything and neither did I, at that point in time, had any intention of doing so. I was happy for the organisation to run on “business as usual” mode. I had a two year contract and expected to retire at the end of the contract.

However, while letting the company run on “business as usual”, the first thing I noticed was that the relationship with the airlines, although it was good and cordial, did not reflect the kind of interdependency expected of partners. It reflected more of a landlord-tenant relationship.



Coming from the airline industry, I fully understood the need for airlines and airports to work together as partners in order for both to succeed. This partnership was important for the success of aviation for the country.

I went to great lengths to propagate this concept to the staff. I highlighted that airports are part of the aviation industry which is a service industry. In order to give some direction to the staff, I stated that we must focus on improving operational efficiency and enhance service levels. If we can do these well, it should result in profits for the company. Profitably is expected of the company as we are in the business of managing airports and are a public-listed company. Our shareholders expect the company to be profitable and be paid dividends.

However, in order to push for this transformation in the company, I avoided using the word transformation as well as the word change. This is because when we start talking about transforming the company and bringing change, it is always received with anxiety and a lot of trepidation by the staff as it borders on the unknown.

Instead, I encouraged the staff to focus on doing what is right and doing it well. I highlighted that every single staff in the company had an important role to play. If each staff played his or her part properly, then like a jigsaw puzzle, every piece will fall perfectly in place to complete the picture.

With this in mind, we, as a company began to put the emphasis on running the airport like a business. I did not set targets for the transformation and neither did I set a timeframe for the change. This was to remove any pressure on the staff and avoid any resistance to change.

As we went along, whenever there was any opportunity to improve, to enhance, to innovate, we went for it.

To enable us to align ourselves to the other GLCs, I encouraged the use of the Khazanah Coloured Books as a guide. These manuals proved very useful.

Realising that just depending on these Coloured Books would not have been enough for us to see whether we were doing what is right and doing it well, I encouraged the staff to benchmark ourselves with best industry practices wherever and whenever it could be done. Comparisons and sharing of knowledge with other airport operators were also done.

As the staff did not see this initiative as pushing for changes but more of meeting the challenges of being good in our business, there was hardly any resistance from the staff. This was a key factor in getting support from them.



With no specific targets set and timeframe determined, the challenges were met as they came along in every area of our business. We did this on a continual basis, day in day out, slowly accumulating all the best practices and producing results.

What was also important for this initiative to work was to instill staff enthusiasm and commitment in meeting these challenges. This was established by encouraging team work, decisions by consensus and building camaraderie among the staff.

As we moved along and met these challenges, we found we were improving ourselves in every aspect of our business, be it financial results, corporate governance, service levels, stakeholder management, staff skills and knowledge and in many other areas as well.

After 9 years of agreeing to be part of Khazanah's Transformation Programme, we looked back on what we had achieved and what the company had evolved into. We realised that we were a totally different company from what we were in 2005.

Surprisingly, when we analysed on the various changes that we had undergone and tried to categorise them into pillars of change, we ended up having six strategic pillars of change.

1. Company organisational structure and talent development

The Organisational structure was only changed twice in the 9 years. The first was in 2004 where senior staff were positioned into their respective areas of expertise, knowledge and competency. I had found that some senior staff were not in the positions they were best suited for. Example of this was a person strong in operations was in Corporate Communications and a person strong in technical knowledge was in operations and there was no strong representation in commercial which was becoming important as a revenue stream.

The second time that the organisation structure was reviewed was in 2009 to establish 4 management/leadership pillars, namely – Operations, Finance, Commercial and Planning. The positions of COO and CFO were also created, followed by attendant changes to provide higher responsibility to senior management.

Throughout the 9 years, I felt that it would be beneficial to the company to enable staff to increase their knowledge and upgrade their skills. This began by providing specific training courses and academic qualification. Arrangements were made with a local university to tailor-make courses specifically for the airport industry. As an example, I found that airport managers could do with a better all-round knowledge of managing the airports covering not only operations but financial, commercial and stakeholder management as well. The staff had been promoted to become airport managers from various departments but could benefit from having such cross-functional knowledge. As such, I made it a requirement that anybody wanting to remain



as an airport manager or aspiring to be one must secure a Diploma in Airport Management, tailor-made for such purpose. This course was later opened to other company executives as it gave a very good grounding on the running of airports.

Moving further along, to encourage the staff working at airports to see their job as a profession, I fully supported the joint initiative by ICAO and Airport Council International (ACI) to inaugurate the Airport Management Professional Accreditation Programme (AMPAP). This is a two year programme by distance learning with two face to face courses with the staff of airports from various countries. A graduate of this programme will be classified as an International Airport Professional and can use the initials IAP after their names. As we managed 39 airports in the country and two overseas at that point in time, we initiated the first programme and today MAHB probably has the most number of IAPs in the world. Some of the units in this course can be used as credits for a masters programme.

In this way, the spirit of wanting to acquire knowledge to do a better job was instilled among the staff in the company. These staff would now also have the required credentials when we send them to manage airports overseas.

Fast track promotions were also put in place for deserving staff. I found that the then existing method of staff being able to receive promotions only after three years in each grade was a hindrance to recognising talent and it was changed to allow for rapid promotion to deserving cases. This was done in a structured manner to avoid abuse and favoritism. Scholarships were given to attract good talented staff.

Recruitment of staff from outside was very stringent. I highlighted to the staff that any new staff joining the company must enhance the value of the company. Otherwise the new staff will simply be sharing the bonus of the existing staff.

2. Accountability, performance and reward

We wanted to ensure that there was proper accountability by those given responsibilities. In my experience, very often there is a mismatch between responsibility, authority and accountability (RAA). Therefore, the concept of RAA was introduced. This means that if a person is given the responsibility (R) for a particular job function, he must then be given the appropriate authority (A) to perform his responsibilities. Then if such responsibility is not carried out correctly, the person concerned can be held accountable (A) because he had been given the due authority to perform his functions. Often, when something goes wrong, it is difficult to find the person accountable if this line of authority is not clear. There are cases of a person being held accountable when he did not have the proper authority for the job, and the person who gave the authority was not responsible for the job. Strange as it may seem, I have seen such incidents happening and the confusion



that arises as a result of this lack of clarity. The KPIs established should clearly indicate this line of accountability.

With this in place and KPIs set, the reward become easier to implement. To reflect this change in performance and accountability, the reward system was accordingly enhanced. From a standard bonus of one month's pay, it was gradually increased with a minimum of one and a half months with maximum of four months and subsequently to a maximum of six months. Initially there was resistance by the staff to receiving differing levels of bonuses but after a lot of explanation, encouragement and gradually introducing the bell curve, first at company level and then at department level, the staff became more receptive.

3. Business direction

I believed it was very important for the Company to have a clear business direction. The aviation industry is very volatile and cyclical in nature. It is highly susceptible to many events which can affect its viability. Therefore we needed to identify the key levers that could affect the airport business model.

In order to be able to plan appropriately, it was important that two documents were in order. The Concession Agreement with the Government needed to be reviewed and coming out with our own long term Business Plan. We had a Concession Agreement with the Government which we believed needed to be reviewed to cater for the expansion programme of the airports in Malaysia. The traffic was anticipated to grow substantially and there needed to be sufficient capacity to meet the expected demand. Also, the airline industry was undergoing changes in their business models which the airports will need to adapt to.

Following the review, the Concession Agreement was replaced by the Operating Agreement which provided clarity on the role of the airport operator, the funding for expansion and a mechanism to regulate airport charges. Non-core businesses, such as the Sepang International Circuit (SIC) were divested. Although the process took much longer than expected, it was, however, important that we had an agreement that was workable and could cater for the long term, whilst being mutually beneficial to both MAHB and the Government of Malaysia. This Operating Agreement provided the basis for the development of our first Five-Year Business Direction Plan called "Runway to Success", 2010-2014.

This Business Direction set out the key focus areas for the company to achieve passenger growth, improve service levels/passenger experience, which should then lead to increased commercial earnings. The business plan also broadly laid MAHB's short, medium and long term direction – beginning with enhancing in-terminal commercial segment, and evolving to airport city (aeropolis) development and overseas expansion.



When I first contemplated venturing overseas, it was more in terms of providing management expertise. At that point in time, the retirement age for staff was still 55 years and I found that our staff with many years of experience were retiring too early compared to staff in other countries. MAHB staff could benefit from MAHB's involvement in providing management support for other airports which were being privatised. However, what I found out was that the privatisation of airports by Governments also required minimum equity participation by the airport operator providing management support. So we, hesitantly at first, started to venture into investing in overseas airports. In due course, we realised that investment in airports, especially green field airports, provided very good returns, much more than from just providing management expertise. It also provided the platform to promote the MAHB brand internationally. As such, it became part of our business plan to venture overseas and invest in airports wherever appropriate. In doing so, we found that it was imperative that our local partner in that country must be of the highest integrity and commitment and has a good standing.

4. Staff welfare, culture and camaraderie

Whatever the Company wanted to achieve could not be done without the support of the staff. Efforts were duly made to develop the skills of the staff through many varied courses. Developing skills itself would not be enough to motivate the staff. An appropriate performance and reward system must also be put in place. This will motivate the staff towards high performance.

What is often forgotten is that the staff must be happy doing their work and get along well with one another like a good team. I focused a lot on developing teamwork and camaraderie among the staff. This was done through getting the staff working in cross functional groups on many company projects, organising sporting events and encouraging social interaction.

Quarterly Townhall Sessions were also held to update the staff on the financial performance of the company as well as any issues related to the company. During these sessions, staff were encouraged to ask questions. I recall when I first introduced these Townhall sessions way back in 2004, the staff were very hesitant to ask questions. I was told the staff were not used to it and were neither encouraged to do so. It started off as a one-way talk session from me to the staff. The staff were encouraged to ask questions and give comments during these sessions so that all staff would be aware of it. This will show openness rather than comments being made in corridors and canteens which may lead to unnecessary misunderstandings.

Very soon, these Townhall sessions ended up being lengthy with a lot of questions being asked as well good comments being made by the staff. To show pride in working for the company, company ties were given to staff to wear so all of us are seen as representing the company.



MAHB has unions just like some of the other GLCs. Relationships between management and unions are often seen as something difficult to manage. It has been my philosophy that Unions should be seen by management as partners and not adversaries. If we truly believe that staff are our greatest assets, then surely those representing these staff must be treated with the proper decorum.

In my experience, one of the biggest grievances by unions is the lack of accessibility to top management. This lack of accessibility creates an impression of management's unwillingness to meet and thus allows problems to fester.

Although there already existed a good relationship between management and unions in MAHB, I wanted to ensure that there was genuine cooperation and mutual support between management and unions. To do so, I instituted a format where I met the Union Exco every month for them to raise any issue affecting the staff. I wanted to ensure that if there were issues, then the unions would have the opportunity to raise them early at these meetings so that such issues can be resolved amicably. This was to eliminate any excuse on the part of the unions that issues could not be raised with management due to lack of accessibility. Initially, even the Union Exco was caught off guard by this request to meet on a regular basis because normally it is the Unions who will be pushing for meetings with management, not the other way round. The Union eventually became familiar with this approach and responded positively.

These meetings went very well and many issues were raised and resolved, not always the way the unions wanted but at least there was an avenue to understand and deliberate on the issues. Indeed, the unions became involved in many of MAHB's activities. I found that the change in dealing with the unions was fundamental to the success of the transformation.

5. Governance

As a public-listed company, it was imperative that MAHB had good governance in all its activities. To begin with, at the Board level, clarity of role between Chairman and CEO was established as well as between Board and Management. Monthly Board meetings were held as well as weekly executive meetings. There was excellent cooperation and rapport between Board and Management and all issues were discussed in an open and transparent manner. I was very fortunate to have had good and responsible board members and enjoyed the support of the Exco. It was excellent teamwork all around. To ensure that we follow best practices, we participated in all benchmarking awards and did well in all from Corporate Governance, Annual Reports, Financial ratings, etc.

Quarterly analyst and press briefings were held after every quarter financial announcements. These efforts resulted in positive recognition by the Minority Shareholder Watchdog Group.



To ensure that we also covered our engagement with our operating partners, I requested that regular weekly meeting with the airlines and agencies operating at the airports be held to provide efficient operations.

6. Flexibility

Throughout this period, one of the key strengths of MAHB was our ability to adapt to the changes in the aviation industry. The aviation industry was going through a period of change in the face of the emergence of low cost carriers, liberalisation both domestically and in the world, the economic crisis and the growing importance of aviation in the Far East. MAHB was the first airport in the region to respond to the emergence of low fare travel. This was demonstrated by building a dedicated Low Cost Carrier Terminal (LCCT).

MAHB supported the growth of low fare travel by providing incentives and operational support. As the low cost model changed, MAHB adapted to these changes in the upgrading of the LCCT and subsequently building klia2 to provide room for further expansion of low fare travel.

Whilst fully supporting and adapting to the changes in the airline industry and meeting the requirements of the airlines and other stakeholders, MAHB nevertheless had, at times, to stand firm on our views to ensure the sustainability of our business.

7. Outcome of the transformation

Overall, I believe the transformation programme initiated by Putrajaya Committee on GLC High Performance was timely for the GLCs. I personally enjoyed being part of this programme which also gave me an opportunity to interact with the CEOs of the other GLCs and share views and experiences. I found this very useful.

For MAHB, all the gradual changes highlighted above resulted in making MAHB financially stronger, establishing a good brand both locally and internationally, healthy staff rapport and talent development and adapting well to the aviation industry.

Financially, the company's profit quantum and margins grew, the share price had increased over 5 times, Government gained from taxes and user fee charges, shareholders enjoyed consistent and high dividends, airlines were given incentives and staff received bonuses. In fact, MAHB gave Khazanah the highest total shareholders return among Khazanah investee companies, at about 750% over the decade (2004 - 2013). Specifically, in looking at airport recognition - KLIA, nestled between two strong competitors in the form of Bangkok airport, which benefits from a strong destination effect, and Changi which has been the entrenched regional aviation hub, had



managed to hold its own - with passenger traffic doubling resulting in KLIA being ranked 20th busiest airport globally, and 11th in terms of international passengers.

I thoroughly enjoyed being part of the MAHB team and I really appreciate the tremendous trust and support I received from the Board, management and all staff. Most gratifying for me was that we made the transformation without being afraid to make the changes. These changes were seen more as challenges. As such, there was no resistance and we ended up going through the transformation by “making changes gracefully.”



Getting Down to Business, it's Time for Change



DATO' IZZADDIN IDRIS

*Group Managing Director/ Chief Executive Officer of UEM Group Berhad (UEM)
Former Chief Financial Officer of Tenaga Nasional Berhad (2004-2009)*



Today, we are 5 years away from achieving Malaysia's trajectory towards becoming a developed and high income nation by the year 2020. While this is still a work in progress, the Government-Linked Companies (GLCs) without a slightest doubt play an important role in assisting the Government to realise this ambition. This is the story of UEM Group Berhad's (UEM Group) transformation, of change and of my journey for the last 10 years including my time at Tenaga Nasional Berhad (TNB) and the role we continue to play in realising Malaysia's vision.

Turning challenges into opportunities

My involvement in the GLC Transformation (GLCT) Programme began when I was appointed as the Chief Financial Officer of TNB back in 2004. My top priority was to address Malaysia's largest electricity utility's financial burden. Alhamdulillah, with the commitment and hard work of everyone involved, the company's debt which stood at RM32 billion in August 2004 was reduced to RM23 billion in August 2009.

Just before the end of my tenure at TNB, I had a *roti canai* session with Tan Sri Azman Mokhtar, Managing Director of Khazanah Nasional Berhad (Khazanah), who on that Saturday morning discussed with me on my "next task" – which is at UEM Group. Three months after that or more specifically in July 2009, my journey with UEM Group began as the Group Managing Director/Chief Executive Officer.

As soon as I assumed this role, Chairman Tan Sri Dr. Ahmad Tajuddin Ali sat me down and told me the cold hard truth – UEM Group only had three months of "breathing space" before the cash flow crunch. The company was in a difficult financial position but I believed it had nu-



merous potentials which were largely untapped. We were faced with a difficult and challenging task. However in hindsight, it presented us with an opportunity to show what we're made of, display our strength and push through necessary changes for a sustainable future. In essence, we had to grab the bull by its horns, because inherent in all challenges are opportunities for renewal and transformation.

Back then, UEM Group was a diversified conglomerate with presence in eight industries - the range of business areas we were operating in was broad and there seemed to be a lack of focus and clear direction. Before I came on board, the company had undertaken several restructuring exercises, and I believed we needed to do more to turn UEM Group into a high-performing organisation.

Tough calls had to be made and this was collectively discussed during late night meetings. Numerous discussions were a norm and several drafts of strategic plans were prepared. Tempers flared, there were differences in opinion but in the end, it was agreed that UEM Group shall embark on a streamlining exercise to strengthen its operations and business direction, ultimately establishing us as the nation's leading engineering-based infrastructure and services group. Our focus will be on four areas – Expressways, Township and Property Development, Engineering and Construction, and Asset and Facility Management.

Several initiatives were undertaken to realise this new direction. For one, a conscious effort was made to diversify the nature of our businesses from being concession-reliant to being more commercially-driven and client-focused. In addition, we made a painful yet crucial decision to divest our stake in businesses which were not part of our new focus. This is in line with one of the objectives of the New Economic Model which is the divestment of non-core and non-competitive assets of the GLCs.

For example, pharmaceutical was non-core (and in no way related!) to our operations and we thus divested Pharmaniaga. Despite recording a stable financial performance over the years, we knew that the company and its employees' future could be brighter under more capable ownership. Hence, in June 2010, our entire 87% stake in Pharmaniaga was sold for RM534 million to Boustead Holdings.

Our other divestments include reducing our combined 52% stake in Touch n Go to just 20% (currently owned by PLUS) by selling it to CIMB for RM53.8 million in February 2010 and our logistics business, Gapima was divested to Baine Consulting Services in September 2010. The equity ownership in UEM Environment (whose core shareholding is that of Kualiti Alam, the scheduled waste treatment disposal business) was transferred to Khazanah Nasional Berhad to supplement the latter's business in sustainable waste management and renewable energy solu-



tions. Managing these divestments was a delicate task as we had to reconcile the interests of different stakeholders, particularly the employees. Nonetheless, it had to be done for the survival of UEM Group in the long run.

At the other end of the spectrum, several merger and acquisition exercises were carried out to strengthen the capacity and capabilities of UEM Group and its core operating companies.

First on the list was UEM Land Holdings Berhad's (now known as UEM Sunrise Berhad) RM1.39 billion acquisition of the award-winning property developer, Sunrise Berhad which was completed in February 2011. Differing views, valuations and companies' structure forced the negotiation to be temporarily shelved for six months before we managed to achieve an agreement that is beneficial and acceptable to both key players. The corporate exercise was undertaken after taking into consideration the complementary and synergistic fit of both companies. This is evident today as UEM Sunrise continues to cement its reputation as a versatile real estate development company.

We also privatised PLUS Expressways Berhad and formed a Special Purpose Vehicle with Employees Provident Fund (EPF) to acquire all of the company's assets and liabilities. This RM23 billion move, which was completed at the end of 2011, allowed us to retain control over the country's national highway asset, a strategic infrastructure. The exercise also saw the issuance of a RM30.6 billion Sukuk, the largest global Sukuk and Malaysia's single largest bond-issuance to date. Throughout the process, we made sure that the employees involved were well-informed on the restructuring to address their concerns.

The key takeaway of the privatisation of PLUS was how the revision in the toll concession agreement was done with the *rakyat* in mind. To reduce the burden of toll charges on the public and the financial burden of the Government, we waived PLUS' current outstanding compensation balance totalling RM2.9 billion and no compensation to be accorded to PLUS for the five years toll freeze which would otherwise cost the Government an additional RM3.6 billion. For the *rakyat*, we fixed the toll rate increase at 5% every three years, compared to 10% to 25%, every three to five years. This was the third revision to the original toll structure that was approved in 1988. It will be even more challenging for us as we move forward given that uncontrollable operating costs are rising at a faster rate than revenue, which in turn will limit the ability to improve the level of service as required by the authorities. Nonetheless, we remain committed to deliver our best for the benefit of both the *rakyat* and this country.

We knew that more work needed to be done to improve our operational capacity and capabilities. With this in mind, another major and vital corporate exercise undertaken was the RM1.15 billion merger involving Faber Group Berhad, Opus Group Berhad and Projek Penyelengga-



raan Lebuhraya Berhad in October 2014. These individual companies were the leaders in their respective industries and thus the merger allowed us to unify and strengthen our competencies under one distinct brand, UEM Edgenta Berhad. Being one of the largest Asset Development and Asset Management players in the region, the stage has been set for us to push the envelope, rewrite the industry's landscape and explore opportunities which await us in various sectors.

Currently, we are in the midst of divesting UEM Builders Berhad, our construction arm. It was decided last year that UEM Group should exit the construction business given that the environment required to run such an operation would be different from the institutional nature of the governance framework. As such, our divestment will focus on a Bumiputera entrepreneur so as to uplift their competency, construction track record and capability.

With the commitment and perseverance shown by the team, we braved the storm together in our pursuit of this strategy and direction. Our efforts certainly bore fruit. Our cash flow crunch was something of the past and today, UEM Group is a stronger, more focused, holistic and competitive engineering-based group.

Understanding our *raison d'être*

There is no point in GLCs becoming more competitive if we neglect our *raison d'être* or reason of existence. As we chart our future growth, it is important for us to take a step back and ask a fundamental question – how are GLCs different from any other business organisations? The answer is very simple, our obligation goes beyond delivering financial numbers, for we are also responsible for safeguarding and protecting the interest of our nation and our people.

UEM Group certainly shares this same belief. While we are committed in driving growth in our economy, we never lose sight of our commitment towards the people – in everything that we do, we aim to leave a significant positive impact on everyone involved.

This is translated into our involvement in major national projects such as klia2 main terminal building, Sultan Abdul Halim Mu'adzam Shah Bridge and currently under development, the Women and Children Hospital. UEM Sunrise Berhad, which began the transformation of former agricultural land in Nusajaya into one the key drivers of Iskandar Malaysia, remains committed in building affordable homes for the *rakyat*. We have pledged to build 10,000 more affordable homes which will be located in Gerbang Nusajaya.

At the same time, several initiatives were also undertaken by UEM Group in support of the Government's Bumiputera Empowerment Agenda. We are working closely with other institutions such as Majlis Amanah Rakyat to explore areas of cooperation and collaboration for both parties to develop and empower the Bumiputera community. This is in addition to other



initiatives which include the Bumiputera Vendor Development Programme where from 2011 to 2014, over RM3.9 billion worth of contracts have been awarded to Bumiputera companies.

Such track record speaks volume about UEM Group's commitment to the people. National interest is something which we hold close to our hearts as it is imperative for us to understand this dynamic which sets us apart from other business organisations.

Proudly flying our Malaysian flag abroad

The landscape is fast-changing and today, we are living in an era of a more open and liberal market environment, both domestically and abroad. The formation of ASEAN Economic Community for instance, opens up exciting opportunities for us. We must not be complacent and get left behind against the backdrop of this increasingly challenging environment.

Following the completion of our streamlining exercise, it is time to focus on growth. During this time, I firmly believe that we're ready to strengthen and expand our presence in the international market.

In line with the Government's mission of transforming GLCs into regional champions and world class organisations, we must be more proactive in developing our key competencies. From my perspective, a world class entity is one that is well-established, financially sound, globally recognised and implements best practices in all aspects of its businesses. In other words, we must be envied by our competitors. Instead of turning a blind eye to enormous opportunities available in the market, we should go out there and endeavour to be one of the players that rewrite the rules of the industry.

Through PLUS Expressways International (PEIB), we currently operate three major highways in India while our 116-kilometre Cikopo-Palimanan Expressway, the longest toll road in Indonesia, was recently launched by His Excellency Joko Widodo, the President of Indonesia. Such achievement and the growing presence of PEIB thus far is indeed a recognition of our expertise and experience by other countries. We need to build on this strength and explore the endless opportunities available across the globe.

UEM Sunrise now has presence in several countries including Canada, Singapore and South Africa. We also ventured into Australia with our debut project, the 92-storey residential tower, Aurora Melbourne Central. In October 2014, just three weeks after it was launched, all 941 units were practically sold out. Our presence in Australia will continue to be strengthened. We are set to launch another high-rise residential mixed development, The Conservatory and had recently acquired the 21-storey office tower on 412 St Kilda Road, both of which are located in Melbourne. What was different with Aurora Melbourne Central and The Conservatory is that both were previously car parking facilities!



The challenge for us now is to ensure that the flow of good news doesn't end. We need to intensify our efforts, deliver and complete the projects in time to enhance our presence across the region and around the world.

Cultivating the culture of teamwork and excellence

UEM Group today is in a better position to identify and venture into new business opportunities. While this in itself is a progress, we also realise that knowing where the opportunities lie isn't enough. For the transformation agenda to be successful, the common organisational vision must reach all of our employees, loud and clear.

Employees are after all, the backbone of an organisation. The direction that we're taking would be meaningless if they're not aligned to the company's vision and are not able to live up to the expectations. Therefore, we introduced several human capital development initiatives aimed at developing the capacity and capabilities of our workforce.

This I believe is important because as Malaysia moves toward a developed nation status, it needs to transform its economy and society to be more competitive globally. Now, more than ever, we need a workforce that is skilled, adaptable, creative, and equipped for success in the global marketplace. To do this, a consistent and focused effort must be undertaken in developing a world-class talent pool.

We have been playing an active role in realising this national agenda. Education and Human Capital Development is an area I personally hold close to my heart. In today's rapidly changing and robust global economy, I strongly believe that education is a major component of the development of our social and economic capital. Education inspires creativity and fosters innovation, provides our workforce with the necessary skills to compete in the modern labour market, and is a key driver of growth in the economy.

As such, we have implemented and supported various programmes not just for our staff but also our community including school going children, diploma holders and graduates. Our commitment in this area can be seen in the investment we made whereby from 2009 to 2014, UEM Group's total contribution towards Corporate Responsibility (CR) and Human Capital Development was RM215 million.

Completing the metamorphosis

Frankly speaking, the introduction of GLC Transformation Programme has undoubtedly placed GLCs, especially the G20s in a much better position than before. Nonetheless, it remains a metamorphosis to be completed. We must be committed in our determined effort to build on this strong foundation and chart our future growth.



Successful transformation of GLCs into more competitive organisations requires a shift in mindset. We should no longer accept how things were done in the past, but rather strive to ride the wave of innovation and improve our business operations. As such, this same belief must be alive and kicking across every personnel in our organisation. Everyone, and I mean every single personnel of UEM Group must be on board with this transformation.

During this time, I often remind those around me of a famous quote by Winston Churchill, “to improve is to change; to be perfect is to change often.” When I first started this journey, major shift of mindset was needed amongst the employees whom were used to receiving contracts on a silver platter. Time though has changed and employees needed to understand that we have to be competitive to survive and thrive.

This means constant communication with employees is another crucial aspect which must not be neglected. I for one travelled to different states and hosted numerous engagement sessions with the personnel of UEM Group of Companies. Transparency is the key in getting everyone on board this journey. My interaction with them thus far has helped me to better understand the concern and problem they had to face as we continue to design and improve our organisational strategy so that it would be more holistic.

I am a true believer in the “one team” spirit – where everyone, from the employees, management team, board members to our shareholder, Khazanah Nasional Berhad work together to achieve a common objective. The transformation of UEM Group into what it is today is testament of their relentless effort, steadfast commitment and hard work. It was definitely a collective effort and it is the team that made the difference.

Someone once commented that UEM Group has risen like a phoenix from the ashes after the battering we took during the 1997/98 Asian Financial Crisis. The years of restructuring have definitely made us leaner and left us with a healthier balance sheet and net cash position. This has also enabled us to contribute directly to Khazanah, our sole shareholder by way of dividends totalling RM7.3 billion between 2009 and 2014.

However, it is still a long journey for us. Our pursuit of transformation is a marathon, not a sprint, so it doesn’t just end with the completion of this 10-year programme. It’s not curtain call just yet, we must stay the course and continue to evolve into a stronger business entity that is able to deliver inclusive growth for everyone and build a brighter future for Malaysia.

Given the experience and expertise of every GLC and furthermore having withstood the challenge of the Global Financial Crisis in 2009, surely there is no better time for us to venture



beyond the borders of Malaysia and establish a greater presence abroad. It will still be a long and winding road ahead but with strong commitment and conviction, we will eventually get there.





Corporate Islamic Financial Excellence: The BIMB Holdings Story



DATO' JOHAN ABDULLAH

*Deputy Managing Director and Chief Executive Officer of Lembaga Tabung Haji (TH)
Former Group Managing Director and Chief Executive Officer of
BIMB Holdings Berhad (BHB) (2008-2014)*



The moment you sign up for a job, no matter how big or small, the onus is on you to fulfil your job requirements to the best of your ability. Yet, when I joined BIMB Holdings (BHB) on 15 May 2008, I knew that it would be more than about fulfilling what was expected of me or achieving my individual key performance indicator (KPI).

As an investment holding company for Malaysia's pioneer Shariah-compliant business entities, BHB was an ideal "learning ground" for those wanting to be part of an exciting, evolving industry – the Islamic finance industry. With its strategic holdings in premier Shariah-compliant financial services providers that include banking, takaful operator and a stockbroking firm, BHB was and shall remain well-positioned to assist the Malaysian government's aspirations in establishing the country as a vibrant International Islamic Financial Centre.

I accepted the challenge as my responsibility to the nation, my miniscule "give-back" to those individuals and organisations who have made it possible for me (and many others) to be where I am today – in a position to contribute to the country.

As much as I was at the helm of BHB, I also got to learn from my colleagues what it took to build a name in an industry dominated by established entities, including blue chip companies supported by experienced and dedicated talent.

The sum of an organisation is more than its CEO, CFO or the Management Committee as decision makers. Much as top level discussions in our board rooms were integral in charting our vision and mission, I also valued the input from my engagements with the rank and file at BHB



Group. We were so close and knew each other by our first names. I truly believe in the adage that an institution is only as strong as its weakest member.

Despite challenges and stiff competition from other industry players, BHB has gained in strength and stature over the years as a champion of Islamic banking, takaful and stockbroking industries.

Over the years, our bank, Bank Islam Malaysia Bhd., has received numerous accolades in Malaysia and abroad including Best Islamic Bank from a number of industry standard watchers, Trailblazer of the Year 2013 from Banking and Payments Asia and Platinum Award in Islamic Financial Services category from Reader's Digest for five consecutive years in 2013.

In 2008, the bank which is the pioneer Islamic bank in Malaysia, recorded the highest profit of RM308.27 million in 25 years of its operation. Since its inception, Bank Islam has emerged as the symbol of Islamic banking in Malaysia and its vision to be "A Global Leader in Islamic Banking" illustrates the bank's status as the flag bearer of the country's financial services industry.

In 2014, amid a challenging year for the commercial banking sector, Bank Islam recorded a profit before *zakat* and taxation (PBZT) of RM702.8 million for the 12 months ended Dec 31, 2014, which represented an increase of 3.8% compared with the previous corresponding period.

The improved performance was mainly attributed to growth in business activities, apart from the year-on-year (y-o-y) net financing assets that grew by RM5.8 billion or 24.4% to reach RM29.5 billion as at end December 2014. Customer deposits stood at RM41 billion with an annual increase of RM3.8 billion or 10.1%.

In 2011, Bank Islam moved into its new headquarters, Menara Bank Islam, which is located in the Golden Triangle of Kuala Lumpur. It was a landmark in Waqf land development as it showcased Waqf implementation at its best. The Waqf land was jointly developed by Majlis Agama Islam Wilayah Persekutuan, Tabung Haji Properties and Bank Islam at a cost of RM151 million.

Living up to its pioneering spirit, Bank Islam has continued to provide innovative and enhanced products and services which have resulted in a growing number of customers – both Muslims and non-Muslims - seeing Islamic banking as a true alternative to conventional banking. This growing list of clientele in addition to truly ground breaking and quality banking solutions have been recognised by the global industry which is reflected by the bank's position as one of the top banks in the country.



As a pioneer in the Islamic insurance industry, Syarikat Takaful Malaysia Berhad (Takaful Malaysia) has a long history of providing the best insurance solutions for our customers and to date Takaful Malaysia is the first and sole Takaful operator offering a 15% Cash Back to its valued customers for making no claims during the coverage period. The company has been consistently offering the Cash Back for over 25 years which has truly distinguished Takaful Malaysia from any other competitors in the market, be it both Takaful operators and the conventional insurance providers. Takaful Malaysia has paid out a total of RM167 million of Cash Back to its customers and business partners over the last six years.

Takaful Malaysia registers record-breaking financial results repeatedly while positioning the company to capitalise on its already strong foothold in the local insurance industry. The company records strong performance of underwriting activities due to its prudent assessment of underwriting risks. The investment portfolio of the company continues to be anchored by two main asset classes; equities and Sukuk portfolios, both which deliver exceptional investment yields. Its active portfolio management enables the company to increase its equity exposure and gradually realise profits. Takaful Malaysia continues to outperform its peers financially. In 2014, the company achieved a 4% growth in PBZT amounting to RM189.2 million as compared to RM182.3 million in 2013.

Takaful Malaysia, has also had its share of awards over the years, winner of the award “The Best Performing Stock-Highest Returns to Shareholders over three Years under the Finance Sector” at the prestigious 2013 Edge Billion Ringgit Club Corporate Awards event and three times winner of the Best Takaful Company Award at the International Takaful Summit held in Cairo, Abu Dhabi, and London.

Our stockbroking arm, BIMB Securities Sdn. Bhd., also recorded good financial performance in 2014. It achieved an increase of 18% in value of dealing compared with 2013. This also led to a 16% increase in gross brokerage income to RM14.90 million compared with RM12.79 million in 2013, and a 13% growth in the total net dealing income from the previous year. The stockbroking group (including nominee companies) recorded a total income of RM14.5 million, an increase of 10% compared with the previous year.

BIMB Securities also rolled out several technological initiatives in 2014, such as the Intranet and Document Management System, for greater work efficiency and to reduce paper use. In addition, eBroking initiatives were deployed whereby share margin clients are now able to trade via the online trading system. ePayment via www.bankislam.com.my and www.Maybank2u.com.my were also introduced, allowing clients to pay BIMB Securities via the banking internet portal.



At BHB, we are guided in all our operations and business decisions not only by financial considerations but also by the impact of our actions on our stakeholders – be they our customers, our partners, our employees or the community at large. We have been giving back to the communities that supported us over the years via outreach programmes, lending a hand with various projects and providing financial support where required. In the process, we have integrated ourselves fully with communities at the grassroots level thus bridging existing gaps in the socio-economic divide.

That is why when the country suffered its biggest flood disaster in 2014, my colleagues and I went down to the ground to meet the affected families and personally offered them our sympathy as well as relief aid. As much as we want to be known as a big corporate entity, we also care for others whether or not they know of us by our corporate name.

As a responsible corporate organisation that is also upholding our role as a high-performing GLC, we aim to contribute to the elevation of professional standards in the financial landscape. In 2012, BHB became the first Islamic institution to sign the Corporate Integrity Pledge, which is a commitment to uphold the Anti-Corruption Principles for Corporations.

Within the community, BHB along with subsidiaries Bank Islam and Takaful Malaysia have a tradition of supporting worthy causes; providing financial and other forms of aid to the underprivileged; supporting the attainment of sound education among marginalised children; and promoting an ethical, caring society through better understanding and practice of the tenets of Islam. Among the latest initiatives, together with the International Union of Braille Quran Services, we contributed fund to the Persatuan Braille Malaysia to standardise symbols in braille Qurans worldwide.

We also bring our outreach programmes beyond local shores by extending aid to deserving communities wherever in the world they may be. In 2014, for the second year running we provided support to Palestinians in the Gaza Strip by donating to the Tabung Sumbangan THPal-estin. Through Persatuan VIVA Palestina Malaysia, we sponsored the attendance of 30 blind Palestinian children at a Quran memorisation camp in Gaza. As with our education activities in Malaysia, we give generously to various initiatives to ensure every child has the resources to enjoy a sound education as we fully believed that education is a powerful socio-economic enabler.

In 2014, BHB also launched the SL1M Graduate Trainee Programme that saw 100 graduates undergo soft skills training and six-month on-the-job training in our company and our subsidiaries. This is our small contribution in helping to reduce the number of unemployed graduates in the country as well as supply some much needed talent in the Islamic financial services industry.



BHB also made significant contributions to various industry award ceremonies that serve to enhance standards and inspire a shift in mind set towards sustainability in the past year. Together, the group contributed funds to the Malaysian- ASEAN Corporate Governance Index 2014 and Award Ceremony; the Islamic Finance News Awards Ceremony 2014; the Press Awards Ceremony organised by the Malaysian Press Institute; the CEO of the Year Asia 2014 and the Global Islamic Finance Awards 2014.

Towards the promotion of higher levels of professionalism, we supported a number of industry-focused conferences and seminars, including the Islamic Finance Awareness Programme 2014: Contemporary Issues on Islamic Banking Products and Services; the 16th Malaysian Finance Association Conference; and National Tax Conference 2014.

As one of the GLCs tasked with the betterment of corporate Malaysia in general, and the uplifting of the global Islamic financial services industry in particular, I believe BHB is at a very exciting phase of its journey. It is both shaping as well as being shaped by various forces that are promoting a more transparent, efficient and sustainable Islamic financial system.

The credit is not mine alone. The successes to date are the culmination of the contributions from the Board and staff, various stakeholders, from our parent organisation to our subsidiaries, our business partners and customers, all of whom I would like to acknowledge. Together, our shared vision for a better society and nation through Islamic financial excellence would certainly see us through in our aspiration to become a high income nation by 2020.



Upped the Game and Upped the Bar



MR. STEPHEN HAGGER

Head of Equities and Country Manager of Credit Suisse Group Malaysia



Revamping the Malaysian GLCs was always going to be a Herculean task. GLCs were seen as crony feeding troughs. Employees had a job for life, regardless of performance, leading to the phrase “GLC mentality.” Boards offered jobs for retired civil servants. Real open tenders for contracts were largely unknown. The concept of shareholder return was not a priority. Some GLCs were vehicles for political whims. Given just how many snouts were in the GLC trough, it was never going to be easy breaking so many rice bowls. It was an enlightened and brave political decision, by the then Prime Minister Tun Abdullah Ahmad Badawi to do just this. On the advice of Tan Sri Nor Mohamed Yakcop, Tan Sri Azman Mokhtar was chosen to lead the clean up of the Malaysian GLC stables; this decision was absolutely critical to Khazanah Nasional Berhad’s (Khazanah) success.

Old Khazanah was the dumping ground for the Malaysian government. First, somewhere to park its own holdings in privatised companies (e.g. Tenaga Nasional Berhad). Second, a holding company for assets bought in the process of bailing out individuals during the Asian Financial Crisis (e.g. MAS). Third, a body to fund grand economic ventures (e.g. Silterra).

Prior to GLC reform, the precursors of today’s GLCs were not investable by today’s standards. Writing this in June 2015, I realise that I owe my career in Malaysian stock broking to the Khazanah GLC turnaround team. Today, based on our commission flows, most of our trading business is in GLCs.

Khazanah has raised the bar of Malaysian corporate governance. Prior to the Asian Financial Crisis (AFC), Malaysia was synonymous with poor corporate governance. The blue chips of the day were largely family controlled businesses. Despite being run for the benefit of their major



shareholders, they were considered to be blue chip when compared to the GLCs of the day. Today, these same family businesses are still run for the benefit of their major shareholders, but they are no longer considered blue chip. This is not because corporate governance has deteriorated, but the Khazanah-led competition has upped its game. These same family run businesses are now considered a bit shady, relative to their Khazanah blue chip brethren.

In documenting my reflections of the GLC reform programme, I have been down memory lane and dug up the past reports of Credit Suisse (then called Credit Suisse First Boston or CSFB). In June 2004, we first wrote about the GLC Transformation Programme in a strategy piece titled “Malaysia, truly better: A tropical paradise in a troubled world.” The report featured one of Malaysia’s beautiful (then unpolluted) beaches on the front cover. As a reminder, at the time, the world was faced with rising interest rates, rising oil and the debate over whether China would have a soft or hard landing. A key part of our positive thesis on Malaysia was the restructuring of Khazanah’s GLCs and we set out to explain the three elements to restructuring the GLCs:

We understand that there are three elements to the restructuring of the GLCs:

1. Key Performance Indicators (KPIs)

The government is aiming for a scorecard of between five and eight KPIs that should be benchmarked against domestic or international peers. The process will be designed to identify the strategic direction and targets for GLCs, align management focus, include a process review and appraisal, and reward staff by allowing them to share in the success of the company by means of performance-linked compensation.

2. Performance-Linked Compensation (PLC)

The objective is for ownership to be institutionalised and management left to professionals who are given adequate incentives to drive performance. Base pay will be set at the market average of competitor companies, but in the quest for specific senior management, a specific compensation package will be used. Performance bonus payments in cash and shares will be linked to KPI scores and come from the profits earned from higher performance. If properly implemented, it should attract, retain and motivate the best people. The government has stated that its first choice is to look for the best Malaysians to run the companies, but with the option of hiring foreigners. The KPIs will be implemented by 1 January 2005 and a committee, chaired by Tan Sri Nor, will meet once a month to monitor the process.

3. Revamp of Boards of Directors

The government will limit the size of boards of directors to ten, while maximising the



professional content of the board, which, by definition, minimises the number of civil servants on the board. It will also ensure that regulators do not sit on the boards of companies that they regulate.

The report then delved into what could be expected from the restructuring of Khazanah's stable of companies, splitting them into three main buckets: Major beneficiaries of reform (e.g. Telekom), already well managed companies (e.g. PLUS) and the "problem children" (e.g. Proton).

In November 2004, we wrote again on the GLC transformation, fleshing out Khazanah's role as the "mother ship" (Tan Sri Azman started his career at Khazanah by using Star Wars metaphors before graduating to football), not getting involved with the micro, but sticking to the macro. We discussed the Government's role in business, which Khazanah at the time described in three parts:

1. As a regulator, to ensure that the public interest is looked after and that there is a level playing field for industry participants.
2. As a developer of public goods such as socio-economic objectives, i.e. public transport, rural roads and security.
3. As an investor, in the pursuit of shareholder value.

While the first two roles are non-contentious, the third role is. Khazanah believes that government investing is required in the following situations:

1. Custodians of a common wealth, such as a state run pension scheme like EPF.
2. Management of a natural monopoly, such as the role played by PETRONAS in developing Malaysia's oil and gas reserves, fixed line telephony and electricity transmission.
3. High-capex, high-risk projects, where the private sector is unwilling or unable to invest or where an industry is dominated by international players and is in its infancy in Malaysia. Such an example is Malaysia's wafer fab efforts.
4. Management of legacy holdings that evolved from privatised state owned operations like Tenaga and Telekom, or formerly foreign-owned plantations like Sime Darby, Guthrie and Golden Hope.

We believe that the ultimate test of Khazanah's success will be to exit its mature industries, like Telekom and Tenaga. In order to achieve this, these assets must be made sufficiently attractive to non-government buyers. The orderly sell-down of these assets will clearly take time, years, rather than months.



By July 2005, we were able to write our first report card on the GLC reform programme. Phase 1 of Khazanah-led restructuring saw boards of directors shrinking, with politicians and regulators being removed. New senior management is being put in place, motivated by performance-linked compensation (PLC) and key performance indicators (KPIs), though details of the latter have not been revealed.

How did Phase 1 go?

On balance, among the Khazanah GLCs, enterprise governance has improved, though the market has been critical of the following:

1. Over focus on overseas acquisitions before the domestic house has been put in order. Khazanah's response might be that these acquisition opportunities will be lost for ever if action is not taken.
2. The KPIs have not been made public, making it hard for the market to measure the progress of reform and to quantify their impact.
3. Tenaga's decision to acquire the distressed asset, Northern Utilities, for a full price continues to perplex the market.
4. Ineffectiveness of the Proton board in controlling its now ex-CEO.
5. Difficulty in instilling a performance culture at all levels.

In June 2006 we wrote a detailed strategy note titled "Born Again Malaysia", in the report we did a company by company analysis of the progress being made. However, the introduction stated:

Just as the market had all but given up on Khazanah's GLC Transformation Programme, it was able to score three quick wins, namely:

1. A whopping 11.4% net tariff hike for Tenaga, which was far above market expectations, transforming its cash flow, balance sheet, profitability and valuation. As the second-largest stock in the market, it transforms the genetic make-up of the Malaysian market.
2. MAS has offered its voluntary separation scheme (VSS) to its 18,000 highly unionised staff, with up to 5,000 expected acceptances. This brings to an end the notion that you cannot shed staff in Malaysia, given that this comes hot on the heels of similar schemes at Telekom Malaysia, POS Malaysia and Bumiputra Commerce.
3. We believe that UEM Builders is well positioned to benefit from some of the RM220 billion planned expenditure in the 9MP.

These events surprised the market and served to re-establish Khazanah's market credibility.

In November 2006, we again wrote about Khazanah's GLC restructuring programme where we give credit to the work done by Khazanah, but note the lack of political backbone in providing sufficient covering fire.



Tan Sri Nor and Tan Sri Azman Mokhtar have done a spectacular job in building up “new Khazanah”, both physically (they have hired the best brains) and strategically (the plan for restructuring the GLCs appears robust), but they have their work cut out in delivering the plan. The level of political interference is still uncomfortably high, particularly in the area of nationalistic rhetoric.

Khazanah companies are often at the mercy of government policy that is often unclear and tardy. Despite the timely publication of the National Automotive Policy framework, the detailed plan, necessary for the formation of Proton’s strategic direction, is unlikely to be available for many months. Tenaga’s management has been telling investors that a tariff hike is due shortly for over a year. How can you run a company with RM3.8 billion of annual capex if there is no transparent tariff formula? While politicians would like to see a higher Tenaga share price, they appear to be unwilling to pay the cost of higher electricity tariffs. Khazanah companies have a stated objective of having open tenders for contracts. The question remains as to whether the political masters are really allowing this to take place. In the initial stages of GLC restructuring, there were stories of all the procurement excesses. While Telekom’s management and Khazanah warned that it would be a while before we would see the fruits of restructuring, the market did not anticipate that costs would actually rise, as they have done for the last three quarters. However, Tenaga’s construction of a 300 MW power plant in Sabah was the first plant to go through an open tender process.

It is dangerous to lump all the GLCs into one basket. Some will successfully restructure, while others will not. The process will be a painful, but necessary one.

We stopped talking about GLC restructuring in aggregate in a report published in October 2007, noting that it had been a key driver of the Malaysian market for the previous three years.

GLC restructuring has been the key driver for the Malaysian market over the past three years, however, there was fear that the programme had become derailed following the Tenaga uncertainty. There remains real uncertainty over whether the Government will reduce the gas subsidy and whether this will be passed through to customers. This was a departure from the hitherto well-orchestrated restructuring programme and was reminiscent of life before the Badawi administration. While the Tenaga uncertainty has yet to be resolved, the radical restructuring of Telekom Malaysia demonstrates that GLC restructuring per se is firmly back on track and will therefore act as a market catalyst. GLC restructuring is the key driver of the market. Malaysia’s “USP” is its exposure to the plantation sector where it is globally competitive at a time when the sector is “hot” owing to the ongoing alternative energy theme. Its other main attraction is its programme of GLC restructuring, which is creating some highly attractive companies.



If we fast forward to the present day, here are some reflections on GLC transformation, ten years on:

1. GLC transformation, together with the good work of the Malaysian Securities Commission has managed to remove Malaysia's reputation for poor corporate governance that was developed during the 1990s. This is a huge win
2. GLC transformation has created tremendous value for the Government of Malaysia and those private investors who have ridden the wave. This of course includes all Malaysians via Khazanah's holdings, but also EPF savers and other shareholders
3. Some Malaysian GLCs have been able to compete in the private sector premier league, both locally and regionally, notably Axiata and CIMB Group. Others have not
4. The biggest hindrance to GLC transformation appears to be the lack of consistent political will power. It is sometimes there, but not always. At times, Khazanah has admitted defeat (e.g. Proton) and quite rightly exited its investments. After several failed attempts in turning around MAS, Khazanah was eventually given an act of parliament that should, in theory, result in a sustainable business. Political interference remains a problem at Tenaga, which has in theory a formula that links input costs (fuel costs) to output prices (electricity tariffs), but it is all still subject to political whim
5. At a time when the integrity of other government owned institutions is being questioned, it is a huge result that Khazanah has been able to avoid integrity issues, certainly at the holding company level and mostly among its investee companies
6. There is still work to be done. The litmus test is that the somewhat derogatory phrase "GLC mentality" remains part of analyst parlance. It is of course a generalisation and therefore unfair, but it is an indication that there is still work to do. From now on, it should be up to shareholders to put pressure on boards to put pressure on management to deliver. The government's job really is done
7. As long as there are robust regulators in place, there should be no reason for the Malaysian government to maintain its listed investments, once value has been created from restructuring. Khazanah has been too slow in selling down its restructured investments
8. The front page of the 2014 GLC Transformation Programme review has the tagline "Diversity, Inclusivity and Sustainability." Of the 17 GLCs featured in the back of the report, all 17 CEOs are male Malays. It does not give the impression that senior management is diverse or indeed particularly inclusive. To be fair, since publication, one of the CEOs has been replaced by a German... man

The "religion" of GLC reform has not spread to many other GLICs or GLCs. Sime Darby almost got there with "Synergy Drive", but sadly there was no follow through. It takes a special type of person to deliver this, someone that has a clear moral compass, the brains and the



technical skills not to be bamboozled by bankers and the tenacity to deal with politicians. Perhaps you really do need to be a Jedi Knight to execute GLC reform on the scale that Khazanah, led by Tan Sri Azman, has achieved.

4

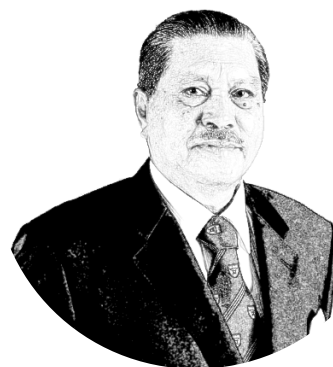
Nation Building, Touching Lives: Making a Positive Impact on All Malaysians

The Impact of PNB Unit Trust Schemes towards Changing the Mindset of the Malay Community (1981-2015) <i>Tun Ahmad Sarji Abdul Hamid</i>	199
Commercialising Lembaga Tabung Angkatan Tentera (LTAT) <i>Tan Sri Dato' Seri Hj. Lodin Wok Kamaruddin</i>	205
Lembaga Tabung Haji: A Malaysian Invention for the Ummah <i>Tan Sri Ismee Ismail</i>	213
Silver Linings: From Philanthropy, Corporate Social Responsibility (CSR), Corporate Responsibility (CR) to Sustainability <i>Pn. Shareen Shariza Abdul Ghani</i>	219
Permodalan Nasional Berhad (PNB) – Reflections on a 37-Year Journey <i>Tan Sri Dato' Sri Hamad Kama Piah Che Othman</i>	229





The Impact of PNB Unit Trust Schemes towards Changing the Mindset of the Malay Community (1981-2015)



TUN AHMAD SARJI ABDUL HAMID
Chairman of Permodalan Nasional Berhad (PNB)



Permodalan Nasional Berhad (PNB) was incorporated on 17 March 1978 to act as an instrument of the New Economic Policy (NEP) by promoting share ownership in the corporate sector among the Bumiputera and developing opportunities for Bumiputera professionals to participate in the creation and management of wealth.

2. The first unit trust scheme introduced by PNB was the Amanah Saham Nasional (ASN) on 20 April 1981. On 2 January 1990, the ASN was converted into a variable unit trust scheme with the objective of gradually exposing the Bumiputera community to the risks and sophistication of the growing capital market in the country. The fixed price feature of this unit trust scheme, however, transferred to a newly created product, the Amanah Saham Bumiputera (ASB).
3. The biggest challenge faced by PNB at the time was to configure a mechanism to change the mindset of Bumiputera who were mainly living and working in rural areas as farmers and fishermen earning meagre incomes. In addition, those who lived in the cities often worked in the lower income professions including clerks, teachers, police and army personnel. The Bumiputera community generally had small capacity to save, let alone invest. The majority of Bumiputera at the time favoured saving physical cash, accumulating jewellery or property, and rearing animals such as cattle and buffalo. As a result, they lacked understanding of savings, investments and unit trusts.
4. PNB was involved in social engineering, endeavouring to change the mindset of a community believing in old known adages, proverbs, axioms and sayings that assigned pessimistic connotations to wealth-building, such as encouraging suspicion, low self-esteem and social



stratification. One such saying is “*rezeki secukupnya tidak akan menjadi segantang.*” To justify this old saying, another one goes “*kais pagi makan pagi, kais petang makan petang.*” These old sayings have shaped the idea that wealth creation is not important, and there are those who continue to say that wealth has no ethereal value. The lack of understanding in the concept of *al-Qada* and *al-Qadar* has led many to become fatalists.

5. The mindset of the investing public in relation to the risks of investment have been gradually changed due to the unique features of the ASN scheme, which are outlined below:
 - i. Unit price was fixed at RM1
 - ii. 10 units minimum initial investment equivalent to RM10. With the initial investment amount of RM10, the investors were credited with 100 units. The 90 units were incentives advanced by PNB in which the returns were paid out through dividends and bonuses. This requirement of a minimum initial investment of RM10 – a very small amount for investment in a unit trust – and the mechanism of a generous advance over a nominal investment to participate in Skim ASN were necessary initial incentives for Bumiputera investors.
 - iii. Additional investments were allowed even at the addition of one unit, though it was capped at the maximum of 50,000 units (the cap has since been increased to 200,000 units). The maximum amount was set to ensure the wealth was distributed on a fair and equal scale.
 - iv. Cash-on-spot redemption at any time except during period of suspension to facilitate the calculation of dividend.
 - v. Investment and redemption can be done at any of ASNB offices or at any of the ASNB agent offices, namely Maybank Berhad, CIMB Bank Berhad, RHB Bank Berhad, and Pos Malaysia Berhad. Additional investment can also be done via online through Maybank2u, CIMBClicks, AffinOnline and RHBNow.

Innovative products including the Skim ASN, and later the Skim ASB, have succeeded in changing the mindset of a large segment of the Bumiputera community. The propensity to invest and save increased significantly. A large section of the investors were from the private and public sectors, the professionals and executives, along with those who would otherwise be unable to invest in the stock market due to their small capacity to save, such as farmers, fishermen, factory workers, low skilled labourers, housewives as well as students.

6. For a unit trust scheme to be successful, managers must develop the confidence of those who are going to continually invest in the schemes. PNB has consistently rewarded unitholders with competitive returns in the form of dividends and bonuses compared with other savings schemes and investment instruments. This in turn encouraged reinvestment by unitholders.



The change in the mindset of the Malays derived through investing in the unit trust schemes by PNB is reflective in an old saying, *“melihat contoh pada yang sudah, melihat tuah pada yang menang.”*

7. PNB's unit trust schemes also trained the Bumiputera society to understand the reason why this institution was established, which was not simply to distribute wealth and profits. Through investing in PNB's unit trust schemes, each investor is made to understand the risk appetite one must bear in order to reap the expected returns, even if the amount invested is RM10. If an investor seeks to reap a higher return, it is expected that they invest a larger sum and at the same time be aware of the higher risks this would entail. By the end of 1996 and prior to the Asian Financial Crisis in 1997/98, a total of three products were in the market. Within the span of 18 years (1981-1999), these three products (Skim ASN, ASB and Amanah Saham Wawasan 2020 (ASW 2020)) had an accumulated 27.86 billion units subscribed by 7.9 million unitholders, representing an average 3,528 units per accountholder. It increased annually at an average of 1.86 billion units. As the Asian Financial Crisis dawned, the main issue that needed to be tackled albeit carefully at that time was to convince the public to continue investing and to maintain their investments with PNB. Due to falling income and rising unemployment, the rate of redemption was relatively high as the public needed the money to meet their financial requirements as a result of the economic crisis. PNB's third product was the ASW 2020, another fixed-price unit trust scheme introduced on 14 August 1996. This was the first product open to all Malaysians.
8. PNB also launched another major effort at changing the mind of the public towards investment and reinvestment. This investment-based education programme, known as “Minggu Pelaburan Bersama PNB” was first introduced in 1999. This was followed by the annual “Minggu Saham Amanah Malaysia” (MSAM) in 2000. While the period between 1981 to 1996 saw PNB's unit trust increase by an average of 1.78 billion units per year, the period subsequent to the launching of its first MSAM until early 2015 witnessed a phenomenal average increase of 10.81 billion units per year. By March 2015, there were 202.37 billion units under circulation in PNB's unit trust, which was an average of 16,400 units per account holder. Correspondingly, dividends paid out during the period of 1981 to 1996 stood at RM19.54 billion; dividends paid out between 2000 to 2014 was RM97.77 billion. Even during the difficult years of 1997 to 1999, PNB still paid out RM9.85 billion in dividends. In total, between 1981 to 2014, RM127.16 billion in dividends had been paid out to its unitholders.
9. In addition to MSAM, Seminar Pelaburan 360 (360-Day Investment Seminar) is another major education programme organised by PNB. The seminar is held daily, covering all districts in Malaysia throughout the year. The main aim of the seminar is to create awareness of the need for financial planning and the importance of investing. It also



became a platform to increase the public's knowledge on current global and domestic economic and financial conditions. A total of 389,408 individuals have benefitted from this programme.

10. To further complement PNB's education agenda, the Kuiz Pelaburan PNB (PNB Investment Quiz) was conceived to encourage healthy competition among various groups in relation to financial and investment literacy. The competition was held annually with participation from different categories such as secondary schools, universities, uniformed bodies and teacher training colleges. It also included 12 other bodies from various enforcement and services sectors in the country. It had an overwhelming participation rate of 131,000 individuals. In order to instil financial literacy and investing habits among the younger generation, the Kelab Pelaburan Bijak (PNB Smart Investment Club) was established with chapters in 104 secondary schools nationwide and 6,453 registered members.
11. Through these PNB unit trust schemes, Bumiputera now have equity shares in large corporations which were previously owned by foreigners, namely Sime Darby Berhad, Etiqa Insurance and Takaful, UMW Holdings etc. Bumiputera have also been given the opportunity to participate in managing these companies. With a total asset management of more than RM273.1 billion, PNB and its unit trust schemes have vested interests in more than 200 listed and unlisted companies in the agricultural and oleo-chemical, insurance and banking, automotive, pharmaceutical and chemical, logistic, and property sectors. Together with its proprietary fund, PNB currently manages assets worth more than 15% of the market capitalisation of Bursa Malaysia.
12. Companies that have been merged and/or acquired by PNB have been managed by efficient working Bumiputera who are able to compete at remarkable levels. By investing in these companies with the funds accumulated from unitholders, many Bumiputera talents were given opportunities to lead and manage them. As a result, we have been able to develop management level Bumiputera talent within PNB Group's strategic investments, as follows:
 - i. 80% of the Board of Directors are Bumiputera;
 - ii. 50% of the senior management are Bumiputera;
 - iii. 61% of the total executives are Bumiputera; and
 - iv. PNB houses the largest number of professional licensed fund managers in Malaysia, which amounts to 135 individuals.
13. Another notable achievement from the investments made by PNB is that a large segment of PNB's investment activity is aligned with Islamic religious teachings. PNB does not invest in companies involved in gambling or the manufacturing of products that are not permissible



for end consumption in Islam. PNB's investments in Malayan Banking Berhad (Maybank) and Malaysian Industrial Development Finance Berhad (MIDF) should also be assessed from a rational perspective. Firstly, in the situation that the Malays and the *Ummah* were left behind in the economic and banking sector, PNB's investment motives were deemed *dharurah* or a dire necessity (*masalah ummah*). Secondly, there have been vigorous efforts by Maybank in introducing, expanding and promoting products and financial services for the Islamic capital market; this includes debt and equity instruments such as *Isitisna*, *Ijarah*, *Murabahah*, *Bai Bithaman Ajil*, *Bai Salam*, *Musyarakah Mudharabah* Contract, Islamic REITs and Islamic Private Equity Funds, alongside other takaful based products. Thirdly, as Maybank is currently the largest local bank, there are no other Bumiputera institutions that have the financial and investment capacity to buy and own a bank of the size of Maybank.

14. The social engineering initiatives of PNB have successfully changed the mindsets of a large section of the Bumiputera community on saving and investing in unit trusts, in addition to improving their socio-economic status and ownership in the corporate sector, consistent with the old "*pepatih*" saying:

*Penakek pisau serant
Ambil galah batang lintubong
Selodang ambil kenyrir
Nan setitik jadikan laut
Nan sekepal jadikan gunung
Alam berkembang jadikan guru.*



Commercialising Lembaga Tabung Angkatan Tentera (LTAT)



TAN SRI DATO' SERI HJ. LODIN WOK KAMARUDDIN
Chief Executive Officer of Lembaga Tabung Angkatan Tentera (LTAT)
Group Managing Director and Deputy Chairman of Boustead Holdings Berhad (Boustead)



Lembaga Tabung Angkatan Tentera, or better known as LTAT, is a fund established by an Act of Parliament (“Act”) in August 1972. It has two (2) core objectives, the first being the provision of retirement and other benefits to members of the Armed Forces, and the second being the provision of socio-economic development and welfare benefits for retiring and retired personnel of the Armed Forces.

LTAT’s main vision is to be a successful fund management organisation and a role model to other Government and corporate bodies. This is also evident in its three (3) mission statements, which are: 1) to provide retirement and quality socio-economic benefits for members of the Malaysian Armed Forces, 2) to assist in the nation’s economic development through prudent and profitable investments and 3) to instil quality and positive work culture among the staff and working as a dedicated, responsible, disciplined, trustworthy, proactive and innovative team towards achieving continuous high performance growth.

Since its establishment in 1972, LTAT has made an average dividend and bonus payments of more than 11% per annum. For the past 10 years, the average return has exceeded 15% per annum to its contributors. Aside from the yearly dividend and bonus, contributors are also eligible to receive additional benefits under the Death and Disablement Benefit Scheme.

Through its three (3) wholly owned corporations, Perbadanan Perwira Niaga Malaysia (PERNAMA), Perbadanan Perwira Harta Malaysia (PPHM) and Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT), LTAT provides various services and benefits to its contributors. Additionally, LTAT has also invested in several corporate entities that are successful in Malaysia’s business industry, namely, Affin Bank Group (Affin) and Boustead Holdings Berhad (Boustead).



A dynamic and participative strategy

Our beginning as a provident fund was no different from any other local institutional investors that were established during that time. Generally, as a trust fund we aim to ensure that contributors' funds are protected and reasonable returns are earned, without taking too high a risk. Having this conventional strategy means there are limitations in both the investment opportunities and the level of returns earned. Normal investment options are in the form of fixed deposits, discounted bills, investments in money markets and term loans guaranteed by the Government. We also have the option to invest in equity interest of corporations that are already listed or have listing potential (through the invitation of Ministry of International Trade and Industry – MITI) which are designated as trustee stocks, and a small portion in private companies.

However, our participation in the equity interest of companies was always limited to being a minority shareholder, and hence being only a passive investor. At most, we would be given a seat or two on the Board of Directors (BoDs) of the investee companies. Under these circumstances, LTAT's ability to influence operational and corporate matters was limited. Our dividend returns were at the discretion of the major shareholders-cum-management, which generally resulted in minimal returns to LTAT. The national government policies that we wanted to promote in terms of employment, procurement and Bumiputera Agenda were very much hampered. This status quo of minimal returns and inability to influence investee company's policies remained for some time up till the 1980s.

In the late 1980s, to ensure sustainable and improved growth, LTAT decided that a dynamic and participative strategy needed to be taken with the investee companies. We underwent a radical change which allowed the Investment Panel to access "high-risk, high-return" investment opportunities. A new set of investment guidelines were drafted, and restructuring was done on our investments to enable LTAT to emerge as a corporate player in the business community. We did not just want to invest, we wanted to manage and influence the outcome of the investee companies.

At this turning point, just to name a few, we formed PERNAMA and took over the retail business of the Navy, Army and Air Force Institute of UK (NAAFI) in Malaysia and established Affin, a financial services holdings company and acquired controlling interest of Boustead.

PERNAMA, LTAT's wholly owned corporation that was established in 1983, took over NAAFI's whole retail operations of 35 stores in various military camps in Malaysia. Since then, it has more than 70 stores in operation and offers members of the Armed Forces and their family members consumer and household items at duty-free and subsidised prices.

Affin, which started as Perwira Habib Bank Berhad, was jointly owned by LTAT, Syarikat Permodalan Kebangsaan Berhad and Habib Bank Limited. Unfortunately, due to the economic



recession in the mid-1980s, Affin's business and capital was adversely affected. Through various corporate exercises, LTAT emerged as the controlling shareholder. We took control of the Board and charted a new direction for the banking group which has seen tremendous positive growth in recent years.

As for Boustead, LTAT was initially a 32% shareholder in the listed entity. As we believed that Boustead had tremendous potential for us and could be a good listed vehicle for LTAT, we decided to acquire controlling interest in the corporation in 1990 through various corporate exercises. Since then, we have grown Boustead into six divisions which include Property, Plantation, Pharmaceutical, Heavy Industries, Trading & Industrial and Finance & Investment.

With this robust approach, LTAT was able to ensure that its interest is protected all the way down to operational level. We were able to influence not only corporate policies such as dividends, but also affect other operational policies such as employment, procurement and vendor development in line with government policies.

The sustainable and healthy dividend streams from investee companies have enabled LTAT to provide for consistently high dividends to its members. For the past 10 years, LTAT has delivered an average dividend of 15% per annum.

Government-Linked Company Transformation (GLCT) Programme reinforced our strategy

In 2004, the then Prime Minister, YAB Tun Haji Abdullah bin Haji Ahmad Badawi, launched the GLCT Programme with an aim to transform GLCs into high performing entities and help accelerate the country's social and economic development. The GLCT Programme was continued with greater urgency and focus when the present Prime Minister, YAB Dato' Sri Mohd Najib bin Tun Abdul Razak, took office in 2009. He emphasised that GLCs are to aspire and scale greater heights in terms of being the best in its class or emerging as future regional and global champions.

LTAT fully supports the various initiatives under the GLCT Programme, which has entered the final phase of producing regional champions among the GLCs. Progressively, since the GLCT Programme introduction in 2004, LTAT has transformed into a more dynamic and corporate-oriented organisation. This is evident through the achievements and efforts with respect to the following ten (10) core initiatives.

Initiative 1: Enhance board effectiveness

LTAT has adopted a number of best practices towards raising the overall effectiveness of its Board. It is committed to ensuring that the highest standards of corporate governance, as out-



lined in the Malaysia Code of Corporate Governance, are applied to LTAT and its Group. This forms an integral part of its effort to discharge its responsibilities in managing LTAT's assets and administering contributors' monies.

LTAT Group is governed by BoDs who are accountable to stakeholders for the strategic direction of the Group and the pursuit of value creation. In line with the Green Book practices, the BoDs will go through an annual formal assessment to ensure that they are capable and well equipped to perform their responsibilities. Additionally, we have cascaded this initiative to our investee companies. Today, most of our investee companies have Board compositions that come from different genders, expertise, background and race. The number of directorships for each director is also limited to a maximum of five (5) in public listed companies to ensure that each director will have the ability to focus and fulfil their responsibilities effectively.

Initiative 2: Strengthen director capabilities

In enhancing and strengthening Board capabilities, LTAT ensures that its board members and nominee directors appointed to investee companies attend relevant trainings and seminars. As such, directors are equipped with the necessary knowledge, skills and mind-set to perform at a consistently high standard. LTAT also ensures that the board composition comprises of members who are experienced and skilful with varied backgrounds such as finance, accounting, economics and public service which are important for the overall strategic achievement of LTAT.

Initiative 3: Enhance the Government-Linked Investment Company (GLIC) Monitoring and Management (M&M) function

LTAT has restructured and streamlined a more effective Investment Department in enhancing GLIC and M&M functions. This structure is supported by two (2) units, namely Asset Management and Investment Management. Their role is to monitor and report on investment activities to the Board to enable the directors to make informed judgement in driving performance towards value creation.

In addition, the Risk Management Department was created to further provide support in M&M function and to establish good corporate governance. Their main function is to assess risk in the decision making process and to ensure reasonable steps are taken to minimise risk exposure.

Initiative 4: Improve regulatory environment

A regulatory framework is present in any market and as such businesses have to adapt to their regulatory environment. Any changes in policies will have an impact to the business directly or indirectly. With that, LTAT has recently set up an in-house legal unit to strengthen its regulatory capabilities to shape and execute its strategy in support of the overall corporate objectives.



Initiative 5: Clarify social obligations

As one of Malaysia's leading GLICs, LTAT takes pride in its ability to spearhead various activities relating to the welfare and development of members of the Armed Forces and their families. Through its wide range of Corporate Social Responsibility (CSR) programmes, LTAT has successfully provided support, both financial as well as in the form of facilities, particularly in the areas of training, education, welfare, home ownership and scholarship for its Malaysian Armed Forces members and their families.

A. PERNAMA

PERNAMA, a wholly owned corporation established in 1983, operates a network of retail outlets at military camps nationwide and offers a variety of household items to members of the Armed forces and their families, some at prices lower than market prices. In addition to the duty-free items, PERNAMA sells 21 subsidised basic household items such as rice, cooking oil, flour, etc. PERNAMA contributed approximately RM8 million in 2014 to subsidise various consumer products and CSR activities.

B. Perbadanan Perwira Harta Malaysia (PPHM)

Having identified the property sector in Malaysia as a key area of growth, LTAT established PPHM in 1984. PPHM was appointed as the project manager for the construction of low-cost and low-medium cost houses for ex-Armed Forces personnel. To date, PPHM has successfully built and sold 1,650 units of affordable homes in Mutiara Rini in Johor, Mutiara Damansara in Selangor and Taman LTAT Bukit Jalil in Kuala Lumpur to eligible Armed Forces members. Currently, LTAT and its Group are building a further 1,068 units of medium cost houses and 580 units of PR1MA affordable houses in Bukit Jalil. LTAT is also building 748 units of double-storey semi-detached houses and 307 units of double-storey terrace houses in Mutiara Rini, Johor.

C. Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT)

In an effort to help improve the welfare of retiring and retired Malaysian Armed Forces personnel, PERHEBAT was incorporated in 1994. PERHEBAT offers various training programmes to retiring and retired members of the Armed Forces to prepare them for a second career post retirement. The trainings made available cover fields such as engineering, construction, electrical and electronic, tourism and hospitality, media and information technology and telecommunications.

D. Yayasan Warisan Perajurit (YWP)

Lastly, in year 2000, YWP was founded to assist in the education of children of members of the Armed Forces and various other social and welfare activities relating to the Armed Forces. In 2014, YWP contributed RM7 million to 4,903 children of members of the



Armed Forces both serving and retired. Since inception, 62,785 eligible recipients have received amounts totalling RM62 million through various programmes initiated by YWP.

Initiative 6: Review and revamp of procurement processes

The procurement process is an integral part of an organisation. LTAT has set up an internal procurement online system for its staff and an Integrity Pack (consisting of a few designated forms) for tender purposes. Both processes promote transparency and cost reduction, and enhance LTAT's capabilities and governance.

The procurement initiative has also been cascaded down to LTAT's investee companies such as Boustead. It has played a major role in the vendor development programme (VDP) initiative of the Government through two (2) of its subsidiaries, Pharmaniaga Berhad and Boustead Naval Shipyard Sdn. Bhd. Recently, both companies have signed a VDP Memorandum of Understanding (MoU) with MITI in order to develop more capable Bumiputera companies, which is in line with the Bumiputera Empowerment Agenda by the Government.

Initiative 7: Improve capital management

LTAT is a firm believer that an efficient capital management structure is crucial to an organisation's success. As part of good capital management practice, LTAT invests a minimum of 70% of its funds in trustee investments and not more than 30% in business and commercial entities. Such a diversified portfolio helps LTAT reduce risk and maximise its investment potential.

LTAT has always encouraged its investee companies to enhance capital efficiency and optimise capital structure through improved capital management best practices. For example, in Boustead, various capital management initiatives have been implemented. It ranges from the issuance of perpetual sukuk, right issues, delisting of listed entities with subsequent restructuring, listing of new entities such as the plantation division, divestment of non-core assets/activities and active participation in the Investor Relations sphere.

Initiative 8: Manage and develop human capital

People are the key driving force to any organisation. LTAT recognises that its success over the years has been built on the foundation of a skilled and talented workforce. Therefore, LTAT emphasises on efforts to nurture its diverse talent pool in order to meet the needs of different divisions, which requires varying skills, capabilities and expertise.

LTAT has established several personal development and skills training programmes to equip its employees at all levels with the necessary know-how needed to meet their responsibilities and perform at their best. Additionally, LTAT offers advances and scholarships to staff members who are keen to further their studies. LTAT has also



developed Key Performance Indicators (KPIs) for its employees on training hours required to be undertaken.

In order to retain talent, LTAT ensures that its remuneration package remains competitive as compared to the industry. In addition to the annual increment, an independent assessment is conducted periodically to assess the competitiveness of LTAT's remuneration package. The findings of the independent assessment are generally reflected in its remuneration revision which happens every five (5) years.

Initiative 9: Intensifying performance management

LTAT is committed to excel in the management of contributors' funds and endeavours to fulfil customers' expectations in term of services. In relation to that, LTAT has developed seven (7) KPIs which includes dividends, bonus and special bonus for contributors, return on investment, customer satisfaction index, processing hours for housing withdrawals etc. In 2014, LTAT has successfully achieved all its KPIs, which is a reflection of LTAT's commitment in strengthening its performance management.

Initiative 10: Enhance operational improvements

LTAT has introduced the e-kiosk as one of the facilities for LTAT's contributors to obtain quick and easy access to information on their contributions. For this purpose, LTAT has placed 77 e-kiosks in various ATM camps throughout the country.

In continuous pursuit of operational improvements, LTAT has received various ISO certifications. LTAT became the first Malaysian Government Agency to receive the ISO/IEC20000-1:2005 certification on IT Service Management System. LTAT has also received the ISO27001:2013 certification on Information Security Management System. This certification was awarded to LTAT for having a systematic approach in line with the recent Personal Data Protection Act, which requires personal data and information (such as contributors' information) to be properly secured.

Conclusion

Through meticulous and strategic planning, LTAT has successfully implemented various programmes to attain its vision and objective of promoting the socio-economic well-being of the serving, retiring and retired Armed Forces personnel. LTAT is in full support of the Government initiatives and will continuously monitor its Group as a whole to adhere to this aspiration. This is vital as its Groups activities form an integral part of the nation's economic ecosystem.

The GLCT Programme presented an opportunity for LTAT to further reinforce and strengthen its practices. This has enabled LTAT to excel in delivering its commitment to stakeholders.



Lembaga Tabung Haji: A Malaysian Invention for the *Ummah*



TAN SRI ISMEE ISMAIL

*Group Managing Director and Chief Executive Officer
of Lembaga Tabung Haji (TH)*



If you love your job, then the job becomes much more than about turning up for work or clocking in the required hours. It is about starting the day, looking forward to see what it brings. It is about going beyond what you are required to do, ensuring that you give your all.

That in a nutshell is what my experience has been since I joined Lembaga Tabung Haji (TH) in 2006. And I don't think I would be wrong in making the assumption that over 2,000 strong TH workforce feels the same way. At least I hope they do.

There are many things that TH can be proud of. First and foremost, TH holds the distinction of being a uniquely Malaysian invention, thought up by one of the most ingenious economists that Malaysia has ever produced, the Royal Professor Ungku Aziz back in the 60s. The pilgrim fund corporation was established in 1962 as a modest proposal to aid the Malayan rural economy and to enable the Muslims in Malaysia to perform Hajj. Half a century later, TH has grown to be much more than about enabling Malaysians to perform their Hajj. In recent years, TH is acknowledged by market observers as one of the best managed Islamic financial organisations. It remains the No. 1 provider of Hajj services in the world. No other similar organisation anywhere in the world has been able to replicate TH's successful record, though every year, many countries send experts to TH to study its winning formula.

As we mark the final leg of the 10-year Government-Linked Company Transformation (GLCT) Programme, we at TH can proudly put on record that we have achieved what the programme sets out to achieve – elevating Government-Linked Companies (GLCs) into high performing entities both financially and socially.



TH's financial figures speak for itself. Since January 2006, depositors' savings have increased from RM13.3 billion to the current RM57.5 billion. In 2014, net profit after *zakat* amounted to almost RM3 billion compared to only RM0.6 billion in 2006, an increase of more than 4 times. This has resulted in value creation of nearly RM15 billion for the depositors' fund since then.

Its assets grew to RM54 billion, which is a monumental increase of more than 250 per cent from RM15.1 billion in 2006. The increase could be attributed to the investment activities and savings from 8.6 million depositors. In 2014, TH *zakat* contribution increased more than double to RM57 million as compared to RM27 million in 2006. Between 2006 and 2014, depositors' bonus averages at 6.4 per cent which far outperformed those recorded by other Islamic financial institutions. For the last 2014 financial year, depositors' bonus comprised 6.25% Annual Bonus and an additional 2.0% Hajj Bonus. Moreover, depositors need not worry about the "cleanliness" of the bonus payment because the amount was calculated after a *zakat* payment of 2.5 per cent.

TH has also taken a bold step in expanding its investment abroad. In recent years, TH has acquired three Shariah-compliant properties in the UK – 10 Queen Street, 151 Buckingham Palace Street in London and Leatherhead, Surrey. It also jointly acquired an office building in Melbourne, Australia. In the next few years, TH plans to increase its property portfolio by focusing on domestic investment in Klang Valley and other areas within the country. Apart from property, TH diversified its investment portfolio to include plantations, construction, oil and gas, hospitality, IT and Islamic finance. These sustainable investment activities in various economic sectors have helped to spur the Malaysian economy.

I have always reminded my colleagues to ensure that they uphold the value of every ringgit in a depositor's account, and that all investments made are Shariah-compliant. *Insha Allah*, for as long as we hold on to these tenets, I am positive TH will always be on the right track.

Being financially stable has allowed TH to give back to the society and share its good fortune with the less fortunate in Malaysia through Corporate Social Responsibility (CSR) programmes. Thousands of needy families and individuals have benefitted from TH's many types of aids including financial assistance to study and the provision of basic needs such as proper shelters for the poor and orphaned.

As part of its Muslim Bumiputera empowerment agenda, TH set up the Bumiputera Al-Ansar Fund with an allocation of RM200 million funds to assist small and medium-sized enterprises looking to expand their businesses. Apart from that, qualified Muslim Bumiputera vendors are also encouraged to become suppliers or contractors for TH and its subsidiaries. As with other bidding suppliers and contractors, they will have to go through TH's Electronic Procurement System (ePS) in line with the Government's efforts to enhance efficiency and transparency in all aspect of procurement.



In order to keep pace with customers' expectations, TH customer service has also undergone continuous enhancement over the years. We have made strategic cooperation with Bank Islam Malaysia Bhd., Bank Kerjasama Rakyat Malaysia Bhd. and Maybank Islamic Bhd. in allowing TH depositors the convenience of conducting their TH transactions at these banks' respective counters, ATMs and CDMs. To date, we have more than 6,000 service access channels through this strategic collaboration. This is in addition to the online transactions which can be done at eTHijari. Depositors could also visit TH counters located at six Urban Transformation Centres (Kedah, Pahang, Perak, Malacca, Johor and Sarawak), giving them access to our services beyond official office hours.

At the end of 2014, the total number of TH depositors increased to 8.6 million from only 5.2 million in 2006. The number of Hajj registrations – those who registered to perform the Hajj as opposed to merely depositing money – also increased tremendously.

Alhamdulillah, the trust and strong support from our depositors in particular the Muslims in Malaysia, has been the core of TH's success for the last 52 years. Without our depositors' support, it will be difficult for TH to be where we are today.

Believing in starting young, I mooted the idea to set up “Kelab TaHa” in 2008 to attract school children to start saving at an early age in TH, so they could perform Hajj early in their lives. In 2013, “Kelab TaHa” received recognition from the Malaysia Book of Records for the Most Number of School Students Memberships in a Single Club. Later in 2010, TaHa@U was formed to attract youngsters in colleges and universities to start their savings for Hajj. Beneficial activities such as free seminars and workshops to prepare for major examinations were also organised for the club members.

But the most significant achievement of all, with its outstanding financial performance, TH has managed to subsidise each pilgrim's Hajj cost by keeping it at RM9,980 since 2009. The actual cost for each pilgrim to perform Hajj increases every year but with its prudent savings and investment strategies, TH succeeded in subsidising the cost since 2001 as part of its vision to assist the Malaysian pilgrims. This is the biggest and most significant TH investment in CSR, amounting to more than RM100 million every year. For 2015 alone, TH is expected to subsidise about RM7,200 per pilgrim with the total cost of subsidy amounting to more than RM120 million.

Over the years, Malaysian pilgrims continue to be the envy of many when it comes to Hajj matters, as much as TH is the envy of its counterparts around the world. We have been asked, over and over again, what is it about TH's way of doing things that has put the organisation on the world map.



The answer lies in the fact that the Hajj process – from start to finish – is managed comprehensively by TH with strong support from the Malaysian Government. Our job is not just about upholding an organisational pride and responsibility. Our job is a national duty. When the Malaysian and TH flags are raised anywhere in the world, particularly in Makkah and Madinah, all Malaysians can collectively take pride in a Malaysian brand that is truly world class.

There have been many instances in the Holy Land, where my staff and I were stopped and complimented on our services by ordinary Malaysians; some of whom have never even travelled outside their *kampung* in their lives and therefore greatly appreciated TH staff's help. Although we are proud of our financial performance, it is this appreciation from the people that depend on us to look out for their best interest when they are undertaking the most important journey of their lives, that we value the most.

To me, the strength of an organisation is the result of the effort and commitment of its people. For instance, TH's Hajj personnel play an important role in contributing to TH's success. They have proven their dedication, untiring loyalty and endless compassion in fulfilling their responsibility of helping Hajj pilgrims every year. Most of them have been unable to celebrate *Eid Adha* with their families for years now due to their work obligations in the Holy Land. This is their biggest sacrifice, purely to ensure that the best is given to our nation's Hajj pilgrims.

I feel so blessed that TH employees are a dedicated lot and this could be experienced by anyone stepping into any of the TH offices and branches country-wide. From the security personnel at the door to its officers at the counters and the tutors who coach you through your Hajj courses, everyone is helpful, polite and no task or question too insignificant for them to address.

I believe in showing by example and personally, I think this beautiful trait has been embedded in TH since our early days of operation. In TH, no matter what position we hold, we always try to accommodate any requests made by depositors, pilgrims or individuals from all walks of lives who want to see us on Hajj issues, savings or even requests for help on non-Hajj matters. If we cannot assist them directly, we will try to connect them with our counterparts or corporate partners that may be able to help. Our employees are continuously encouraged to give full commitment in performing their respective duties, with the intention to obtain *Allah SWT's* blessings. Each of them must understand their part in contributing towards TH's success, in line with the Islamic principles. All of them embrace TH's core values which are professionalism, teamwork, commitment, care and innovation in day-to-day operations.

TH has been rated by a talent market expert as one of the most chosen employers by job seekers. We value our staff as an asset, therefore we strive to provide good incentives and



remuneration packages, conducive working environment as well as plenty of opportunities for career development. In 2011, we started to participate in Skim Latihan 1Malaysia (SL1M) and have trained more than 400 graduates where they learn first-hand the many aspects of the corporate world according to Islamic tenets as they undergo training under their respective TH mentors.

To increase public awareness on TH, we are open about what, why and how we do things at TH. Information and success stories are shared through various communication channels and media programmes. People used to think that TH only manages Hajj pilgrims, but most of them do not know that we are playing an active role in spurring the country's economy with our involvement in various economic sectors locally and abroad. Through our Shariah-compliant investment activities, we give an opportunity for Muslims to collectively participate and be part of Malaysia's economic activities. Thus, we are able to give our depositors competitive halal and toyyiban returns in the form of annual bonus every year.

Having said that, I have to give credit to my team for their dedication. Their support and hard work have contributed to my achievements in TH to date. After 10 years of being at the helm of TH, I hope that I have lifted TH to a new level in many ways – way of thinking and doing things. I hope that these achievements would not stop, even after I am no longer with TH. I wish to see the initiatives I have started to be carried out by my successors in the future, so that TH will stay relevant for many years to come.

As a GLIC of a nation that is looked upon with respect by other Muslim countries, I foresee a future where TH's mission extends progressively beyond the shores of Malaysia. I believe TH, through its businesses and social initiatives, can empower the global *ummah* economically, and indirectly promote a viable Islamic economic and financial system to the world at large.

We will strive to be a premier Islamic organisation in managing Hajj and investments. We aspire to be the role model for other Islamic organisations in the world. We want to enhance Malaysia's image among Muslim nations across the globe. This is consistent with TH's role in supporting Malaysia's aspiration to become a high-income developed nation by 2020, *InshaAllah*.

For TH, the last 10 years was a journey; to me, it was a spiritual journey.



Silver Linings: From Philanthropy, Corporate Social Responsibility (CSR), Corporate Responsibility (CR) to Sustainability



PN. SHAREEN SHARIZA ABDUL GHANI
Director in the Special Projects Office of Khazanah Nasional Berhad



Is there a role for business in society?

In today's stakeholder economy, businesses need to change from being purely profit-centric to becoming good corporate citizens that espouse ethical and responsible values. The argument on whether businesses have a role in society is less relevant today, and a stronger voice demanding for businesses to be held accountable for their actions has emerged.

The incidences of major corporate debacles are examples that we cannot ignore, as these incidents have become too big to hide - from the Deepwater Horizon in the Gulf of Mexico, milk contamination in China and New Zealand, the sweatshop fire in Bangladesh, the social costs from the collapse of the financial system in 2008 to the recent noodles contamination in India, and the list goes on. There are many occurrences from violation of labour and human rights, poor environmental and industrial safety standards, biodiversity degradation, food security and health emergencies. Name some of these disasters and one would find an undeniable link to a corporation and in some cases with these companies being at the centre of the controversy.

The journey of the Silver Book

The concept of Corporate Social Responsibility (CSR) in Malaysia, was crystallised with the launch of the Silver Book in 2006, where the G20 began to embrace a more strategic approach to being responsible corporate citizens - from traditional practices of philanthropy, to a structured approach in CSR, to more strategic Corporate Responsibility (CR) practices and for some elevating to Corporate Sustainability.

The G20 began to be more cognisant that communities where they operate in are the stakeholders that give them the "license to operate." Local authorities or regulations grant



businesses with a legal status but businesses gain their legitimacy to exist from the society. The social compact that exists between businesses and communities forms the foundation of a complex relationship between these two entities. The conditions in which they exist can either create harmony and benefits that are enjoyed by both or the opposite could occur with grave outcomes, where sometimes, the society bears the tragic consequences.

To achieve a balance between commercialisation and promotion of social justice, preservation of the natural environment is important, the first rule and most important one is, to do no harm. Second and more lasting in its value is the promise to do good, and in so doing, build long term value for both the enterprise and the society.

The Silver Book predicates that the first principle of “do no harm” is about how companies go about their business in making profit. Its overarching corporate governance policies and practices, operational practices, employee policies and social and environmental practices are some markers that show how a company is managed and its ethos on being a responsible entity.

The Silver Book brought to light the role of the G20 in society and how achieving “value through social responsibility” is the way forward. The Silver Book sets the tone on how companies can and should demonstrate responsible behaviours, and brought forth the argument that being responsible corporate citizens can build not only the company’s social capital but also presents a direct link to value creation.

The Silver Book, arguably, was ahead of its time in Malaysia. The seven core areas, considered as the Silver Book framework, were a combination of leading indicators as well as practical considerations on CSR. No framework at that time existed with a set of core areas that encompasses all aspects of being a responsible business. While Malaysian companies were operating at the base level of complying with the regulations and laws of the land, G20 assumed the responsibility on how it can contribute to society in a responsible manner and create positive impact for their business and society. The Silver Book further expounded the mandate of national development and role of the G20 in moving the nation to achieve Vision 2020.

The journey for the G20 was not without its set of challenges. The G20 had been contributing to the community, and doing this was somewhat built into their DNA and community related activities were abound. Certainly this stemmed from a Malaysian culture of community spirit and giving. Malaysians are seen as generous and this transcended to the G20 and their responses to community needs. However, these activities, while benefitted the social causes, were often times ad hoc and did not create longer term impact or value, both to the companies and to the causes/charities receiving the contribution. These were mainly



treated as a “nice-to-do” cost that companies bear only with the objective to enhance its PR value and be featured with a photo in newspapers holding a mock cheque or hugging kids at the orphanage.

Clearly, this was not sustainable. The challenge was how to channel these generous actions to a higher level. How can the G20 demonstrate that being a good corporate citizen goes beyond the ad hoc philanthropic giving, and a short feel good moment? How can the G20 take a longer term developmental intervention and take the lead in making an impact?

The Silver Book was seen as the platform to bring about that transformation. It was important for the G20 to elevate and make their programmes of strategic importance and integrate these programmes into their core business and strategy. In doing so, this would deliver the results; demonstrate impact with achievements that could then be reported to inform its stakeholders. The first step was to obtain the right mandate, the right policies and procedures, establish the right governance and structure, put together a team of competent practitioners, dedicate budget with the right balance of accountability and transparency and finally the programmes that would yield the desired outcomes.

Developing capabilities and building capacity

Everything comes to us that belongs to us if we create the capacity to receive it.

- Rabindranath Tagore

With the G20's internal environment ready, the stage was set for new thinking and approaches to crystallise into action. Implementation was the key, and the ability as well as capacity to execute needed to be built. A series of capacity and capability building programmes were then rolled out. The G20 teams were exposed to global standards in reporting frameworks, impact measurement tools and CR best practices to name a few. In the last phase of the capability and capacity building programmes the G20 began to apply the Social Returns on Investment (SROI) methodology and used this in the assessment of their programmes. The Silver Book fraternity was put into high gear. The purpose of the Silver Book became more tangible, believable and now, quite achievable!

What followed was the creation of four very distinct programmes (i.e. PINTAR, Yayasan Sejahtera, GEMS, and GDRN) designed to engage the G20 in issues that have direct impact on national development. The G20 was then in a position to take the lead and play an active role in nation building.



It takes a village to raise a child

If you think in terms of a year, plant a seed; if in terms of ten years, plant trees; if in terms of 100 years, teach the people.

-Confucius

PINTAR Programme (and in 2008 PINTAR Foundation was established), Yayasan Sejahtera and the Graduate Employability Management Scheme (GEMS) were created to address some of the challenges that Malaysia was facing in delivering its promise to achieve the UN Millennium Development Goals (MDGs) and Vision 2020.

PINTAR was created to be a platform that brings together corporate Malaysia and government schools through a unique school adoption approach. PINTAR is an acronym that tries to encapsulate what we envisioned education for children in Malaysia to be, which is beyond purely academic performance. This ambition was embedded in its name which stands for the ideals of Promoting Intelligence, Nurturing Talent and Advocating Responsibility.

The idea of a school adoption programme was conceived over a hot cup of teh tarik (pulled tea, a Malaysian favourite) after prayers in the Islamic month of Ramadhan, in 2006. Tan Sri Nor Mohamed Yakcop, the then Minister of Finance II and the G20 CEOs talked about what the G20 could do together to support education in the country. It was apparent that the individuals around the table, heads of some of the largest listed companies in Malaysia, could make a big collective impact if they all rallied together. Before the tea turned cold, PINTAR was created and two months later, the programme was launched in Penang with more than 50 schools adopted by 20 GLCs.

In the next two years, PINTAR Programme expanded across the country and a Foundation was created. It was important that the Foundation was established on a strong footing, so a strategy and a 5-year business plan were crafted by the Boston Consulting Group Malaysia office team as part of their social contribution initiative. PINTAR Foundation was also given a launching grant of RM20 million by the Government of Malaysia to deepen current programmes and to develop new and innovative learning content to be implemented nationwide. One of PINTAR's iconic programmes was a PINTAR Mobile Learning Unit (PMLU) which was created to bring to life what PINTAR represents, taking kids outside of classrooms and experience learning in a fun and interactive environment. The PINTAR bus was a hit! And kids, from predominantly rural schools, for that one day when the PINTAR bus was in their schools experienced an environment that nurtured their interest in learning and quest for knowledge.



Today, more than 600,000 kids from 385 schools have benefitted from about 3,453 programmes implemented by PINTAR Foundation, the G20 and other companies under the PINTAR Programme.

Building shared values, one community at a time

*If I could be useful to another human being, even for a day that would be a great thing.
It would be greater than all the big thoughts I could have at the university.*

- Dr. Muhammad Yunus, Nobel Laureate and Founder of Grameen Bank

The Silver Book fraternity was again challenged to respond to issues of social justice particularly addressing pressing needs of the bottom 40% of Malaysia's population. These were Malaysians marginalised from having access to opportunities and equitable share of the country's wealth. The question was posed to the fraternity on what they could do in addressing poverty and supporting communities to gain access to better standards of living and financial independence. Malaysia as a developing nation grappled with incidences of extreme poverty, both in rural parts of the country as well as in its cities. How could we become a developed high income nation when there are segments of our society living in deplorable conditions with limited basic amenities and struggling to put food on the table for their families? What could be done for these families trapped in this vicious cycle of poverty?

Yayasan Sejahtera (Sejahtera) was another programme launched to find sustainable solutions to address incidences of hardcore poverty. The concept was to build long term capacity through livelihood programmes. Sejahtera's approach was to look at the situation in a holistic way designed around the philosophy of teaching man to fish rather than giving him fish. The advisory team at PriceWaterhouseCoopers Malaysia, as part of the company's social contribution, was engaged to help define the programme. In those early days of Sejahtera, the idea of poverty alleviation was far from what the G20 was familiar with. Aside from the ad-hoc philanthropic giving and occasional activities conducted by staff to visit homes and orphanages, nothing much was done to look at the long term issues affecting these communities. Many corporates, some of the G20 included, felt that tackling poverty was the responsibility of government agencies and NGOs. It was not an area corporates were familiar or comfortable with. But, in reality, the issue cannot be ignored if we are to achieve a developed nation status. Everyone has a role to play.

So how did we make poverty and Sejahtera relevant? It was not an easy task, especially when the Silver Book mantra was for the G20 to engage in programmes that have links to the company's core business or strategy. What has poverty got to do with a company's core business or strategy?



What happened to turn the situation around was as serendipitous as it was inspiring, in the form of a Noble Laureate, no less, and none other than Dr. Muhammad Yunus himself. With his quiet grace and inspirational discourse, Dr. Muhammad Yunus made the case for poverty. Here was a man who dedicated his entire life to help bring his fellow countrymen and women out of abject poverty. If one man could dream and make that dream into reality not for himself but for the betterment of others, surely these large companies with profits in the hundreds of millions could do something? He charmed and cajoled the corporate leaders and Malaysians alike when he was invited to speak at the Khazanah Global Lectures (KGL) in 2007. He gave insights on practical solutions companies could do that could closely link to their business. He shared concrete examples of workable programmes between international corporate giants and his organisation and how the partnerships would create value both for the companies and the beneficiaries.

Again, the forces for good were aligned and soon after, Sejahtera was launched. Today, Sejahtera has supported 6,458 families predominantly in the states of Kelantan, Pahang, Sabah and Sarawak, and provided them with opportunities to have access to a better life for themselves and their families. The families now enjoy better income, seeing an average improvement of about RM800 per month. It was humbling to see the families gain financial independence and move from having very little resources for themselves to now owning thriving micro-enterprises and also employing other low income communities in their businesses.

The Story of Erwan Manda

In 2012 Erwan joined the Sejahtera Community Development Programme in Pitas, Sabah as one of the participants in the Video Participatory Project alongside 20 other youths from 3 villages in Pitas. He was trained on photography and videography and soon showed good leadership and teamwork capabilities, especially when completing group tasks. His talent was recognised by Sejahtera's team and he was offered to join Sejahtera as a Project Assistant, monitoring the progress of the sustainable livelihood projects as well as acting as a community mobiliser. He has now been with Sejahtera for almost 3 years, and has since been able to support his mother and sister financially, especially during his sister's academic years in UTM Arau, Perlis. Today, Erwan is proud to say that his sister has graduated and is a young engineer in Shah Alam, and that he played a big part in enabling his family break out of their poverty trap.

There were two other initiatives launched under the Silver Book that deserve a mention.

Graduate Employability Management Scheme (GEMS)

The burgeoning problem of unemployed graduates who faced limited opportunities for employment put the network into action once again. The programme was designed to



build soft skills and arm these graduates with practical “ready-for-work” experiences. The participants were given training and internship opportunities in the G20, other companies and government agencies. With active participation of the G20 and companies supporting the programme, GEMS today have trained a total of 15,000 graduates with almost 90% of them securing employment.

GLC Disaster Relief Network (GDRN)

The G20 also got together to respond to the unprecedented floods in the East Coast in 2014. Collectively, the G20 contributed relief items and in kind services to facilitate relief operations, support rebuilding and recovery efforts, rehabilitate schools, conduct clean-up operations, rebuild homes and provide livelihood opportunities to help families affected to gain back their footing. The GLC Disaster Relief Network (GDRN) helped 25,000 families and contributed a total of RM45.4 million, both cash and in kind towards the flood relief efforts.

We celebrate our successes... but really, we’ve only just begun...

Since the launch of the Silver Book and the implementation of various national level initiatives, the GLICs as well as the GLCs have paved their own paths and reached important milestones in this journey. On a strategic front, the recently launched FTSE4Good Bursa Malaysia (F4GBM) Index with a focus on environment, social and governance (ESG), was a significant milestone to push the sustainability agenda forward. At the launch, nine GLCs out of a total 24 companies were listed on the Index.

GLICs and GLCs have a clear strategy and CR/Sustainability mandates that are well aligned with the corporate strategy and objectives. They have also issued independent CR and/or Sustainability reports, based on international reporting frameworks and best practices. Through their CR/Sustainability programmes, many have achieved milestones that we can all be proud of and more importantly have been meaningful contributions to the beneficiaries.

Some of the GLICs and GLCs have taken their commitment a step further with the creation of corporate Foundations. These foundations have longer term aspirations and stronger commitment to programmes of national importance, while staying true to their corporate objectives. For example, Yayasan Hasanah (Hasanah), a corporate foundation by Khazanah Nasional Berhad, was created, based on an endowment model, as an enhanced and more strategic approach to value distribution. While Khazanah has been involved in CR initiatives since 2006, the establishment of Hasanah marks a new chapter in Khazanah’s institutionalisation and on-going transformation. Hasanah positions itself as an impact-driven organisation that envisions a globally sustainable Malaysia with empowered communities, an inclusive society, and well-managed local environments.



Reflections : 4 things about what we did with the Silver Book.

Lesson #1:

If you want to go fast go alone, if you want to go far, go together
-African proverb

A very wise and dynamic person shared this proverb with me many years ago and it proved to be true in most of what we had done with the Silver Book fraternity and the national initiatives we worked on.

We created a burning platform and defined a common vision. Building alliances with like-minded individuals and linking what we needed to do presented some challenges; we needed to understand the motivations and benefits of coming together and then communicate a compelling story. At the end it was more a matter of aligning the individual's values to the company's expectations and finding that point where both could converge.

Lesson # 2 : Do the right things, focus on what's important

When we began this journey, there were a lot of distractions. Everything became important, every social or environmental cause needed attention. Demands poured and the flood gates were opened. It was a fine balance of knowing when to say no and when to see opportunities. Blocking out the noise was an art that we had to acquire and putting in the discipline to be focused was critical.

Lesson # 3 : Accepting failure is one way to achieve something

We knew there will be times where we will fail. The programmes had as much a chance to succeed as it would to fail. We did fail, in the beginning, to get the right support, to have the right blend of programmes, to fix the measurements and to report. Truth be told, it was a discovery. We were learning as we went along and making mistakes helped us to improve and do better. So, accept that failure will happen, but what matters is how we learn from it and move on.

Lesson # 4 : Listen to opposing views but have your own resolve and remain steadfast

Not everyone supported the ideals we were espousing. Many thought it was not the role of the G20 or any companies for that matter, to be involved or be responsible for addressing societal problems. As long as companies operate within the law, that was deemed to be enough. Why are companies required to do more? It was not easy to convince those who had made up their minds about the separate roles of businesses and Government. The harshest of critics came from everywhere, even within the organisation, sometimes overt, most times covert. While we



took pains to bring them along to persuade, appeal and reason, some remained unshakeable and rigid with their views. Hence, we soon realised it was futile to convince otherwise. We just had to demonstrate and carry on. The lesson from this was to let the critics have their views, all that was needed was to do the right thing. The results will speak for itself. And indeed, in the end it did.

Is this the end? Where do we go from here?

What now for the G20? How will the principles of good governance and corporate citizenship be sustained? Would all these changes make a lasting impact moving forward?

On the global stage, the MDGs ends in 2015. The global community now prepares to move into a new phase with a promise based on the much anticipated Sustainable Development Goals (SDGs). SDGs will be introduced in the form of 17 Sustainable Development Goals (sustainabledevelopment.un.org) documented in the UN reports, *The World We Want : A Future for All* and *The Universal Sustainable Development Goals*.

Achieving shared values and balancing this with the companies' roles in society is at best, a work in progress and is constantly evolving. The world has changed since 2006, G20 have greater responsibility to deliver not only on its bottom line but towards the triple bottom line. Aligning the 3Ps of People, Planet and Profits in a healthy balance. Ensuring sustainability, is no longer a vague concept to only think about. It is already here, embrace it or be left behind.



Permodalan Nasional Berhad (PNB) – Reflections on a 37-Year Journey



TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN
Chief Executive Officer of Permodalan Nasional Berhad (PNB)



"It's about people. The money we are handling is all the people's money."

Those words were first said to me by the first Chairman of PNB, the late Tun Ismail Mohamed Ali, more than three decades ago. Since then, the same message has continued to be reinforced time and time again by our current Chairman, Tun Ahmad Sarji Abdul Hamid. Now, as I look back upon PNB's journey over the past 37 years, including the last ten as part of the GLC Transformation (GLCT) Programme, it's those very words which, for me, resonate most of all – all of us at PNB have tried our best to live by those words, and they explain, more than anything else, what we have been doing all this while.

Over the last 34 years since the launch of PNB's first unit trust fund in 1981, we have intersected with the lives of millions of Malaysians. Our unit holders are a varied lot, coming from all walks of life, and they all have their own stories to tell about the difference that their investment has made in their lives, in ways both big and small. Some have diligently invested with us since their early working days, and are now leading a comfortable retirement with the funds painstakingly built up over the years. Some have used their investments as a much-needed lifeline in difficult times, helping to tide things over in emergencies, when every last bit of spare cash counts. Some have saved up for their children's education – and their grateful children, in turn, have become unit holders themselves, the investing habit successfully passed down to a new generation. Some have been able to finally afford buying a house, whilst others have built up capital to start their own businesses. Some have seen their investments pay for a myriad of necessities and luxuries alike otherwise out of their reach - weddings, the *umrah* and haj, surgeries, even holidays.

The one common thread that runs through all these individuals is none other than trust. Each and every one of our unit holders has chosen to invest in our unit trust funds, trusting that we will do justice to their efforts and sacrifices in putting aside money for the future. For many



unit holders, their entire life savings, outside of haj funds and mandatory retirement savings, may well have been entrusted to PNB. It is therefore in recognition of this sacred trust that PNB has endeavoured over the last three and a half decades to fulfill its fiduciary responsibility to the unit holders.

Looking back, it seems scarcely imaginable that today, PNB would be managing more than 12 million unit trust accounts, representing more than 200 million units in circulation. When I first joined PNB in 1979, everyone in this fledgling organisation, then not much over a year old, knew what a daunting task laid ahead of us. Previous attempts at increasing Bumiputera equity ownership had floundered upon the problem of getting Bumiputera individuals to retain the shares allocated to them for long-term investment, rather than selling them off for a quick profit. Hence, PNB's founders seized upon the novel solution of mobilising Bumiputera savings through a unit trust scheme – this would solve the problem as only the units of the fund would be traded, whilst ownership of the underlying equities would remain in the unit trust scheme.

Yet, one can hardly overstate the magnitude of the challenge then. The Bumiputera community had little experience with equity investments – for the few Bumiputera fortunate enough to have been able to build up capital, investing in land was by far the preferred choice, whilst for the majority, savings were a scarcely imaginable luxury. The importance of investing for the future had to be impressed upon a society with a relatively low level of financial literacy and educational attainment, who had good reason to be sceptical of a new product based on an alien concept, championed by an untested entity, with no track record to speak of.

Given this state of affairs, it was clear that if this new vehicle was to succeed, considerable innovation and imagination would be needed. It was decided that this new unit trust scheme, which would go under the name of Skim Amanah Saham Nasional (ASN), would need to straddle two worlds – it was to be a hybrid between the security of a deposit-based savings account, and the attractive returns of an investment-based unit trust. The starting point was the fixed trading price of RM1.00 – it was imperative that investors could be confident that they could get back every cent of what they put into ASN. Then came the importance of, as they say, proving the pudding through its eating – true confidence would only materialise when people could clearly see that PNB was able to offer a highly competitive rate of return. On-the-spot redemption – the ability to withdraw their funds immediately, without the usual waiting period – also gave unit holders both peace of mind and the necessary flexibility to manage their finances, providing comfort to households with little capital to speak of, where the cycle of investments and withdrawals was part and parcel of eking out a living. At the same time, to open up opportunities for investment as much as possible, people could start investing in ASN with as little as RM10, and in those initial years, that RM10 investment was even enhanced by an RM90 loan from PNB, so as to allow unit holders to build up their capital more quickly.



Alhamdulillah, by the end of 1981, in just eight months, more than 800,000 Bumiputera had become unit holders of ASN, with more than 500 million units in circulation. And since then, we have continued to build upon that initial success, step by step, fund by fund, humbled by the continuing willingness of the *rakyat*, particularly the Bumiputera community, to entrust their savings to PNB's care.

Once the *rakyat* had entrusted their savings to us, the question then arose: What do we do with this money? Given PNB's mandate of enhancing Bumiputera corporate equity, the unit trust funds therefore invested in carefully selected companies with sound financials, solid management and good growth potential. It was imperative that the value of unit holders' investments was not only preserved, but enhanced from year to year, generating competitive returns which would not only serve to enhance the confidence of the *rakyat* in PNB's unit trusts, but would also crucially contribute to the accumulation of financial assets by this historically socio-economically disadvantaged section of Malaysian society. The companies to be invested in therefore needed to demonstrate growth in profitability and hence market value, as well as the ability to pay out generous dividends on a consistent and sustainable basis, which could then be channelled back to the ultimate beneficiaries, the unit holders.

From the outset, given these intrinsically difficult demands, PNB had realised that a purely passive investment approach would be insufficient to meet the needs of the unit holders. Hence, PNB and its unit trust funds acquired substantial stakes in certain companies of particular distinction, which would become the strategic pillars of the investment portfolio. PNB's long-term investment horizon enabled us to take the long view, weathering temporary market movements in order to patiently wait for the fundamental value of the companies to emerge stronger than ever. Recognising the importance of leadership, PNB sought to nominate a range of immensely talented and experienced individuals of the highest calibre to the Boards of the investee companies. These directors would then be able to provide effective oversight as well as valuable guidance for management, and would be able to steer the strategic direction of their companies in a manner which would best serve the interests of not only their immediate shareholders, but more importantly, the millions of unit holders whose investments were intimately linked with the performance of these companies.

In this way, PNB was not only able to preserve and further enhance the value of the people's money entrusted to us, but could also generate consistent returns for the unit holders. Part of PNB's mandate has been to ensure that the nation's corporate wealth is shared as broadly as possible, and PNB has therefore distributed around RM130 billion to unit holders since 1981. It is this income distribution, as seen above, that has rewarded the patience and perseverance of our unit holders in investing their money with us, and has enabled them to pursue their respective investment goals.



Against this backdrop, PNB saw and welcomed the GLCT Programme as a natural extension of what PNB has been doing with its strategic companies over the years, and our experience over the past ten years have borne this out, as the initiatives of the GLCT Programme have dovetailed synergistically with PNB's own aspirations and goals for the PNB companies involved – Chemical Company of Malaysia Berhad, Malayan Banking Berhad, Sime Darby Berhad (which merged the original Sime Darby with the other two companies originally involved in the GLCT Programme as well, namely, Golden Hope Plantations Berhad and Kumpulan Guthrie Berhad), and UMW Holdings Berhad. The recommendations of the Green Book, for instance, on enhancing Board effectiveness, have reflected PNB's own continuing interest in optimising Board composition and rationalising Board remuneration. Similarly, the recommendations of the Orange Book on strengthening leadership development, such as improvements in performance tracking and developing internal talent, have been welcomed by PNB as an evolution in the human capital processes of its strategic investee companies.

It is of fundamental importance to bear in mind that the achievements of the GLCT Programme must not be seen as merely ends in themselves, but should instead always be considered in the context of the people – the ultimate beneficiaries of these improvements. Total shareholder return (TSR) is not just an abstract metric – for PNB's investee companies, TSR has real and tangible implications in terms of the realised gains and dividends that the companies can contribute to PNB's unit trust funds, and therefore the income that can be distributed to unit holders. And I believe the same equally applies to the depositors of Lembaga Tabung Haji (LTH) as well as the contributors of the Employees Provident Fund Board (EPF) and Lembaga Tabung Angkatan Tentera (LTAT). By improving the financial performance and growth prospects of their investee companies, GLICs are thus working to maximise the returns on the money entrusted to them by the people.

In this light, where challenges have arisen and missteps have been made along the way over the past ten years, therefore, I see the root cause of this as a failure on the part of the individuals involved to truly internalise and live up to their solemn responsibilities to the people, as trustees, in the wider sense of the word, of 'the people's money.' If we live by the principle that our duty is to the people, there should be no question of bypassing proper corporate governance, taking on unjustifiable risks, or worst of all, misfeasance and abuse of position for personal gain. Equally, there should be no excuse for under-performance or a lackadaisical attitude to work – when our profits directly translate into tangible returns for the people, which can then have a transformative force in the lives of these ordinary folk, everyone should be utterly focused on maximising value. Those of us who work for GLICs and GLCs may not be civil servants or public officials in the technical sense, but we do serve the people, and that essential fact demands utter, unimpeachable integrity and commitment.



As we turn to the final years leading up to 2020 and beyond, I feel an overwhelming gratitude that by the grace and mercy of *Allah* SWT, PNB has been able to achieve what it has thus far for its unit holders, and has been able to play some small part in enabling the *rakyat* to share in the nation's corporate wealth. Yet, we cannot afford to be complacent and merely rest on our laurels, for the work is far from done.

In 2014, a number of publications – the Malaysia Human Development Report 2013, Khazanah Research Institute's The State of Households Report, and Dr. Muhammad Abdul Khalid's book, "The Colour of Inequality" – had all cast some sobering light on the significant socio-economic inequalities that continue to plague our society. The fact that the underprivileged continue to face immense difficulty in accumulating financial assets, penetrating the circles of higher-income employment, and generally achieving upward social mobility must be a wake-up call to us all. It is no accident that the 11th Malaysia Plan, which charts the final leg of our journey towards Vision 2020, places uplifting the bottom 40% of households and Bumiputera Economic Empowerment at the heart of the national agenda for these remaining five years.

If we are to make serious strides towards addressing these inequalities, I believe, firstly, that we have a lot to learn from the ethos of social entrepreneurship. I have long seen PNB as a social enterprise – operating commercially and generating profits which are to be channeled back to the people, creating meaningful social impacts that can generate ripples of change through society – and I believe the same philosophy equally applies to all GLICs and GLCs as well. Social entrepreneurship is often described as going beyond giving people fish, or even teaching them how to fish – metaphorically speaking, we must go further still and revolutionise the fishing industry itself! And in the same vein, we must go back to our mandate for the *rakyat*, and never cease to be profoundly ambitious about our aims and aspirations for the betterment of Malaysia.

For me, if we go back to the principle that GLICs and GLCs exist to serve the people, and to enable all Malaysians to share in the ownership of the nation's corporate wealth, then we must continue to further democratise equity ownership. A critical part of this effort must be to create a financially literate society with a thorough understanding of financial planning and investments. People always seem to say, "How can the poor invest if they don't have any money?" Our experience, however, proves otherwise. Lower-income households, when armed with the right tools, knowledge and insight, will often leap for the opportunity to create a better life for themselves and their children.

This is exactly why PNB has expended so much effort in providing holistic, integrated investment education for the masses. In the early years, we went into small towns and kampung,



going up rivers and trekking through jungles to reach the more inaccessible portions of the remote interior, in order to spread awareness of our products and general principles of saving and investing. Today, the country's physical infrastructure may have improved by leaps and bounds, but far too many people still lack knowledge of financial planning, resulting in a lifetime of financial difficulty. Sadly, this lacunae is particularly evident amongst those from lower-income households, further trapping them in the vicious cycle of poverty.

It was to meet this need that PNB introduced Seminar Pelaburan 360 Hari 1Malaysia (360 Days 1Malaysia Investment Seminar) in 2008, which has reached more than 380,000 participants to date. This programme is based on a unique concept – providing free seminars for participants from all walks of life, across all states and districts of the nation, every single day of the year (including public holidays). In designing the modules, we have endeavoured to cover the full financial planning cycle – from education and career planning as well as managing finances and cashflow, to building up funds for the children's education and one's own retirement, and estate and inheritance planning. By imparting a full understanding and appreciation for the core concept of risk and return, the basics of investing, and the principles of budgeting and planning, we hope that participants will be empowered with the right tools to unlock a lifetime of financial agility. In order to further enhance the quality of the programme and the value-add for participants, the syllabus has been developed in collaboration with the Securities Industry Development Centre (SIDC). Aside from the Seminar, PNB had also introduced Kuiz Pelaburan PNB (PNB Investment Quiz) and Kelab Pelaburan Bijak (PNB Smart Investment Club), as well as our annual flagship financial education event, Minggu Saham Amanah Malaysia (Malaysia Unit Trust Week, which has reached more than 3.1 million visitors across 14 states since 2000.

Going forward, however, we must work together to do more. In a time when rising household debt, worrying levels of bankruptcy, particularly amongst the youth, and the insufficiency of retirement savings are all very real concerns, financial literacy is more important than ever. EPF, LTH, LTAT and PNB all have direct stakeholders from amongst the *rakyat* – be they depositors, contributors or unit holders – for whom education in financial planning and investing wisely must be a top priority.

Above and beyond this, I believe that we have to always remind ourselves that, as I was first taught more than three decades ago, what we do, as GLICs and GLCs, is all about people. That all of us involved - directors, management, employees and shareholders alike - bear a sacred trust from the *rakyat*, one that requires nothing less than the highest standards of probity and integrity in the way we carry out business and discharge our responsibilities. That all these lofty financial metrics by which we measure our performance – profitability, efficiency, Total Shareholder Return (TSR), value creation – are more than just numbers, but translate into tangible returns



for millions of individuals which depend on us doing our jobs to the best of our ability. And that if we take seriously our roles as stewards and custodians of the *rakyat's* wealth, and work sincerely to safeguard and enhance value, we have the potential to transform the lives of ordinary Malaysians in a truly profound way, by the grace of God. *Insha Allah.*

5

A Steeper Incline: The Last Leg to 2020

Building Organisational Resilience: Why We Must Sustain the Momentum <i>Datuk Dr. Hamzah Kassim</i>	239
GLC Transformation: A Job Well Done, So it's Now Time for a "GLIC Transformation"? <i>Dato' Seri Johan Raslan</i>	249
"Execute Before You are Executed" - A Journalist Reminisces and Shares His Thoughts About the GLC Transformation Programme <i>En. P. Gunasegaram</i>	257
The GLCT Story: Of GLICs Rather than GLCs <i>Dr. Nungsari Ahmad Radhi</i>	265





Building Organisational Resilience: Why We Must Sustain the Momentum



DATUK DR. HAMZAH KASSIM

Group Chief Executive Officer and Co-Founder of The LA Group



Government-Linked Companies (GLCs) are socio-economic creatures with the given mandate to spearhead economic progress and develop the society's well-being. It is no wonder that as society and economic landscapes change, so too the need for GLCs to transform in order to remain relevant and true to their purpose. Business transformation is often practiced as a reactionary cause to respond to crises that threaten to undermine the performance and competitiveness of a company. However, in this day and age of the "new normal", factors of crises are continually amplified by increasingly globalised economic structures. This requires organisations to constantly adapt to changes, reinforcing the cycle of transformation. What is more critical to an organisation is the ability to build the right capacity and capability to manage change, to respond to economic uncertainties effectively by maintaining the right momentum to develop as well as to sustain organisational resilience to crises.

Not all transformation initiatives are reactionary in nature. Within the last decade, most GLCs had gone through some form of business transformation due to the growing complexities of a competitive market and the changing economic landscape. Owing to the principle of continuous development, organisations will need to strive to apply best practices in new processes and governance, to enhance human capital capabilities and to implement large-scale technological transformations to stay ahead of the herd. Many GLCs have undoubtedly embraced these practices partly in the effort of maintaining long-term corporate effectiveness. More importantly, GLCs are entrusted to bring about prosperous outcomes for both internal shareholders and external stakeholders. This may mean striving for a reputable regional presence and adopting exemplary corporate practices emulated by other firms, either domestically or internationally. In the next phase of transformation, the organisational maturity of GLCs should be benchmarked against multinational corporations who champion expertise and organisational prowess. We have



seen regional expansion among selected GLCs in the telecommunication and banking sectors, and the challenge is to scale up sufficiently to take advantage of the rapid growth in the Asian market. Before one embarks on such a project however, one must ask: how sophisticated are our GLCs' organisational capabilities to innovate and to compete in regional and global markets? Are best practices embedded in their corporate DNA? Do stakeholders reap benefits from their organisational growth and development? All of this boils down to accelerating organisational development, reducing bureaucracy and adopting a strategy of sustainable competitiveness as part of the natural cycle.

My experience tells me that the transformations of GLCs which are designed to improve organisational performance often do not lead to observable outcomes for its stakeholders, particularly for those outside the organisation. The aims of such transformations were not explicitly made most of the time, leaving the intended benefits as broad statements on socio-economic outcome. The prevailing trend for transformation emphasises measureable developments such as market capitalisation, financial health and brand value as clear targets. The question on the translation of these transformation efforts to benefits for external stakeholders and the general public remains debatable.

Organisational and business transformation is a never-ending journey, particularly in the "new normal." Each transformational effort should show how it can benefit the society at large, similar to GLCs who face the perpetual challenge of balancing social and commercial goals. Juggling these competing priorities can be a difficult task for GLCs, who have a large number of stakeholders and are exposed to intense public scrutiny. Even when there are genuine strategies and policies which benefit external stakeholders, the implementation of an ad-hoc and ill-defined transformation framework could very well undermine the whole transformation initiative, often leading to muted outcomes.

Another aspect that should be noted is time and the inevitable transformation cycle. Naturally, an organisation that is unable to institutionalise its transformation practices and sustain such changes would be bound to repeat the whole learning process. There will be a time when an organisation would come under immense stress to respond to new challenges and opportunities, or perish instead. When transformation is not ingrained and institutionalised at the organisational level, it will often lead to change not being fully achieved. The question therefore is, "How can organisational transformations yield timely and sustained results that create market value, thus benefitting society at large?"

I believe this to be the fundamental purpose of transformation; hence the vision for change should be well-established along the principles that govern the process of change and organisational development.



The first principle is seeing transformation initiatives as “raising the bar.” This entails a continuous need for organisations to upgrade their internal capabilities, to acquire skilled talent and to dedicate resources to prepare for the next cycle of change. Secondly, organisations should anticipate the disruption brought by transformation and seek to embed best practices and customisable methodologies in enhancing its institutional memory, thus ensuring a sustained momentum for organisational development. Finally, it is apparent that any transformation initiative would succumb to failure without support from the top. In the context of prolonging transformation outcomes, leaders must be the backbone in driving change in culture and mindsets, as well as be the catalyst for developing a network of change agents.

Based on my extensive experience in the public sector and GLC transformations, it is evident that transformation remains a herculean task when various components for change are not well established. The experiences that I would like to relate are reflective of the practices and challenges faced in large-scale transformations. In other words, these are testaments from employees, stakeholders and facilitators in implementing change. These are lessons learnt that should be captured in future transformation phases of GLCs in order to scale up and compete in the global market.

Principle 1 – Building distinct capabilities

My previous involvements with GLCs generally exposed their under-preparedness to embark on the transformation process. This is particularly acute in the process of acquiring the set of talents and resources that could be assigned exclusively to the task of implementing change. The process of implementing transformation requires a dedicated team with the right skills. My biggest challenge remains to convince senior management to form dedicated transformation teams that could effectively navigate through the turbulence of changing business models and business processes, and that have the ability to make tough decisions.

Good talent is scarce, and scarcer still in those leading transformation. Even when there are groups of experts and capable people seconded to transformation projects, it is quite common for business-as-usual (BAU) tasks to interfere with new responsibilities. It is quite rare for organisations to anticipate this kind of obstacles before embarking on transformation. Proponents of multi-functioning employees argue that it is costlier to hire a dedicated resource that can ONLY perform transformation work. Internal staff are highly encouraged to be utilised in transformation work, as the organisation can leverage on existing skills as well as equip these staff with a new set of valuable competencies. While a valid assumption, the underestimation of the complexity of transformation can weaken such assumptions. This is particularly true when transformation is treated as an ad-hoc and one-off process.

On the contrary, transformation should be seen as an embedded process in the development of an organisation and its people. It includes the process of assessing the current state of



the organisation, followed by the formulation of best solutions to remedy gaps. The deployment of the right strategy and multi-competent resources with insights from previous transformation work to execute the project then completes it. As stated earlier, these tasks cannot not be performed entirely by those entrenched in business-as-usual processes, especially during the more challenging phases of transformation. Doing so would surely dilute the desired goals entrusted in the transformation effort. Managing resources can be tough. I myself would not deny that in running a consulting firm, sourcing for talent and expertise tailored to deliver transformation may require looking beyond the Malaysian market. At the same time, senior leadership would traditionally be reluctant to release their best talents for transformation projects. Here, office politics can sometimes compromise the effectiveness of change by holding back capable employees from such projects .

Of course, this does not imply that those entrusted with transformation projects should possess super-human qualities. What really matters is the ability for an organisation to carve out a separate team with distinct sets of competencies, thus acknowledging the complexities of change. This may involve a team without bureaucratic baggage and with little interest in defending the “old ways” of doing things, with exceptional skills in project management, change management and communication strategy. All of these would add value to the organisation in the long run. The banking and financial industry is accustomed to this, due to the industry’s unwillingness to disrupt their day-to-day business operations with valuable clients when dealing with transformation initiatives.

It is also evident that going through change would require employees to adapt to a steep learning curve, sometimes in a completely new field. My observation of implementing technology transformation in many companies in Malaysia is the underestimation of the sophistication of the proposed technological solution, followed by a grave mismatch of skills for those involved in operating the new technology. A typical example is the roll out of enterprise resource planning (ERP) solutions, most of which are only partially implemented due to limited management capabilities and the inability to envision possible spillover effects of a fully utilised technological roll-out. As a result, most technological transformation will not bring about the desired outcome, thus severely affecting the return on investment of the technology.

These anecdotes essentially boil down to the need to establish some form of resource division, with clear job scopes and competencies to manage and implement transformation initiatives. Transformation efforts should be well-synergised throughout the organisation to ensure knowledge transfer, provision of constructive feedback and uncompromised focus and dedication to achieve the desired outcomes. Having dedicated resources and change leaders to manage transformation also helps to build collective ownership. It is therefore important that clear roles and responsibilities should be established, accompanied by additional incentives that



could encourage collaboration and partnership between the transformation division with those tasked with BAU work.

Principle 2 – Best practices, methodology and sequencing

Prevailing consulting practices in Malaysia were inherited from a century old Anglo-Saxon model, offering a general one-size-fits-all solution, particularly in management. This practice has been applied to large-scale transformation in both public and the private sectors, usually with minimal customisation or adaptation to the client's situation. The result is an unrefined and often abrasive process of change with weak organisational buy-in. After all, no single strategy will lead to success; rather, each company must find the right combination of strategies and execute them effectively.

Organisations focusing on building and sustaining their own methods for transformation are those that can create value to both its employees (through skill development) as well as to their stakeholders (by responding to their needs effectively). This is why best practices involved in successful transformation initiatives should be kept and modified accordingly to match organisational aspirations and the future need for reforms. A context-centric framework of best practices therefore, should reflect the characteristics of the organisation such as its people, processes and technology.

The fact of the matter is that business process reengineering, organisational alignment and change management are not alien concepts to GLCs. Some GLCs may have even designed unique formulae and methods to improve performance as well as to meet the needs of stakeholders. The emphasis here is for organisations to form and curate their own best practices built from previous cycles of transformation. Past experiences encapsulate valuable lessons in identifying common pitfalls, anticipating risks and moulding institutional culture to ensure long term value creation. In order to achieve this, organisations must define a clear, well-articulated change strategy and strengthen its knowledge management to “house” the best practices of implementing transformation. This is as oppose to relying on a single individual or on external experts to lead change.

Once an organisation had collected an inventory of customisable best practices, it is crucial to prioritise these practices in application. The need to sequence strategies and the deployment of the right combination of change practices is integral. Rather than go with a “big bang” approach on transformation, large organisations should be aware that various departments and divisions would have different degrees of maturity and readiness to change. These variations only make implementation trickier, especially when change is not communicated effectively. Interestingly, the most common pitfall of organisations embarking on transformation is to overlook the possible consequences of change on its external stakeholders. The thoroughness in executing change relies on organisational best practices that are validated by the level of benefits or value



it brings to the stakeholders. More importantly, it involves communicating change to peripheral beneficiaries and acquiring feedback to further improve the transformation process.

Take for example one of our engagements with an organisation that had an extensive range of stakeholders scattered across the nation. The organisation was unable to communicate its vision of change effectively and inform the beneficiaries of their expected rewards. The transformation effort in this context was unreciprocated, with the employees within the organisation struggling to implement change without reaching a satisfactory outcome. The stakeholders and beneficiaries on the other hand, were left in the dark as to how the transformation was to affect them. One of my team members noted this predicament when investigating the problem. She met a beneficiary in order to understand the costs and benefits of the programme. Ultimately, beneficiaries are asked “What changes were brought by the transformation effort? How will it affect your life? And would you be better or worse-off?”

The beneficiary’s reply was not at all surprising; she claimed that not only did she feel detached from the organisation, she was not even aware of the programme and how it could benefit her and her family. Here, the principle of cost benefit analysis is thrown into stark relief; any individual could weigh their advantages and disadvantages to perceive their own position in the change equation. As the team investigated further, it was clear that the goodwill intended by the organisation’s top management did not materialise successfully due to weak communication and change management practices. The vision for change was therefore compromised.

This anecdote shows that communicating change is a KEY part of enforcing a positive feedback loop. The scale of change in this case was large, and thus called for a more sophisticated and comprehensive communication strategy. Empowering change agents and investing in effective media communication are some of the solutions to kick-start transformation, as they convey the vision to stakeholders. This will also lead to a more transparent change initiative which is open to review by stakeholders, allowing more room to improvise.

Principle 3 – Aligned leadership, coalition of change network and long term perspectives

The success and failure of transformation is fundamentally decided by the people, particularly those involved in championing the cause for change. Since GLCs are run by people and not robots, it is only sensible for the people involved in transformation plans to be aligned with the vision. Leaders in particular, should comprehend the complexity that transformation entails. However, they should be convinced that the benefits of transformation would outweigh the challenges. Explicit and informative standard operating procedures (SOPs) alone would be insufficient to mobilise people without deliberate intervention in changing mindset and behaviour.



Large-scale redesign is no different from any other organisational transformation; for a new design to work, significant changes in organisational culture and processes are required. Organisations should take time to identify and address these anticipated changes as early as possible. The customary practice of implementing change from a top-down structure is becoming increasingly obsolete, especially when leaders are perceived as an independent actor exempted from the process of change itself. This could lead to a collapse in confidence in the whole transformation process, undermining the motivation and effort to implement and internalise change. At the same time, it is true that not all transformation initiatives are received warmly. Resistance to change is a ubiquitous feature in all organisations.

One must understand the nature of transformation to understand recurring obstacles that impede organisational reform. A familiar example would be the prevalence of a corporate culture that conceals the weaknesses and faults of superiors until a crisis happens. This happens everywhere, and often leads to a false impression that transformation is not needed; and if it does, would only undermine the leadership and invite a torrent of bad press. For an organisation to mature and adapt to global professional practices, it needs to get rid of the blame game that is an impediment to organisational development. In order for this to happen, leaders must first see transformation as part of a natural growth cycle for organisations. Only by understanding this can a leader be emancipated from his or her insecurities and embrace change whole-heartedly.

A leader must communicate with and convince all stakeholders at the beginning of the transformation process, and reappear at the end to share the triumph of the intended change. A change or absence of leaders during the transformation process can greatly undermine the initiative. Hence, it is important for organisations to develop a network of change leaders as well as to have solid succession planning. This includes a senior team to look beyond technical developments and focus on helping the organisation's leaders to collaborate with those involved with transformation. A network of change leaders is also important as transformation cannot be carried out in organisational silos. With organisational best practices of change management and a communication strategy in place, change leaders should utilise these practices to ensure that the aspiration and motivation for change is replicated effectively throughout the organisation.

In any transformation initiative, the long-term resilience of an organisation relies on the ability of leaders to build capabilities, to invoke a change in mindsets or culture and to commit to continuous improvement. In other words, these abilities are key to driving momentum for organisational growth and development. We are beginning to see Malaysian firms embarking on large scale leadership development projects as part of an organisational readiness programme before commencing their transformation journeys.



Hopes and future challenges

I cannot stress more that all these elements must be in place for an organisation to have a successful transformation process and to be capable of managing change. It is highly beneficial for organisations to anticipate change and to prepare well beforehand. More importantly, organisations should acknowledge the need for transformation and to pursue this need boldly. Our GLCs could be behemoths in the domestic market, but may still fall short in terms of the capability to innovate and compete in the global market.

We have embarked on this long journey and have achieved remarkable success. Yet moving forward, the journey will be significantly difficult as we strive to ensure that GLCs expand and create more high quality jobs as part of achieving the vision of the New Economic Model (NEM). GLCs must eventually compete with the new generation of global state enterprises emerging out of China and other parts of this region. This is a time of enormous opportunities for the leaders of GLCs to prepare for the next wave of transformation. This may include making the tough calls of exiting certain business segments, and revisiting legacy organisational configuration. It is also important that an organisation's agility and adaptability should be pervasive at all levels of the organisation.

We must sustain the progress achieved in our good governance, strong talent pool and improved competitiveness. However, the biggest threat that I have seen in many consulting assignments is the reversion of an organisation to its old ways of poor governance and management practices, thus losing the gains from its transformation. It is safe to say that GLCs are one of the safest bets for Malaysians to scale up towards having a global presence and working towards being industry leaders. At the same time, GLCs are drivers for economic growth and job creation. As we move towards a consumer-based knowledge economy, we will rely less on foreign direct investments as an engine of growth. GLCs must therefore be prepared for a renewed role in catalysing innovation and anticipating emerging trends in order to mobilise economic resources efficiently to capitalise on new technologies and economic frontiers.





GLC Transformation: A Job Well Done, So it's Now Time for a “GLIC Transformation”?



DATO' SERI JOHAN RASLAN

*Senior Adviser and Member of the Board of Directors of AMMB Holdings Berhad (AmBank Group)
Former Executive Chairman of PricewaterhouseCoopers Malaysia (PwC) (2004-2012)*



Introduction

Each one of us likes to think we are an objective observer, free of bias. However, when it comes to opinions of Government-Linked Companies (GLCs), there are very few unbiased observers.

I first came into contact with the GLC community when I was already a partner in an advisory and accountancy firm. I had worked overseas for much of my career, in a country where GLCs do not exist. I therefore was not pro-GLC, but I viewed them as a fact of Malaysian life.

In time, I was fortunate to get to know members of the GLC community, mainly some of the top managers, through my work as an auditor and adviser. Later, when the Putrajaya Committee on GLC High Performance (PCG) launched its GLC Transformation (GLCT) Programme at the Kuala Lumpur Convention Centre in 2005, I became very enthusiastic about the GLCT Programme.

I remain enthusiastic today, and I believe the largest GLCs have indeed been largely transformed, for the betterment of all Malaysians.

But now that the dust of the transformation period has settled, I realise that big issues remain. If we do not address these issues, I am concerned that many of the gains made will be at risk. Of these, I classify one as paramount. This is the thesis I will discuss in this short article.

The main GLCs have been transformed

To set the scene, it would be good to start by mentioning my three picks for the most important successes to come out of the GLCT Programme thus far:



1. Great improvements in Corporate Governance

Corporate Governance (CG) in the main GLCs has improved a lot, in some cases beyond all recognition. The GLCs have taken to CG with gusto, and are now among the leading companies in Malaysia when it comes to the adoption of CG best practices.

To give credit where it is due, the Securities Commission of Malaysia was a prime mover in this area by introducing the 1999 Malaysian Code on Corporate Governance (MCCG) and for pushing the CG agenda with firmness. Bank Negara did the same with the banks and insurers. Bursa Malaysia played its part by incorporating CG in its rules. However, it was the PCG’s “Green Book” on Enhancing Board Effectiveness which resulted in GLCs becoming Corporate Governance standard-bearers in Malaysia.

The boardrooms of GLCs are now dynamic places, filled with critical, questioning professionals. As a success, this was nothing short of stunning.

2. GLCs have become magnets for the best talent

GLCs have become great places to work. Without meaning to disrespect the GLCs of the pre-Transformation era, it has to be said that they had difficulty attracting the best talent.

Companies need great talent if they are going to compete successfully, especially in the globalised world we find ourselves in. Pre-Transformation, non-GLC employers could count on recruiting a stream of “runaways” from GLCs, including a great many scholarship recipients. After transformation, this changed dramatically.

Post-Transformation, however, I have attended recruitment fairs in London and Australia and have found myself having to fight hard to recruit the best graduates against stiff competition from GLCs. GLC recruiters themselves are often among the best in the business.

Talent from all ethnicities is now attracted to the GLCs. A 180-degree shift has occurred. Again, job (largely) done.

3. GLC CEOs are now among the best-in-class

Today’s GLCs leaders are comfortable doing business across borders. The C-suites of GLCs are now filled with some of the top accountants, engineers and lawyers working in Malaysia today.

They are as good as their non-GLC colleagues. GLC executives were probably always well-qualified in terms of paper qualifications. However, we all now recognise that confidence, communication skills and the ability to influence are as (some say more) important as paper qualifications to succeed in the C-suite.



The current crop of GLC leaders is confident and articulate. The language of international business is English, and they are as comfortable using it as any American or British.

The big picture

These are some of the successes resulting from the GLCT Programme. I am one who thinks that the various Coloured Books, the lectures, the conferences that formed part of the project were worthwhile. This has been a historic experiment and I am proud to have witnessed it and to have played a small part in it.

The GLC sector still has a number of issues to be completely resolved. This is to be expected, and it may be worthwhile mentioning a few of them:

- Ethnic and gender diversity in management and boards
- Who should select board members and how they should be selected
- Cross-fertilisation of talent between non-GLCs and GLCs to avoid isolation
- Smaller GLCs and state GLCs: have they transformed?
- CEO succession planning
- The size of the GLC sector: too big, too small or just right?

However, if I were to be asked to pick one area in which work is needed, and which can bring great benefit if followed through, it would be the GLICs.

GLICs - The next frontier for transformation

At the time of the launch of the GLCT Programme there were seven GLICs: Khazanah Nasional Berhad, Kumpulan Wang Simpanan Pekerja (KWSP or EPF), Kumpulan Wang Amanah Pencen (KWAP), Lembaga Tabung Haji (LTH), Menteri Kewangan Diperbadankan (MKD or “MOF (Inc.)”), and Permodalan Nasional Bhd. (PNB). 1Malaysia Development Berhad (1MDB) emerged in 2009. Although not a member of the PCG, it can also be described as a GLIC.

To highlight the importance of the GLICs, it is worth noting that the original seven GLICs control or have stakes in most GLCs, particularly the largest ones. According to a 2013 International Monetary Fund (IMF) country report on Malaysia, they directly held about 24 percent of the total market capitalisation of Bursa Malaysia at the time.

The GLICs are therefore a very significant part of the Malaysian corporate sector. They are also a key determinant of how well our GLCs perform and are governed. In this regard, the GLICs are to be highly commended for participating in the Government’s PCG and for launching the Transformation Programme.



As the Transformation Programme reaches its tenth anniversary, and especially because of the success of the Programme, attention should now turn upstream to the GLICs themselves.

The case for a “Transformation Programme” for the GLICs

1. Like the GLCs, the GLICs are large corporate bodies employing financial assets within a capitalist economy, and so CG principles would apply.
2. They have defined objectives which, for the most part, are capable of being measured.
3. They are managed by professionals.
4. Most of the functions of GLICs, such as fund management, mirror those of conventional commercial companies.
5. Like any group of eight similar organisations, logic would tell us that the GLICs must contain pockets of best practices and, similarly, pockets which would benefit from improvement and benchmarking.
6. All organisations benefit from periodic re-examination against current best practice.

One way in which GLICs differ from GLCs is that most GLICs were established under their own Acts of Parliament. Their governance structures are set in stone by these Acts, most of which have not been amended since their establishment. What constitutes “best practice”, however, is constantly changing.

On balance, the GLICs, their boards, managements and stakeholders would benefit from a Transformation Programme. If they are already the benchmarks in their fields, then that fact should be demonstrated, recognised and celebrated.

Potential benefits of GLIC transformation

The potential benefits of a GLIC transformation mirror those already achieved in the GLC Transformation in the last ten years:

1. Better returns to government and the other stakeholders such as unitholders and pensioners.
2. Improved efficiency.
3. Sharing best practices and dropping any practices which are no longer useful.
4. Better board performance.
5. A GLIC sector that is more attractive to and can retain top Malaysian talent.
6. Improved confidence by all stakeholders in the Government’s management abilities,



resulting in greater confidence in the GLCs and the very idea that having a GLC sector is a “good thing.”

Some problems that can be anticipated

At the outset, we can already foresee some of the difficulties that a GLIC transformation programme may encounter:

1. The GLC transformation benefitted to a great extent from ready-made global blueprints for what “best practice” looks like, for example in Corporate Governance. GLCs are, after all, mostly public listed companies. Such blueprints do not exist for GLICs because they simply do not exist in many parts of the world. However, the GLC Transformation similarly encountered areas in which benchmarks needed to be developed.
2. Rules and structures which are embedded in law. Most GLICs are established under their own Acts. These laws dictate much of the way they are governed. Attention could be directed to devising ways to improve these laws, bearing in mind the public’s understandable expectation that governance should be of a high standard in GLICs.
3. Stakeholder reluctance. Change can be painful. However, where it results in a better-performing and better-managed organisation, most Malaysian professionals will make the necessary personal sacrifices. The GLC Transformation affected large numbers of managers, but the results were ultimately worthwhile. The same should result from a GLIC Transformation.
4. Independence. The GLC transformation drew on inputs from GLC management, but was largely the result of a drive from the owners i.e. the GLICs. For any review of the GLICs to be beneficial, it would need to be similarly driven from outside the GLIC group. Of course, significant GLIC input would be necessary.

The GLCT Programme has left us with a large body of Malaysian managers who know how to successfully transform large organisations across a large sector. This veteran group’s experience can be harnessed to address a similar but arguably more difficult project.

I would anticipate that many of the benchmarks and best practices would be derived from the Malaysian GLIC sector itself – there are excellent practices going on which can be shared. Political support was the key to the success of the GLCT Programme and would be essential for a GLIC transformation.



Conclusion

The GLCT Programme has been a success for the organisations concerned and for the nation. The GLICs would, in my view, also benefit from a transformation programme. The lessons learnt from the GLCT Programme can be brought to bear to ensure the new programme's success.

Issues can already be anticipated. However, we now have large numbers of Malaysians who are veterans of the GLC transformation. Their skills and experience can be brought to bear, along with the necessary political backing, to bring about enhancements to the GLIC sector which will benefit all Malaysians.





“Execute Before You Are Executed” - A Journalist Reminisces and Shares His Thoughts About the GLC Transformation Programme



EN. P. GUNASEGARAM

Publisher and Founding Editor at KiniBiz



In October 2004, newly appointed Khazanah Nasional Berhad (Khazanah) Managing Director Tan Sri Azman Hj. Mokhtar at a speech to the Kuala Lumpur Business Club - I was there, from memory - said in a mix of Malay and English somewhat morbidly “*Execute-lah kamu sebelum kamu di execute-kan*” which translates roughly to “Execute before you are executed.”

Now what did he mean exactly? Had the strains of the new job, to which he was appointed just a few months ago gotten to him and caused him to mumble awkward phrases at a public function, under a feverish haze brought about by extreme pressure and lack of sleep?

Not quite - although some may disagree - but importantly it set the stage for the sustained transformation of Malaysia’s Government-Linked Companies (GLCs), a hotchpotch of companies acquired willy-nilly with no apparent forethought held by a diversity of Government-Linked Investment Companies (GLICs).

Leaving the answer to what he meant to later, Tan Sri Azman came to helm Khazanah at a time when public perception of the company, a wholly-owned unit of the Minister of Finance (Incorporated) (MOF (Inc.)), was near an all-time low.

In his portfolio were some very large companies, Telekom Malaysia Berhad (which at that time included TM International Sdn. Bhd.) and Tenaga Nasional Berhad, then as now among the largest listed companies which had very good core businesses but were not performing very well due to various reasons.



And there were some very public unprofitable and controversial companies like Malaysian Airline System Berhad, which had the potential for profits but went from bad management to good and back to bad management again requiring at least three rescue attempts. This included one which Tan Sri Azman helped craft during his time as the founding director of financial advisory services firm, BinaFikir Sdn. Bhd.

One other worth mentioning in this category is of course none other than Proton Holdings Berhad which in my opinion would not have survived a day without tariff protection and government subsidies, all of which was paid for by the consumer in much higher prices for cars - by as much as two times or more compared to other countries where there were no or little tariffs and no subsidies.

Fact of the matter was that prior to 2004, GLCs as a group were consistently underperforming the market. They were ahead of other companies mainly on one criteria - size. And Khazanah already then holding a number of GLCs under its stable made a number of questionable purchases prior to 2004, some of which came back to haunt in later years.

It was during Tun Abdullah Ahmad Badawi's time as Prime Minister that the GLC Transformation (GLCT) Programme kicked off at a GLC forum on 14 May 2004. In his speech, he said:

We gather here today to take a determined step, to see through a concerted effort towards making Malaysia a more competitive and developed nation....This decisive action requires nothing less than a remaking of Malaysia Incorporated... it is imperative that we shift the basis of the partnership to that of tangible achievement and performance on the part of the Government.

On the part of business this means improving company performance and enhancing shareholder value. Nowhere is this more relevant than in GLCs. Improving the performance of the GLCs is simply one of the most significant steps we can take towards achieving our vision for competitiveness and prosperity. In terms of revenue and asset base, GLCs account for a substantial component of the Malaysian economy.

For example, the 40 public-listed GLCs present here, that comprise only 5% of the number of companies on Bursa Saham Malaysia, together make up 34% of the total market capitalisation of the Bursa. That adds up to an enormous 232 billion ringgit in market value, more than half of Malaysia's gross domestic product.

Thus, any considerable improvement in the efficiency and performance of GLCs would bring about massive benefits, not only to the stock exchange, but also to the income, consumption and wealth of the nation.



That and the fact that public listed GLCs trailed some 21% behind the market in terms of return to shareholders over the last few years prior to 2004 provided the reason for the GLC revamp. And how was the Government going to do it?

As Tun Abdullah Ahmad Badawi put it, “Essentially, this means systematically instilling a high performance culture within GLCs by making people more accountable and rewarding them based on their company’s performance.”

That was the key to the transformation. Capable people were hired into key positions and were given targets to meet. Their promotion, remuneration and ultimately their jobs depended on whether they could execute the strategies and produce results.

As Tan Sri Azman used to say, execute, execute, execute. And hence his cryptic remark, “*Execute-lah kamu sebelum kamu di execute-kan*” The man who worked tirelessly behind the scenes to push the idea of a GLC revamp was the then Minister of Finance II, Tan Sri Nor Mohamed Yakcop. Tan Sri Nor had already been involved in a number of corporate restructuring exercises as special adviser to the Prime Minister from 2001, most notably Tan Sri Halim Saad’s Renong group, Malaysian Airline System Berhad (MAS) (which had been helmed just prior to that by Tan Sri Tajudin Ramli), and the Malaysian Resources Corp Berhad (MRCB).

Tan Sri Nor was the one who came up with the idea to get able and professional Bumiputeras to take over management of failed GLCs and those where Bumiputera entrepreneurs such as Tan Sri Halim and Tan Sri Tajudin had failed in running them properly.

There was an important difference in this approach. These large companies were to have an institutional shareholder base, comprising at least initially GLICs.

The top managers were to be rewarded through share options and would not become major shareholders while the Government will get revenue back for the sum it invests from increased market value of the investments.

This was a major shift in Corporate Malaysia, forced on it partly by the impact of the Asian Financial Crisis of 1997/98 which left a trail of red ink among many prominent Government-Linked and Bumiputera companies.

Hitherto, the Government tried to develop a class of Bumiputera entrepreneurs through the granting of concessions and concession-like deals to a selected few. This created not just millionaires but some billionaires in those glory days before the Asian Financial Crisis of 1997/98.



The early successes of some of these entrepreneurs saw them taking on more and more ventures in widely diverse areas, funded by large borrowings. When the crunch came, they collapsed under a morass of debt and inept management; it was the Government's help which kept them alive.

With the Renong and MAS restructuring out of the way – and the installation of a new Prime Minister in 2003 – the moment was ripe for momentous changes and the spotlight fell on the GLCs.

If some Bumiputera and government companies can be turned around by disciplined restructuring and the injection of professionals, why can't the same be done for other GLCs, was the reasoning.

Barely two weeks after the Prime Minister made his landmark speech on GLCs in mid-May 2004, Tan Sri Azman, a Tenaga scholar who made a name for himself as an analyst and subsequently became a consultant involved with MAS' restructuring, was installed as Khazanah Nasional Berhad's new Managing Director.

Dato' Sri Che Khalib Mohamad Noh took over the reins as CEO at Tenaga Nasional Berhad and the man who led United Engineers (Malaysia) Bhd., post the Renong restructuring, Datuk Abdul Wahid Omar (now Dato' Sri and a Minister in the Prime Minister's department), was installed as the CEO of Telekom Malaysia Bhd.

One appointment that did not take place was the then Prime Minister's son-in-law Khairy Jamaluddin, now Umno Youth Deputy Head. He was expected to have been appointed Chief Operating Officer, which would have effectively been the number two executive position at the investment company.

Tan Sri Azman smiled but did not answer when asked about it in a 2004 interview I had together with a colleague with him but Khairy has been quoted in the main story of a magazine as having said, "When I went to see the new boss at Khazanah, he told me you either work here in whatever position, or you go into Umno, you can't do both at the same time" (*Editor's Note: Tan Sri Azman recalls the conversation but also recalls he did not ask Khairy Jamaluddin to join Umno*).

That basically meant that Tan Sri Azman was quite clear about keeping politicians out of Khazanah to ensure that it is a professionally run organisation, a move that the investment community would applaud.



So, this trio originally spearheaded changes at the GLCs, specifically those under Khazanah. Tan Sri Azman, however, did not have overall responsibility for the changes at all GLCs. As he pointed out during the interview that he would have responsibility only for those GLCs which came under the direct purview of Khazanah.

A GLC is defined as a company where the Government has ownership and control or where GLICs such as Permodalan Nasional Bhd. (PNB), Employees Provident Fund (EPF) and others whose capital is guaranteed by the Government, have control.

While Khazanah may have had the largest ownership then in terms of market capitalisation through control its of Telekom Malaysia and Tenaga Nasional Berhad, many large GLCs did not and do not come under its purview. Examples include all companies linked to national oil corporation Petroliaam Nasional Berhad (Petronas) – often held up as a successful GLC model, and the country's richest company by far.

But in terms of the possible increase in shareholder value that can be brought about by changes, Khazanah's companies such as Telekom Malaysia, Tenaga Nasional Berhad, MAS and Proton certainly showed much more potential then.

What was clear was the Khazanah transformation became the forerunner and provided the template for the transformation of the other GLCs although Khazanah assumed no responsibility for this. And it raised expectations for GLCs.

Even as Tan Sri Azman announced the various measures for the Khazanah transformation and revamp began in earnest at Telekom Malaysia and Tenaga Nasional Berhad, the two largest companies, the share prices of Khazanah's GLCs started running even ahead of the transformation as the market gave its approval for the process and believed it was possible.

A year after the Khazanah revamp began, Abdullah formally launched the wider ranging GLCT Programme. This came under a multi-agency committee for which the secretariat was Khazanah. The GLICs monitored their wards and reported back to the multi-agency committee which ultimately, through the Minister of Finance II, reports to the Prime Minister.

And he said, "A stock-take conducted recently shows that we have made sound progress on last year's initiatives – Total Shareholder Return (TSR) of the benchmarked 15 GLCs recorded an 18 percent return since May last year, compared to a 15 percent rise for the Kuala Lumpur Composite Index (KLCI). Nonetheless, there remains much room for improvement in many areas and in many of the GLCs."



It was not smooth sailing after that though not because of the Government and of politics. Take as an example electricity utility Tenaga Nasional Berhad which lost generation share to independent power producers (IPPs). For years after its listing on the stock exchange, the Government denied it increases in tariff under a previously agreed-upon cost pass-through formula because it would make it unpopular with the people.

However, for toll-road concessionaires, if there was no increase in toll, the Government compensated them by an equivalent amount.

Two years later in 2006, the Government refused a long-overdue airfare increase to Sabah and Sarawak by Malaysia Airlines, despite there being none for 13 years. Then it stymied a proposal to take over and turn around the domestic operations of the airline within two years by the new management.

Other problem children included Proton, which neared an agreement in 2007 with Volkswagen which had all been finalised but was vetoed at the last minute by 'Tun Dato' Seri Abdullah following hard lobbying by various people on behalf of those who were against Proton being owned, even in part, by foreigners.

That was a real shame because Proton would have had a strong strategic partnership and access to technology from the world's fourth largest auto maker and one of best. Malaysia would likely have become the regional manufacturer for Volkswagen and the price of cars to the motoring public in Malaysia would have been much lower than now. Ah well, you win some and you lose some.

But despite the obstacles, the transformation progressed and it was an overall great success, notwithstanding. In 10 years, the G20 - the original list of 20 large GLCs used as a proxy for GLC performance measurement, now reduced to 17 via mergers and other exercises - market capitalisation grew by 2.9 times to RM386.0 billion on 28 July 2015 from RM133.8 billion on 14 May 2004. Total Shareholder Return (TSR) grew 11.1% per year over the same period.

A lot of that must be attributed to transformation and the thick book called the Transformation Manual launched 10 years ago and the emphasis on execution. This Manual spelled out the policy guidelines of the Coloured Books for the 10 Initiatives.

Stuff emphasised under GLC transformation included enhanced board effectiveness and strengthened directors capabilities; better GLIC monitoring and management functions; improved regulatory environment and clarification of social obligations; review and revamp procurement; optimise capital management practices, manage and develop leaders and



other human capital; intensify performance management practices; and enhance operational improvement.

But at the end of the day it was the execution that mattered. What needs to be executed needs to be monitored - closely. And it has to be publicly disclosed where the shortcomings are. That's nothing new really - the good ol' principles of governance, accountability and transparency.

That's what the Government set out to do and much has been done. Much of the existing weakness among GLCs seems to be because they were not included in complying with the requirements of the Transformation Manual and from monitoring and supervision.

Witness 1Malaysia Development Bhd. and all its problems. If it was included, will it be where it is now?

Note: Much of the material that is in this narrative is derived from material I wrote earlier for various publications and with interviews in the past with amongst others Tan Sri Azman and Tan Sri Nor Mohamed Yakcop.



The GLCT Story: Of GLICs Rather than GLCs



DR. NUNGSARI AHMAD RADHI

*Managing Director of Prokhas Sdn. Bhd. (Prokhas)
Former Executive Director of Khazanah Nasional Berhad (2007-2013)*



I have always thought that the term GLC is a misnomer. The companies in the GLC Transformation (GLCT) Programme are public listed companies – they are not government companies as are the cases for companies incorporated under the Minister of Finance, Incorporated Act – where public funds such as Employees Provident Fund (EPF), Permodalan Nasional Berhad (PNB), Lembaga Tabung Angkatan Tentera (LTAT) and Lembaga Tabung Haji (TH) have sizable investments individually or collectively. EPF, LTAT and TH are statutory bodies, creatures of Parliament, because they collect funds from members of the public. The management of such public funds are rightly managed by statutory bodies that report to Parliament.

PNB is a company set up by a foundation, Yayasan Pelaburan Bumiputera. It manages various funds; from Amanah Saham Bumiputera (ASB) to Amanah Saham Wawasan 2020 (ASW2020), operating effectively as an equity investor. Khazanah is the only exception in that it is a government-owned company under the Minister of Finance (Incorporated) (MOF (Inc.)) Act. It was initially set up to manage government shareholdings in privatised public enterprises, that was what government owned companies were previously known as – public enterprises.

These funds, collectively known as GLICs, are a varied lot. The largest amongst them, the EPF, is a retirement fund, which is different from the public sector retirement fund, KWAP. PNB is a Bumiputera fund and LTAT is the armed forces fund. TH was meant to be a savings for Hajj fund that has grown to also be an investing institution

The imperative to embark on the GLCT Programme – to improve the performance of the GLCs – is rightly driven by these funds, but the focus of the Programme has always been the GLCs. I would like to propose a GLIC-centric look at the whole GLCT Programme thereby



locating the Programme in the broader national economic agenda. This perspective better link the overall GLCT Programme and the national agenda, and I hope it will also provide some guidance on what GLCT v2 should be about, if there is a next version.

The financial performance of these funds depends very much on the performance of their investment portfolio, therefore, on the companies they are invested in. Had the capital market been deep enough where fund managers punish and reward companies with their investments, there would not be companies that will specifically be deemed as GLCs. The fund managers would exit from non-performing companies and invest in performing ones. There will not be GLCs per se, just GLICs with their current portfolio.

The privatised public enterprises, mostly in Khazanah Nasional Berhad's (KNB) stable, were the ones in need of real transformation as Khazanah has to improve their performance, hence their share prices and dividend payouts, as a pre-condition for divestment. These former public enterprises needed time to complete their privatisation journey and they are the main targets and beneficiaries of the GLCT Programme.

Not only the companies as entities needed to transform, the regulatory environment within which they operate also needed to change and be developed as well. The privatisation of many public enterprises, many of them natural monopolies or just plain monopolies within the old industrial structure, was not simultaneously accompanied by the creation of the appropriate legal-regulatory framework and institutional capabilities to regulate and develop the sector. It does make a lot of sense that the privatisation journey of public enterprises is a rather extended one, and that in the interim, their equity would be held by a quasi-public entity.

The GLICs also have an obvious and important wealth-sharing role. This seems to be the primary driver of their behavior, and at one level, this makes sense. For millions of subscribers and members of these funds, dividend payouts from their savings in these funds represent the only income they get from financial assets, supplementing for most of them, direct wages as the only other source of income.

However the mandate and motives of the funds differ – pension and retirement funds are longer term funds governed by contingencies of demographics so while these funds are avenues for wealth sharing, their motive and risk appetite (therefore returns expectations) should be different as well. Khazanah is the only one amongst the GLICs that can have risk appetites that are significantly higher than the rest of the GLICs. The point to note here is that the GLICs should invest with different assessments of risk and returns expectations, and evaluate opportunities correspondingly.



The intermediary-investor role of the GLICs also makes them the capital allocator, the ones who determine which firm or which sector or even asset classes get their capital. The allocation decision of the GLICs and the way they manage their investment portfolio define, in a very definite way, the incentive structure faced by not just the management of their companies, but also the incentive structures of other market makers and players. As a group, the GLICs now manage a sizable amount of capital – the total amount under management today exceeds the nominal GDP of the country.

The investment decisions of these funds will shape the overall investment landscape of the country, particularly direct domestic investments. Consequently, they will shape the economic landscape of the country. A focus on portfolio level performance – hence production efficiency – and not enough focus on allocation efficiency will send the wrong signals that may misprice both risk and returns.

As the KPIs of the GLCT Programme are targeted primarily at the GLCs instead of at the GLIC level, one may miss the forest for the trees. Quite clearly, the GLCs have done well, better than the index, and this improved performance has benefitted their stakeholders, especially their investors, the GLICs, who have seen the value of their shares in the GLCs rising and dividend yields improving. Beyond that, these mostly former public enterprises are now seen as private commercial enterprises facing the same market vagaries while dealing with the same sort of constraints. Well and good from the GLCs' perspective.

However, if seen from the GLICs' perspective especially in their roles explained earlier, the initial Programme emphases may seem too narrow. The emphasis on GLCs also belies the objective of actually making them better in order to divest them. There may be a case of GLICs holding on too long to their investee companies, their GLCs and not playing the role of the fund manager who actively manages his portfolio and sends the right signals to firms based on their performance. If GLICs hold onto their companies, they themselves would have evolved into quasi conglomerates instead of fund managers. And the stock market becomes less liquid.

The GLCs can certainly improve their performance by doing better what they have been doing, and by and large, most of them did that. In many ways, they have to do better what they are doing in a changing environment, but the broader national issue is have we been able to develop competitive firms that do new or better things? The national transformation imperative at the firm level is exactly that – can we evolve our firms into those doing new or better things? This will transform the economy by creating new competitiveness and hopefully an improved distributional outcome.



Indeed, a major problem in Malaysia is the unequal distribution of income. This is linked to the previous paragraph – if firms get better at doing the same thing and ownership of factors of production remains largely unchanged, the income distribution remains largely unchanged. In fact, given the bigger proportion of capital's share of total income compared to labour, this sort of success will perhaps exacerbate income inequality.

This unequal income distribution creates a vicious cycle – the lower income group tends to have an equivalently small presence in these funds where subscription is based on income. Where subscription to these funds are based on discretionary income, the presence of lower income groups is negligible. Thus, while the GLCs have performed better and passed through better dividends to the GLICs, the distribution of that dividends along income levels is highly skewed.

The question for the GLICs is therefore: how do they provide the right incentives to the market in general? How do they allocate capital along the life cycle of firms? How do they allocate their risk appetite and risk aversion? Or, is everything based on (risk-adjusted) absolute returns?

Any success will bring about greater challenges. This is the case of the GLCT Programme and that should be taken as a mark of its success. In my view, the GLICs, all of them and not just the likes of Khazanah which has a strategic mandate and does not have depositors, must behave in a way that nurtures the development of new firms. They cannot just fatten up existing ones. The depth of the capital market must come from both the vertical growth of existing firms and the more horizontal growth of firms and types of firms in the economy. Without this deepening, the medium term will see returns flattening and rationality will then drive more investments off shore seeking both better returns and variety. We already see this happening.



Printed on  100% post consumer waste recycled paper





PCG Secretariat
Level 33, Tower 2
Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur