

UNIVERSITI TEKNOLOGI MARA

**GLOBAL DIVERSIFICATION
STRATEGY, TRANSFORMATIONAL
LEADERSHIP AND THEIR
RELATIONSHIP TO THE
SUSTAINABILITY PERFORMANCE
OF MALAYSIAN STATE-OWNED
ENTERPRISES**

M. ANUAR BIN ABDULLAH

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ABSTRACT

The concept of business sustainability or business resilient or lifelong business is quite unpopular among business practitioners and academicians before the year 1990. Moreover, the 1960s have seen most of business researches concentrating so much on productivity, performance, and profitability. These have short lived as a few series of economic downturns affected most of the very profitable and successful companies worldwide, and as a result; they turned into problematic companies. This incident has prompted many business shareholders and corporate leaders to give more priority to business sustainability, instead of productivity, performance and profitability. In Malaysia, the South East Asia economic crisis of currencies that happened in mid of 1997-1998 had badly affected many companies, especially state-owned enterprises (SOEs), and many of them went bankrupt. Following this crisis was the sub-prime crisis in the United State of America (USA) in 2008 – 2009, that also indirectly affected our SOEs. Malaysian SOE sustainability performance is at critical levels, hence the study on this topic is crucial to be carried out. Due to their socio-economic importance to the country, this study has therefore targeted the study on managers' perception, especially on the topic of the corporate strategy and leadership in order to achieve sustainable performance. The study mainly aimed to understand the perceptions of Malaysian SOEs' managers with reference to global diversification strategy (GDS), and mediated by transformational leadership (TL) as a way to achieve sustainable performance (SHP) SOEs. The resource-based theory, internationalization theory and transformational leadership theory have been theoretical foundations for this study in an attempt to enhance the existing conceptual model. The data for this study was collected from the population of 61 Malaysian SOEs, using drop-off and collect technique. From nine hypotheses tested, eight of them were significant and only one was not significant. GDS positively affected the sustainability performance (SHP) of Malaysian SOEs. Strategic transformational leadership (STL) is identified as a mediating factor in the relationship between GDS and SHP. This finding also constitutes the strategic recommendation to the Malaysian SOEs about the importance of sustainable competitive advantage (SCA) as they are in the midst of facing competition at the global arena. Furthermore, the findings have established an empirical foundation for future research.

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“A mediocre teacher tells. The good teacher explains. The superior teacher demonstrates. The great teacher inspires”

-William A. Ward-

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Malaysia's State-Owned Enterprises (SOEs) and their shareholders, the Government-Linked Investment Companies (GLICs), previously constituted 36% of total market capitalisation in Malaysia Bourse (Mokhtar, 2005), but after a few years reached a high of 49% (Md-Zin, and Sulaiman, 2010). SOEs' total assets are amounted to 51% of Malaysian growth domestic product (GDP) at the end of 2015 (Menon, 2017). The government estimates that SOEs employ around 5% of the national workforce and it is approximately 36% of the market capitalization of Malaysia Bourse and 54% of the Kuala Lumpur Composite Index benchmark (Khazanah, 2013). As stated by GLC Transformation Programme Graduation Report (2014), this group of companies provides job for an estimated 373,627 employees, consisted of 225,050 Malaysians and 148,577 foreigners. The SOE's role is significant to ensure that by 2020, Malaysia will achieve its mission in transforming into a developed nation. However, regarding to the strategic planning concept, Malaysia Vision 2020 is not the only vision as there are a series of Malaysia Plans since independence that continuously improve the country. The National Transformation Programme (NTP) that started in 2010 is one of them.

The role of SOE is prominent in the utilities and services sector, such as electricity; communication; airlines; airport; and banking and financial services (Md-Zin and Sulaiman, 2010). They are dominant in utilities (93%), transportation and warehousing (80%), agriculture, banking, information communication, and retail trade (more than 50%), but they are not active in food-related, mineral, and services industries (Menon, 2017). This scenario clears the perception of the investor community in that they are assured that the SOEs are backed by the government which will not let them down in times of trouble (Najid, and Abdul-Rahman, 2011). Based on history, Malaysian government has played its role differently in order to suit the needs of the nation (Alhabshi, 1996; Siti-Nabiha, 2008).

The Government's presence in the national economy dates back to the pre-independence period. However, during that time, the government had a very limited