

THE SPIRIT OF MALAYSIA INCORPORATED AND PRIVATISATION

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ABSTRACT

Malaysia is ready to become a developed country in the year 2020. In achieving it, we must welcome all the obstacles and challenges in order for us to become a great nation. One of the most challenging tasks of a government is introducing radical changes to national policy. New and right attitudes must be instilled towards a particular national goal. Malaysia Incorporated and Privatisation are two concepts in modernizing the Malaysian economy.

INTRODUCTION

The Government remains fully committed to continue using a blend of market and state-led initiatives that have always been the basis for the Malaysian Incorporated concept that was introduced in 1983. This concept, which is the brainchild of our former Prime Minister, Tun Dr Mahathir Mohamad who views Malaysia as a partnership of the public sector and the private sector, working hand-in-hand to increase national productivity, to improve service levels and to raise financial performance. Mahathir (1986) writes that every year the Malaysian Government has to spend 5,000 to 6,000 million dollars on administration and development. Most of the money comes from taxing commercial and industrial concerns. Obviously, if these concerns are nationalized and consequently incur losses, not only will the Government be unable to have its normal budget, but also there will not be sufficient money to pay compensation and whatever taxes collected will have to be used to stop the decline or failure of the nationalized concerns.

Malaysia has the resources. It has the manpower and basic skills. It is rich enough to buy the technology if homegrown technology is not available. Malaysia is stable, prosperous and strategically situated. Indeed the list of positive assets of Malaysia is long and impressive. In order to succeed, we must have the right attitude and cultivate the right values and ethics. We must have the right principles and approaches.

Why is there a need to remake Malaysia Incorporated?

The short and obvious answer is that, in the context of the fast changing external and internal environment, no one can afford to be complacent. Among the weaknesses of the previous model was an over-reliance on a number of owner-entrepreneurs. There was also often a shortage of controls, good governance and risk management and asset-liability management. Hence, at this stage, of remaking and recovery of the corporate sector, the main preference is for institutionalizing ownership and professionalizing management.

In addition, it is also to provide greater controls, checks and balance and to improve risk management. Within these aims, initiatives to improve corporate governance, transparency of decisions, diversification of sources of financing and better regulation on the part of the Government, are all part of the overall package to raise the performance of the corporate sector.

However in remaking Malaysia Incorporated, the wisdom of the English proverb "Do not throw the baby out with the bath water" should be recognized. Malaysians have to learn from previous mistakes and avoid being over-compensated. The old model that was based on privatization and owner entrepreneurs had its excesses especially towards the latter stages. It also had many successes, among them, the building of a first-class physical infrastructure and the emergence of a cadre of capable professionals, who can now compete internationally.

In addition to building first-world facilities at home, Malaysians, including Bumiputeras, are now successfully exporting their experience and expertise in building and maintaining roads, bridges and

power plants. This would not have happened if there is no empowerment. It is also worth repeating that, whatever model that has been chosen, the same overall development aim of growth and development with equity remains.

Management, Decision Making and Productivity

The Government has introduced new concepts and is directed at greater efficiency and higher productivity. The productivity of the nation ultimately rests on the productivity of management, both in the private and the public sectors. Over time, both Malaysia Incorporated and the Privatization Policy has become part of the building blocks of Vision 2020, as a means of attaining the overall aim of growth with equity and the development of Malaysia into a strong, sovereign state with a target of achieving developed nation status by 2020. The Government has always been mindful of the need to engineer socio-economic change against a backdrop of stability.

Despite what the economic textbooks say, if the states are not absolutely perfect, markets are never completely perfect too. Malaysia is in a relatively strong position to be able to take measures that, although seen by dogmatic free-marketers as unorthodox, yet has worked very well, whether its exchange controls or corporate restructuring and reforms on the basis of the national agenda. It is common that various decisions at different levels must be made before a piece of work is completed. Hence, all slow or delayed activities in any organization can be related at some point or other to a failure or delay in the decision making process. This is the one primary cause of low productivity or the under-utilization of work capacity in any organizations.

Other factors, such as the knowledge and skill of workers, the availability of modern techniques and technologies, the availability of funds, the attitude and work ethics of the workers, are also important. Any policy decision that has been made by the Government must be followed by many decisions at various levels of management in the private and public sectors to get things moving. Any delay in making such a decision will make us lose time in putting the Malaysia Incorporated concept to work as quickly as possible so that they will start to produce tangible benefits to the public and the nation.

The Challenges

Tun Dr Mahathir once said, "The market needs the Government because the market is all about making profits while the Government is concerned about the well-being of the people and the country as a whole" (Speaking at the Kuala Lumpur Stock Exchange –KLSE Corporate Awards 2001 Ceremony).

It goes without saying that there are many challenges. The first would be the need to balance these controls with the entrepreneurship culture, that is, balance the "animal drives" with the good governance. Second, there is a need to balance financial profitability objective with socio-economic objective or what has been known as "national service" in the past. Both of these objectives are valid, but the key is to place each objective into appropriate vehicles.

The ongoing MAS restructuring, for example, reflects our thinking on this issue. In the restructuring of MAS, higher-growth, market drive international passenger and cargo businesses are placed in a market vehicle that is the listed company, while the domestic passenger business, where there is a strong element of socio-economic objective, such as the promotion of national integration, is placed within the federal budget.

Third, is the issue of the adequacy of human capital in professional management, in civil service and in Government regulation. There is always a shortage of high quality talent, especially in this world today, where the competition for human capital is a borderless one.

Fourth, the next phase of development would be done in a global environment that is likely to be far less friendly to developing countries than the one faced after the Second World War.

The fifth challenge is the issue of strengthening of the economic institutions to regulate markets and to keep pace with developments in the private sector. There are many other challenges, but in general, ethical values have been designed to ensure that there is harmony between entities in a society - each

relationship provides a win-win situation. Malaysia Incorporated is, at heart, teamwork. If the Government spends all its time and resources trying to discipline its employees, citizens and corporation, it can no longer be described as teamwork, but would be more in the nature of an adversarial relationship.

In the remaking of Malaysia Incorporated, good ethics and moral values will need to drive and guide hard work to achieve what we have set out to achieve. If ethics is going to be an important aspect in the remaking of Malaysia Incorporated, Islam, as the official religion, must lend a powerful hand in this endeavour. In a speech delivered by Tun Dr Mahathir in his visit to New York, USA, he said that, political and economic stability are mutually dependent. Political stability leads to economic growth and economic growth help the achievement and maintenance of political stability. He also added that, Malaysia concentrates on political stability in order to achieve economic well-being.

The Impact

There is one perennial economic problem facing all governments and national leaders, that is, concerning on how they can improve efficiency and increase productivity so that there is sustained growth, and with growth there are more options and a large capacity for achieving development goals. Malaysia has a long comfortable period of growth and at the same time, the remaking of Malaysia Incorporated is also meant to demonstrate that the leadership and government bureaucracy have both the initiative and willingness to work with the business sector and labour for the success of this nation. For a long time, the respective roles of the Government, business and labour have been out of gear with each other.

Everyone generally agrees that the long term economic impact of Malaysia Incorporated will provide increasing opportunity for investment and growth. There is still an abundance of investable funds with the public which must be productively used. Another important effect is, it will help to induce more foreign capital, enterprise and technology. This is helpful in timing for the economic upturn. Malaysians should use the increasing opportunities arising from privatization as a selling point in competing for foreign investment. One long-term effect of privatization is the democratization of ownership and management of enterprises. There can only be more, not less, opportunities for big and small investors and businessmen.

Privatization also has a stimulating effect on our corporation culture although we are surely lacking in the management culture. We are still a nation of small traders and producers. Family businesses, rather than huge corporations are still the dominant type of corporation structure. It is time to change this corporation scenario if we are to complete at the international level. We should use the privatization strategy to restructure the organization and management of growing family businesses. Actual participation by the private sector must be given a wide spread to involve as many competent entrepreneurs as possible.

There are also new opportunities for government bureaucrats to participate in entrepreneurial types of decision-making and corporate management with profit and efficiency as the principal criteria of success. The expanding opportunities for government bureaucrats to be involved in entrepreneurial activity also help to develop a pool of entrepreneur-technocrats.

CONCLUSION

The size of government involvement in the economy has increased considerably in the recent years and this has put a heavy burden on the government. It is for us to think that both policies will need the passage of time before their full impact and implications are felt by all Malaysians. Privatisation is a continuous process responding to new opportunities and the changing economic environment. The grass root is that the nation's public administrators and businessmen need to adopt a whole new set of right attitudes in which each group sees the other as an indispensable partner in national development.

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