

## What are Government-Linked Companies (GLCs)?

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Malaysian GLCs are deemed as hybrid organizations since the companies must achieve financial returns while fulfilling their social responsibilities (Mat Isa, C. M., Razak. M.T., Mustaffa. N.K., 2020; Norhayati & Siti-Nabiha, 2009). Previously, the GLCs were government organisations or public companies that had been privatised throughout the 1980s. This privatisation policy is based on two major objectives (Abdul Hamid, 2008). First, the policy would speedily achieve the New Economic Policy's goal in providing more avenues for Bumiputera businesses to participate in the economic activities. Second, privatisation would reduce the government's burden in providing essential services to the public.

Despite the privatization, the government still holds a substantial ownership in these companies through Government-Linked companies (GLICs) (Mat Isa et. al, 2020; Norhayati & Siti-Nabiha, 2009; Abdul Hamid, 2008). Malaysian GLICs include Khazanah Nasional, Minister of Finances (MoF Inc), Kumpulan Wang Amanah Pencen (KWAP), and Bank Negara Malaysia (BNM), Permodalan Nasional Berhad (PNB), Employees Provident Fund (EPF) and Tabung Haji.

In addition to holding a controlling stake, the government, through the GLICs, can choose board members and senior management and make significant decisions (e.g., contract awards, strategy, restructuring and financing, acquisition and divestment etc.).

In order to strengthen the GLCs, the Malaysian government launched the GLC Transformation Program from 2004 to 2014 as part of the ongoing effort to promote the development and growth of the economy. The GLC Transformation Program is important crucial to Malaysian development because the GLCs and GLICS constitute a significant part of the economic structure of the nation.

There are three underlying principles of the GLC Transformation including ([www.pcg.gov.my](http://www.pcg.gov.my)):

- a. National development foundation – the GLC Transformation Program is a subset of the broader national development strategies that include the principal growth with equity, improve total factors productivity, develop human capital, and develop the Bumiputera community.
- b. Performance focus – the underlying rationale of the GLC Transformation Program is to create the economic and shareholders' value through improved performance at the GLCs.
- c. Governance, shareholders value and stakeholder management

Even though, GLCs main aim is to increase the economic and financial benefits to shareholders, the GLCs will benefit all the stakeholders and contribute to Malaysia's future wellbeing. For example:

- a. Higher service and quality levels for customers
- b. Better job prospects in more dynamic GLCs
- c. Increased transparency favouring higher value-for-money suppliers, with reduced levels of leakages and inefficiencies
- d. Continued development of the Bumiputera community – with better skilled and more competitive Bumiputera

Regarding market capitalisation, GLCs make up 42 per cent of Bursa Malaysia. GLICs, on the other hand, oversee RM440.4 billion in assets, or 24.9 per cent of the local stock exchange's entire market capitalisation.

In 2021, the government had announced an initiative to strengthen the role and capabilities of Malaysia, particularly in terms of the operating landscape which has quickly changed following the Covid-19 pandemic. The GLC's functions and roles have been reorganised to invigorate a change by rebuilding the country's economy in stages so that the socioeconomic advantages are inclusive and obtained by all Malaysians.

The targets of the initiative include restructuring entities within GLC to optimise the government's fiscal resources, improving management, hitting targets, spurring new growth through strategic sectors and invigorating investments in the sustainable industry.

## References

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