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The critical success factors for the effective performance of Malaysian government linked companies

Abang Nawawi Dahlan

Southern Cross University

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The Critical Success Factors for the Effective Performance of Malaysian Government Linked Companies

By

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BSc (Hons) Malaya, MSc (Dunelm)

A Thesis submitted to the Graduate College of Management, Southern Cross University, in partial fulfillment of the requirements of the Degree of Doctor of Business Administration

August 2009
DECLARATION

I certify that the substance of this Thesis has not been already submitted for any degree and is not currently being submitted for any other degree or degrees. I certify that to the best of my knowledge any help received in preparing this work, and all sources used, have been acknowledged in this Thesis.

Abang Nawawi Dahlan
ACKNOWLEDGEMENTS

I wish to express my heartfelt gratitude and thanks to the following people who have provided me with the encouragement and support in many different ways to complete this thesis.

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I wish to acknowledge support of the staff of the Southern Cross University who have been helpful during the course of this work.

Lastly, this thesis is dedicated to my late parents for being excellent role models.
ABSTRACT

Malaysian Government-Linked Companies (GLCs), a major component of the economy, are implementing a Transformation Programme to improve their business performance. Since they face challenges, this research was aimed at offering recommendations to address them. Largely exploratory in nature, the research reviewed the pertinent literature and identified the research gaps for the crafting of four research propositions for testing by this research. Data was collected through a Focus Group meeting and a structured Questionnaire Survey. The key findings are as follows.

First, the Government should review its policies on GLCs to ensure that they only focus on core activities and dispose non-core activities outside their areas of competence.

Second, GLCs should, through an open recruitment system, appoint CEOs who have the necessary professional and personal attributes to lead large corporations. Succession plans should be in place to provide for continuity when the CEO leaves.

Third, to discontinue the current practice of appointing directors with political connections. All appointments must be on the basis of merit and without political interference.

Fourth, the GLCs should emphasise on strategic CSR by integrating social impact into their overall strategies. This will enable the GLCs to develop and benefit from reputational advantage.

Fifth, GLCs should accelerate the pace of strategic alliances with transnational corporations or with regional firms for reaping the new market opportunities emerging from globalisation.

Sixth, to consider using the Balanced Score card as a complimentary measurement tool as it can translate strategy into realistic and achievable goals and targets with KPIs measuring performance.

The research findings also contributed to theory development by modifying Rondinelli’s Management-led Model to reflect the importance of other critical
factors for the effective and efficient performance management of Malaysian GLCs. Finally, the research identified opportunities for follow up research.

**Keywords:**

Government linked companies, Business performance, Performance management, Strategic CSR, Governance, Focus Group, Questionnaire Survey, Critical Success Factors, Key Performance Indicators, Key Results Areas, Leadership, Strategic Alliance, Internationalisation, Theory Development, Policy review, Succession planning, Exploratory research, Further research.
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<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<tr>
<td>BSC</td>
<td>Balanced Scorecard</td>
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<td>BNM</td>
<td>Bank Negara Malaysia</td>
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<tr>
<td>BURSA MALAYSIA</td>
<td>Malaysian Stock Exchange</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CG</td>
<td>Corporate Governance</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>DOS</td>
<td>Department of Statistics</td>
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<td>EPF</td>
<td>Employees Provident Fund</td>
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<tr>
<td>EPU</td>
<td>Economic Planning Unit</td>
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<tr>
<td>FDIs</td>
<td>Foreign Direct Investments</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<td>GLCs</td>
<td>Government Linked Companies</td>
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<td>GLICs</td>
<td>Government Linked Investment Companies</td>
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<tr>
<td>GOM</td>
<td>Government of Malaysia</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>IMP2</td>
<td>Second Industrial Master Plan</td>
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<tr>
<td>IMP3</td>
<td>Third Industrial Master Plan</td>
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<tr>
<td>KHAZANAH</td>
<td>Khazanah Nasional Berhad (National Investment Agency)</td>
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<tr>
<td>KLSE</td>
<td>Kuala Lumpur Stock Exchange</td>
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<td>KPIs</td>
<td>Key Performance Indicators</td>
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<td>KM</td>
<td>Knowledge Management</td>
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<td>LTH</td>
<td>Lembaga Tabung Haji (Pilgrims Fund Board)</td>
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<tr>
<td>LTAT</td>
<td>Lembaga Tabung Angkatan Tentera (Armed Forces Fund Board)</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>MAS</td>
<td>Malaysia Airline System</td>
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<td>MOF</td>
<td>Ministry of Finance</td>
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<td>MOF Inc.</td>
<td>Minister of Finance Incorporated</td>
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<tr>
<td>NDP</td>
<td>National Development Policy</td>
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<td>NVP</td>
<td>National Vision Policy</td>
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<td>NEP</td>
<td>New Economic Policy</td>
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<td>NKRA</td>
<td>National Key Result Areas</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OPP</td>
<td>Outline Perspective Plan</td>
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<td>PLCs</td>
<td>Public Listed Companies</td>
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<td>PNB</td>
<td>Permodalan Nasional Berhad (National Fund Management)</td>
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<td>PCG</td>
<td>Putrajaya Committee on GLC High Performance</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
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<tr>
<td>SC</td>
<td>Securities Commission</td>
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<td>SCA</td>
<td>Sustainable Competitive Advantage</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference for Trade and Development</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organisation</td>
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Chapter 1 Introduction

1.1 Introduction

This Chapter introduces the research and provides an overview of the thesis on the ‘Performance of Malaysian Government Linked Companies (GLCs)’. In line with Perry (2002), the Chapter is organised into 11 Sections as presented in Figure 1.1.

Section 1.2 presents a background to the research. It illustrates the significance of GLCs in the Malaysian economy and the challenges they face in achieving their twin goals of business profitability and socially responsible corporate behavior. The discussion leads on in Section 1.3 to the identification of the research problem, research questions and research Propositions. The justification for the research, its contributions and its objectives are presented in Section 1.4. The unit of analysis is presented in Section 1.5 with Section 1.6 providing an overview of the research design and methodology.

Since the research concerned three parties, namely Southern Cross University, respondents and the researcher, this interaction required the addressal of ethical issues and this is presented in Section 1.7. The definitions of the key terms are given in Section 1.8 and are followed in Section 1.9 by the limitations.

Section 1.10 depicts the structure of the thesis and outlines each of the five Chapters. The final Section presents the conclusion of this Chapter.
Figure 1.1 Structure of Chapter 1

1.1 Introduction

1.2 Background to the Research

1.3 The Research Problems

1.4 Justification for the Research and Contributions

1.5 Unit of Analysis

1.6 Research Methodology

1.7 Ethical Issues

1.8 Definitions of Key Terms

1.9 Limitations and Delimitations

1.10 Structure of the Thesis

1.11 Conclusion

Source: Developed for this Research
1.2 Background to the Research

The Government has acquired large shareholding in several Malaysian companies to meet national aspirations, social concerns and global challenges (Beh, 2007; CPPS, 2006; Tselichtchev, 2007; Vietor, 2007). Known as ‘Government-Linked Companies’ or GLCs (Ang & Ding, 2006; ISIS, 2007), they play vital roles in the country’s economy. In 2007, there were 47 GLCs listed on Bursa Malaysia. They accounted for 34.9% of market capitalisation with the 15 largest GLCs representing 65% of market capitalisation. In terms of employment, they contributed an estimated 5% of the national workforce (MOF, 2009).

While GLCs have undoubtedly been a major element in Malaysia’s economic development, they were hard hit by the Asian financial crisis in the late 1990s which resulted in more than 90 public listed companies (PLCs) including GLCs being delisted. Since the conventional model of the Government’s deep involvement in the cultivation of industry and the management of public sector enterprises had effectively collapsed, the situation compelled the Government to introduce a rationalisation policy (Vietor, 2007). It involved major corporate restructuring and the bail-outs of large and economically significant GLCs (Ching, Jomo & Fay, 2005). Despite the Government’s intervention, a number of them continued to underperform as reflected by key financial and operational indicators, and became a financial burden to the Government (MOF, 2009; Musa, 2007).

The Malaysian economy is now confronting significant challenges. The forces of globalisation are creating intense competitive pressures in international trade. GLCs are now under pressure to formulate strategies for competing successfully in a more liberalised trading environment with new players and rivals (Thompson, Strickland & Gamble, 2007). In the words of the then Deputy Prime Minister, Najib Razak, ‘the Government needs new strategies and find a suitable modality for the country to become more competitive in the changing world economic scenarios’ (The Star, 22 April, 2008). Consequently, GLCs are required to place the goal of profitability above other factors (Musa, 2007).
Malaysian GLCs benefit from preferential treatment. However, they often register poor business performance and in some cases even tolerate corrupt practices (Musa Hitam, cited in *The Star*, 16 May 2009).

GLCs have to meet the twin goals of competing successfully in a more liberalised trading environment with new players and rivals (Thompson, Strickland & Gamble, 2007) and successfully discharging their social obligations (PCG, 2005). This requires them to have good governance, effective leadership, develop knowledge resources, integrate social responsibility into strategy, adopt a strategic global outlook to identify new products and markets, hire knowledge workers, emphasise corporate culture and establish knowledge based professional management structures (Tan, 2008).

The empirical evidence indicates that the Malaysian Government is aware of these challenges and is committed to improving the performance of Malaysian GLCs. This is reflected by its Transformation Programme directed at GLCs becoming high performance companies (Badawi, 2004). The Programme sets guidelines to (i) upgrade the effectiveness of boards and reinforce the corporate governance (CG) of GLCs, (ii) adopt corporate best practices within GLCs, and (iii) drive a performance based culture through the use of key performance indicators (KPIs).

The global economic contraction which started in July 2008 is resulting in negative GDP growth rates, declining export revenues and rising unemployment levels. Issues of corporate sector vulnerabilities and governance also surfaced as contributory factors to the crisis (Ganalingam, 2009; Zinkin, 2009a, 2009b). These heightened the need for Malaysian GLCs to reorient their strategic directions (Selvanathan, 2009). However, the Government continues to rely heavily on GLCs for new investments and job creation (*The Star*, 11 Mac. 2009).

A preliminary literature review revealed limited prior research on the adequacy and effectiveness of the Government’s policies and programmes. The literature was also silent on the progress made by Malaysian GLCs to operate as efficient corporate entities for discharging their obligations under the national economic and social agenda. These considerations justified the need for this research.
1.3 The Research Problem

Research must start with a research problem. The problem is usually presented by a management question (Cooper & Schindler, 2003). Accordingly, the research problem is stated as: ‘What are the critical factors for the effective performance of Malaysian Government-linked Companies?’

1.3.1 The Research Questions

The conduct of research is a complicated process and good research question enables the researcher to stay on track (Punch, 1998). Four research questions were developed in Chapter 2 on the basis of the gaps in the existing body of knowledge and these are:

1) How do Malaysian GLCs balance their twin goals of profitability and discharging their CSR obligations as required by the Government?

2) How adequate is the Transformation Programme for enhancing the performance of Malaysian GLCs?

3) What are the difficulties experienced by the Malaysian GLCs for using KPIs to measure their performance?

4) What are the desired approaches for strengthening the governance and leadership capabilities of Malaysian GLCs for improving their business performance?

1.3.2 The Research Propositions

Propositions are statements concerned with the relationships among concepts (Maxfield & Babbie, 2001; Strauss & Corbin, 1994; Zikmund, 2003). Guided by these authorities, the four research questions were translated to four Research Propositions for empirical testing. These are:
Research Proposition 1: Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government.

Research Proposition 2: The Government’s Transformation Programme emphasises on improving the business performance of Malaysian GLCs.

Research Proposition 3: Malaysian GLCs are experiencing difficulties in using KPIs to measure performance.

Research Proposition 4: Malaysian GLCs are strengthening their governance and leadership capabilities to enhance their business performance.

1.3.3 The Research Objectives

Based on the research questions and Research Propositions, this research had four objectives:

i) To identify the measures taken by Malaysian GLCs to effectively operate as profit-making entities and discharge their CSR obligations as required by the Government.

ii) To determine the adequacy of the Transformation Programme for enhancing the performance of Malaysian GLCs.

iii) To examine the difficulties experienced by the Malaysian GLCs for using KPIs to measure their performance.

iv) To formulate the desired approaches for strengthening the governance and leadership capabilities of Malaysian GLCs for improving their business performance.

1.4 Justification for the Research and Contributions

GLCs are the backbone of the country’s economy. They play major roles in implementing the national social agenda (MOF, 2009) and the Government relies on
them for new investment and job creation. They are therefore crucial for a long term growth of the economy (Asia Money, Sept., 2007).

In the financial sector, the GLCs account for approximately RM260 billion of the stock market capitalisation of the national Stock Exchange or Bursa Malaysia (PCG, 2005). GLCs are expected to function in a fully commercial manner, raise finances on their own and set their own prices for non-essential services (Krishnan, 2005). At the same time, they are also expected to play a key role in enhancing the economic wealth of the Bumiputeras by creating a strong and vibrant Bumiputera business community (Ching, Jomo & Fay, 2005; PCG, 2006). GLCs face the challenge of effectively playing both roles.

As discussed in Section 1.2, several GLCs are underperforming and have become a financial burden to the Government. This compelled the Government to introduce a Transformation Programme to drive shareholder value creation, efficiency gains and enhance corporate governance (PCG, 2006). Viewed in this context, this research is justified on three primary fronts:

First, the mandates of the Malaysian GLCs require them to achieve the twin goals of profitability and discharging their obligations in line with national interests. As there is a shortage of prior research on the progress made by the GLCs in achieving both goals, the findings of this research should extend the existing body of knowledge on this important issue.

The second, relates to the Transformation Programme introduced by the Government to improve GLC performance. There is also an absence of research on the adequacy of the Programme and the challenges that GLCs face in using KPIs for measuring performance. The research findings could contribute to the formulation of recommendations for consideration by the policy makers and the GLCs.

Finally, the governance and leadership capabilities of the GLCs. Doubts have been expressed about the CG practices, the leadership capabilities, the organisational culture and the corporate social responsibility (CSR) practices of the GLCs. The
findings of this research should assist the boards of the GLCs to make informed decisions in respect of these concerns.

1.5 Unit of Analysis

The unit of analysis refers to ‘the level of aggregation of the data collected during the subsequent data analysis stage’ (Cavana, Delahaye & Sekaran, 2001, p. 119). Guided by the research problem and the time and resource constraints, it was necessary to only investigate four GLCs that are located in the Federal Territory of Kuala Lumpur, Malaysia.

1.6 Research Methodology

This Section provides an overview of the research design and methodology for this study. This is detailed in Chapter 3.

1.6.1 Research Approach

Several research approaches can be adopted for the conduct of a research study (Easterby-Smith, Thorpe & Lowe, 1991). However, due to time and resource constraints, there is usually only one major research methodology that suits the research problem (Perry, 2002). The researcher examined the qualitative and quantitative paradigms in the context of their strengths and weaknesses. A combination of qualitative/inductive and quantitative/deductive approaches can build on the strengths and minimise the weaknesses of both (Steckler et al., 1992). This research therefore used both approaches in a complimentary manner and applied them in a two-stage research project (Carson et al., 2001; Steckler et al., 1992; Zikmund, 2003).

1.6.2 The Literature Review

The research commenced with a literature review for the purpose of building a theoretical foundation for the research and to develop the research questions. The reviewed literature included (i) reports, books and articles related to all aspects of
the scholarship and performance reports of GLCs. These included (i) Government publications from the Economic Planning Unit, Prime Minister’s Department, the Ministry of Finance Economic Reports and the Malaysian Development Plans, (ii) published articles from the internet and the media and (iii) research papers from well-known authorities and organisations including the Organisation for Economic Development (OECD), the United Nation’s International Centre of Public Enterprises (ICPE), the Australian Stock Exchange Corporate Governance Council, the Asean Development Bank (ADB), and the World Bank.

1.6.3 Primary Data Collection

Primary data was collected through a Focus Group meeting as this unstructured, free-flowing interview offered many advantages. It is highly synergistic as the combined efforts of the group produce a wider range of information, insights and ideas than will the accumulation of separately secured responses of a number of individuals (Morgan, 1988a, 1988b). A Focus Group meeting can also create a snowballing effect as a comment by one individual can trigger a chain of responses from the other participants (Hess, 1968). Another advantage is that a Focus Group enables the researcher to study the ways in which individuals collectively make sense of a phenomenon and construct meanings around it (Neuman, 2006). The Focus Group for this research benefited from the participation of eight Knowledgeable Persons who were familiar with the research issues (Zikmund, 2003). Their selection and the conduct of the meeting are detailed in Section 3.4.1.

A structured Questionnaire Survey involving 64 participants was the second primary data collection instrument with a 5-point Likert rating scale being used to measure attitude response to the survey questions. Full details on the Questionnaire survey including its design the target population and the selection of respondents are detailed in Section 3.4.2. The Questionnaire was pilot-tested to detect weaknesses in design and the wordings of questions (Warwick & Linniger, 1975).

Attention was given to the administration of the Questionnaire to secure a high response rate. For this purpose, invitation letters were sent to each of the identified participants. These provided the details of the research and stressed the importance
of their participation in the survey. It also stressed that the researcher would comply with company policies and practices on information confidentiality. The researcher then established contacts with the other target population groups namely the consultants, the Government and regulatory bodies as well as the Academia. The Consent Form was then sent to each of them. The process was followed up by emails and telephone calls to each of the identified participants. The Questionnaire Survey resulted in a response rate of 100%.

1.6.4 Data Analysis

Content analysis was used to identify patterns and themes emerging from the qualitative data gathered from the Focus Group meeting. The researcher then drew conclusions from the emergent patterns and themes and these are presented in Chapters 4 and 5 respectively.

The quantitative data analysis process involved the stages of checking, editing, handling blank questionnaires, coding, categorising, transcribing and data cleaning (Malhotra, 1999). These are detailed in Section 3.6.2. The collected data was keyed into the SPSS Version 17 for Windows for analysis. Guided by Manning and Munro (2004), descriptive analysis techniques were used to produce the following outputs:

- A Case Processing Summary;
- Frequency Tables;
- Group Percentage Cross Tabulations for each Statement;
- Comparison of Mean Responses for each Proposition;
- Standard Deviations by Groups for each Proposition, and
- Group Responses for each Statement.

1.6.5 Ensuring the Quality of the Research

Research findings must be trustworthy (Bryman & Bell, 2007). The measures taken to make the findings valid and reliable and the data analysis process are described in
Sections 3.5 and 3.6. The researcher took the necessary steps to maximise the quality of the design for improving reliability and validity. Reliability issues were addressed in the drafting of the Questionnaire, pilot testing the Questionnaire, clearly written questions and proper scale development.

Four factors contributed to the validity of the exercise. First, the coverage of the Questionnaire which dealt with all the issues considered pertinent to the research topic. Second, a reasonable sample size and a high respondent completion rate. Third, the inclusion of experts and prominent academics in the Focus Group as they provided useful insights on the research issues. Finally, the use of triangulation which involved using multiple data collection instruments.

Secondary data was collected through documents and archival records. The Focus Group generated useful qualitative data on the research issues. These were complemented by the quantitative data emerging from the Questionnaire Survey. The convergence of data enhanced the quality of the study (Yin, 2003).

1.7 Ethical Considerations

The conduct of research raises moral and ethical issues (Bouma, 2000; Hussey & Hussey, 1997). For this research, ethical issues concerned three parties - the researcher, Southern Cross University and the respondents. The interaction of each of these three parties identified a series of ethical questions (Zikmund, 2003). Accordingly, the primary data collection exercise only started after receiving approval from the Southern Cross University, Human Ethics Committee, with ethics approval number ECN-08-100.

1.8 Definitions of Key Terms

This Section provides the working definitions that have been sourced or developed for this research.
Corporate Governance

‘Corporate Governance reflects the way companies address legal responsibilities to their stakeholders’ (Moir, Kennerly & Ferguson, 2007, p.388).

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is concerned with ‘treating the stakeholders of the firm ethically or in a responsible manner noting that the term 'stakeholders' includes the natural environment as well as peoples both within and outside of the corporation’ (Hopkins, 2003, p.10).

Government Linked Companies

‘What constitutes a GLC is defined by control rather than by percentage ownership. Control is defined by the ability to exercise and influence major decisions such as the appointment of Board members and senior management, award of tenders and contracts by the Board’ (MOF, 2009).

Government Linked Investment Companies

GLIC’s are defined as ‘Federal Government-Linked Investment Companies that allocate some or all of their funds to meet GLC investment’ (MOF, 2009).

Key Performance Indicators

Key Performance Indicators (KPIs) are ‘a set of measures focusing on those aspects of the organisational performance that are the most critical for the current and future success of the organisation’ (Parmenter, 2007, p.2).

1.9 Limitations and Delimitations

The literature review for this study was completed in March 2009 and the findings were reflected in the Discussion Guide for the Focus Group meeting and the Questionnaire Survey conducted in April and May 2009. In July 2009, the Government announced policies to liberalise some aspects of the New Economic Policy (NEP) and the use of KPIs together with national Key Results Areas (KRAs) to measure performance. Although the latter was reflected in Section 2.1.1, they
were not considered by the Focus Group meeting and the Questionnaire Survey, and therefore should be treated as delimitation.

An important limitation relate to the Malaysian GLCs operating under a set of rules and regulations that are peculiar to Malaysia. Therefore the findings of this research may not be generalisable to other countries. Furthermore, Malaysian law prohibits the discussion of ethnic issues in a form and manner that could generate racial tensions. This was taken into account in finalising the discussion topic for the Focus Group. Special care was taken in the wordings of the questions which were presented as statements in the Questionnaire to avoid responses which could be misconstrued.

Finally, due to time and resource constrains, only four GLCs were chosen as data collection instruments. Since there are more than 1000 Federal-owned GLCs in Malaysia (MOF, 2009), the researcher acknowledges that the findings may not be applicable to State-owned GLCs.

1.10 Structure of the Thesis

This thesis adopted a unified structure (Easterby-Smith & Araujo, 1999) and is organised into five Chapters as shown in Figure 1.2.

Chapter 1 sets the scene for the research. Starting with an introduction, it then describes the research background, research problem, research questions and the Research Propositions to drive the research. The justification for the research, its contributions to the existing body of knowledge, the methodology, limitations and the definitions adopted for the study are briefly examined.

Chapter 2 starts with an overview of the Malaysian economy and then builds a theoretical framework for the study by reviewing the relevant literature on the parent theories and the research problem theories. These are the scholarship on Government linked companies (GLCs) and corporate and social governance. It then presents the Malaysian GLCs, the challenges they face and their reform policies.
The research question and Propositions emerging from the gaps in the existing body knowledge are then indentified.

**Figure 1.2: Thesis Chapter Structure**

Source: Developed for the Research
Chapter 3 details the methodology for the study. It introduces the available paradigms and explains the choice of a combined approach. It then sets out and justifies the use of a Focus Group, a Questionnaire survey and Case Studies as data collection instruments and details the data analysis processes. The issues of reliability and validity, related to this research are examined and addressed. Finally, it details the measures taken to address ethical issues.

Chapter 4 presents the analysis of the collected primary data for each of the four Research Propositions. They include the views of the Focus Group meeting and the Questionnaire Survey responses on the significant research issues. It also presents and analyses the unplanned data that emerged from the Focus Group meeting.

The final Chapter summarises the conclusions, based on the research results, for each Research Proposition and the research problem. It then discusses the impact of the findings and their contributions to policy formulation, new theory development and further research.

1.11 Conclusion

This Chapter laid the foundations for this research. It introduced the research problem, the research issues and justified the need for the research. It defined the key terms and outlined the methodology. It then presented the limitations of the thesis and its structure. The next Chapter reviews the literature related to the parent and research problem theories.
Chapter 2 Literature Review

2.1 Introduction and Country Context

2.1.1 Introduction

A literature review drives the research (Berg, 2004) and is an essential first step when undertaking a research project (Neuman, 2006). This Chapter builds a theoretical foundation for the research through a thorough review of the existing literature on the topic ‘The Performance of Government-Linked Companies’.

This literature review has four important aims. First, to gain a full understanding of the existing body of knowledge on the research area; second, to identify the key research issues and emerging themes to place the research into its proper context; third, to understand the theoretical concepts and models relating to the research topic for developing a theoretical framework for the research and finally to establish and rationalise the significance of the research problem (Baker, 2000; Cavana, Delahaye & Sekaran, 2001; Leedy, 2001; Perry, 2002).

The literature survey extends beyond the specific research problem to also include the ‘Parent Theories’ and the ‘Research Problem Theories’ (Perry, 2002). These form the basis for establishing the conceptual framework for the study and the structure of Chapter 2. These are shown in Figure 2.1.

The framework which brings together the key variables and issues pertinent to the research has four primary purposes (Neck, 2008):

(i) To establish the research domain;

(ii) To identify gaps in the existing body of knowledge on the research problems;
(iii) To develop the research questions and Propositions to guide the research;

(iv) To assist with the formulation of the Chapter structure as shown in Figure 2.2.

**Figure 2.1: The Conceptual Framework for the Literature Review**

```
Introduction
  The Contextual Setting
  The Malaysian Economy

Parent Theories

Corporate and Social Governance
  CG and CSR

Government Linked Companies
  Theories and Models

Research Problem Theories

Challenges of Malaysian GLCs
  Analysis and Preparedness

Malaysian GLCs
  Analysis

Malaysian GLCs Reform Policies
  Analysis and Adequacy

Research Domain
  Research Gaps
  Research Questions
  Research Propositions

Conclusion

Source: Developed For This Research
```
Section 2.1 introduces the Malaysian economy to provide the contextual setting for the literature review (Perry, 2002). The Section then reviews the parent theories for this research. Central to these are the global scholarship on GLCs, discussed in Section 2.2.

**Figure 2.2: Structure of Chapter 2**

<table>
<thead>
<tr>
<th>2.1 Introduction</th>
<th>The Malaysian Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2 Government Linked Companies</td>
<td>Theories and Models</td>
</tr>
<tr>
<td>2.3 Corporate and Social Governance</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>2.4 Malaysian Government Linked Companies</td>
<td></td>
</tr>
<tr>
<td>2.5 Challenges of Malaysian GLCs</td>
<td></td>
</tr>
<tr>
<td>2.6 Malaysian GLCs Reform Policies</td>
<td></td>
</tr>
<tr>
<td>2.7 Theoretical Framework for the Research</td>
<td></td>
</tr>
<tr>
<td>2.8 Research Questions Development</td>
<td></td>
</tr>
<tr>
<td>2.9 Conclusion</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed For This Research
GLCs are in essence corporate entities. They have to strategically manage their growth for good business performance and measure progress using KPIs. Since good CG and CSR practices are critical issues for sound corporate performance in a highly competitive globalising world, both are treated as parent theories and the relevant literature are reviewed in Section 2.3.

The review of the parent theories served as the backdrop for the discussion on the research problem theories. Detailed in Sections 2.4, 2.5, 2.6 respectively, they are Malaysian GLCs, the challenges faced by them and the GLC reform policies.

Section 2.7 analyses the secondary data to generate the theoretical framework for this research. Section 2.8 identifies the gaps in the literature for developing the research questions, objectives and the Research Propositions. Section 2.9 concludes the literature review.

### 2.1.2 The Contextual Setting: The Malaysian Economy

This Section introduces the Malaysian economy to provide the contextual setting for the review (Perry, 2002). This is considered necessary in view of the special characteristics of the Malaysian economy, the ethnic composition and the national policy framework.

The country’s national development goals are articulated in Vision 2020. They are directed at restructuring the economy and the societal setting through four national policy frameworks - the New Economic Policy (NEP), 1971-1990, the National Development Policy (NDP), 1991-2000, the National Vision Policy (NVP), 2001-2010, and the National Mission, 2006 – 2020 (EPU, 2009). Figure 2.3 summarises these national development policies and themes. All four are aimed at fostering national unity, social equity, and the quality of life. They share the common themes of enhancing national capabilities and building a resilient and competitive nation.

The Outline Perspective Plan sets the broad thrusts and strategies for national development agenda. It also sets the macroeconomic framework and long-term targets for the period (EPU, 2009). The medium-term plan, for a five-year period, is
in essence the key working document for the implementation of the Government’s development programme. It sets out the macroeconomic growth targets and the allocation for the public sector development programme.

**Figure 2.3: National Development Policies**

The 9th Malaysia Plan (2006 – 2010) currently in force has five key thrusts as shown in Figure 2.4. The emphasis is on building the capacity for knowledge and innovation to enable the economy to move up the value chain (EPU, 2009).

Source: Adapted from EPU (2009)
### Figure 2.4: Five Key Thrusts of the 9th Malaysia Plan

| 1 | • Moving the economy up the value chain |
| 2 | • Raising the capacity for knowledge and innovation and nurturing first class mentality |
| 3 | • Addressing persistent socio-economic inequalities constructively and productively |
| 4 | • Improving the standard and sustainability of the quality of life |
| 5 | • Strengthening the country's institutional and implementation capacity - establish a more effective implementation and monitoring mechanism |

Source: Adapted from EPU (2009)

### 2.1.3 Malaysia’s Economic Transformation

When Malaysia achieved independence in 1957, the rubber plantations dominated the economy. They accounted for 70% of export earnings with an equivalent contribution to GDP. As shown in Figure 2.5, the economy has since moved through several phases of economic progress. It entered the industrial era with the manufacture of import substitution goods. It then progressed to a productivity-driven technology era focusing on the export of textiles and electronic goods. At the turn of this century, it entered the knowledge era with an emphasis on the production of high value added electrical and electronic goods for export. Manufacturing accounted for almost 30% of GDP in 2007 (MOF, 2009).

Currently, the Malaysian economy is in the innovation era driven by knowledge. It is shifting to knowledge-based goods and services with an emphasis on innovation. The fastest growing sector however is the services sector which grew by 4.6% in 2007 with a GDP share of 53% in the same year (MOF, 2009).
2.1.4 The Developmental Setting for Malaysian GLCs

At the time of independence in 1957, Malaysia was a plural society divided by race, incomes and occupational classifications. An estimated 4.5 million or two thirds of the population were living below the poverty line in 1957 with the large majority of them being Malays or Bumiputeras (Goh, 2009). The Malays, relying on subsistence farming, were concentrated in the less developed states of Kedah, Perlis, Trengganu and Pahang. As they had the political power, the First Bumiputra Economic Convention in 1965 urged the Government to play a more aggressive role in favour of the rural poor and the general Bumiputra community. This led to the Government giving emphasis to the development of public enterprises (PEs) focusing on the provision of basic amenities, infrastructure, agriculture and industrial development (Ching, Jomo & Fay, 2005).

PEs provided the public goods and services needed by the tin mining, plantation
agriculture and international commerce (Salleh & Osman-Rani, 1990). To meet these needs, 23 PEs were formed in 1960 (Affandi, 1981) and the numbers grew rapidly to reach 1010 in 1985 (Doraisami, 2005). Their rapid growth was largely due to two major support policies – the New Economic Policy (NEP) and Privatisation Policy.

2.1.4.1 The New Economic Policy

Launched in the 1971, the New Economic Policy (NEP), an affirmative policy, was aimed at bridging the gap in terms of income, employment and wealth between the economically disadvantaged Bumiputras and the other ethnic groups (Salleh & Meyanathan, 1993). It had two objectives; the first, to eradicate poverty, and the second, to increase Bumiputera ownership of economic assets from 2.4 percent in 1970 to 30 per cent by 1990 (Dixon, 1991). New statutory bodies, Government corporations, and Government linked public listed companies were formed to achieve these targets. These included the GLICs, Khazanah and PNB which are discussed further in Section 2.5.

There was a sharp rise in the number of PEs between 1971-1985. Increased Government’s revenue from rising oil prices accelerated the creation of PEs by the Federal and State Governments (Salleh & Osman-Rani, 1990). Existing PEs were also strengthened to achieve the goals of the NEP and various ‘Bumiputra trust agencies’ acquired tremendous corporate wealth (Jomo, 1995).

Under the NEP, the time period of which has since been extended, the GLCs are required to foster the development of a Bumiputra Commercial and Industrial Community. They are expected to foster effective partnerships with smaller Bumiputra enterprises to give them the means to become their suppliers of inputs. GLCs are also expected to play a catalytic role for the transfer of technology to smaller Bumiputra enterprises (The Star, 22 Jun, 2009).

However, critics of the NEP argue that it must be abolished for the country to stay competitive in a dynamic world. Maintaining that Malaysia was stuck in a myriad of protectionism, Steven Hagger of Credit Swiss stated that ‘the Government needs to sell
down shares in Government-linked companies to spur entrepreneurship. Ideally, the Government should own zero per cent in a company, not even a golden share’ (New Straits Times, 1 July, 2009, p.8).

### 2.1.4.2 The Privatisation Policy

The country experienced recessionary conditions in the 1980s. The earlier rapid growth of PEs created administrative and financial burdens to the Government. Virtually every major PE was incurring losses and these led to large public sector budgetary deficits. The situation was aggravated by the mismanagement of heavy industries, economic inefficiencies, inferior goods and services, high costs, incompetence and limited innovations and these led to a change in the Government’s attitudes towards PEs (Jomo, 1995).

The Privatisation Policy launched in 1983, was designed to make privatised entities a vehicle for achieving the 30% target of Bumiputera participation in the economy (EPU, 2009). Accordingly, the Government divested state enterprises, largely to Bumiputras, in the key sectors of utilities, power, transportation, and telecommunications (Bruton, Fried & Hisrich, 1997). Critics of the privatisation policy contend that it suited the needs of a vital few to the detriment of the wider public. Many of the early first generation privatisation concession agreements were so heavily lopsided in favour of concessionaires that they have extracted a heavy financial and political toll on successive Governments (The Star, 30 July, 2009). Despite the privatisation policy, the Government still has too large role in the country’s economy as evidenced ‘by the dozens of Government linked companies crowding the market’ (Wan Saiful Wan Jan, cited in The Star, 30 July, 2009, p 44).

### 2.1.4.3 The Asian Financial Crisis 1997/1998

Malaysia was hard hit by the Asian economic crisis that impacted on the region in 1997. Corporate sector vulnerabilities and poor CG were considered important causes of the crisis (Khatri, Leruth & Piesse, 2002). The Malaysian Ringgit lost 50% of its
value and the Kuala Lumpur stock market index fell from 1350 points in May 1997 to 280 points in April 1998. Corporations, including GLCs, suffered heavy losses and liquidity problems. Firms were unable to obtain business loans and export credits manufacturing activities contracted. The unemployment level rose to 6% and the country suffered a negative GDP growth rate of 7.4% in 1998 (NEAC, 1998).

The crisis revealed that the conventional model of the Government’s major involvement in industry and the management of public sector enterprises had effectively collapsed (Jomo, Ching & Fay, 2005). It also highlighted the need for concerted efforts to strengthen the economic and financial position of the GLCs in view of their dominant position in the Malaysian economy (Beh, 2007; CPPS, 2006; Tselitchtchev, 2007; Vietor, 2007). This resulted in the Government playing the lead role in recapitalising illiquid banks and acquiring non performing loans. The GLCs were the major beneficiaries of the Government’s recovery program. The measures taken included Government intervention in several large and strategic corporations. Since the Government became large shareholders of these corporations, they became GLCs (Beh, 2007).

2.1.4.4 Impact of the 2008 Economic Contraction on Malaysian GLCs

The Malaysian economy reverted to a growth path over the period 2000-2006, as shown in Table 2.1, with GDP growth reaching 6% in 2007. The recovery period was relatively shortlived as the country was adversely affected by the global financial crisis which started in July 2008 (Selvanathan, 2008). The ongoing economic contraction is resulting in negative GDP growth rates, declining export revenues and rising unemployment levels. A large number of the unemployed are from the SMEs which are suppliers of components to GLCs.

Since October 2008, a total of 25,000 workers have been retrenched, another 30,900 have been temporarily laid-off and a further 23,900 taking pay cuts (The Star, 11 Mac., 2009).
Table 2.1: Malaysia’s Economic performance (year 2000-2008)

<table>
<thead>
<tr>
<th>Key Economic Indicators</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth Rate</td>
<td>8.3</td>
<td>0.3</td>
<td>4.1</td>
<td>5.3</td>
<td>7.1</td>
<td>5.2</td>
<td>5.9</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Real GNP Growth Rate</td>
<td>6</td>
<td>1.2</td>
<td>4.7</td>
<td>6.8</td>
<td>7.2</td>
<td>4.6</td>
<td>10.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income Per Capita (RM)</td>
<td>13,333</td>
<td>12,867</td>
<td>13,722</td>
<td>14,838</td>
<td>16,538</td>
<td>17,741</td>
<td>20,841</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income Per Capita Growth Rate (%)</td>
<td>9</td>
<td>-3.5</td>
<td>6.6</td>
<td>8.1</td>
<td>11.4</td>
<td>7.3</td>
<td>17.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inflation Rate (%)</td>
<td>1.6</td>
<td>1.4</td>
<td>1.8</td>
<td>1.2</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>4.4</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>3.1</td>
<td>3.6</td>
<td>3.5</td>
<td>3.6</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
<td>3.3</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: MOF (2009)

GDP growth is expected to contract by 5% in 2009 due to falling exports and slowing domestic demand (CLSA, *The Star*, 5 Mac., 2009). Tan Sri Nor Mohamed Yakcop, the Second Finance Minister, stated that ‘Since Malaysia is plugged into the international economy, we cannot expect to be spared the ill effects’ (*The Star*, 2 Feb., 2009). Najib Razak, then the Deputy Prime Minister and Minister of Finance, reinforced this when he stated ‘It is highly likely that the global economy will get worse before it gets better’ (*The Star*, 11 Mac., 2009).

The recessionary conditions are adversely impacting on GLCs. The Malaysian stock market dropped by 40% over the period July 2008 – February 2009 (Selvanathan, 2009). The Malaysian GLCs were not spared, as stated by Mr Azman Mokhtar, CEO of Khazanah Nasional that ‘the global financial crisis has in fact wiped out nearly all the share value gains the GLCs had earned since May 2004’ (*The Edge*, 7 Dec., 2008).

Government-linked investment arms such as Khazanah Nasional, Lembaga Tabung Haji, the EPF, Lembaga Tabung Angkatan Tentera, which collectively control the bulk of blue-chip counters on the local stock exchange, experienced a massive
deterioration in their net worth (The Edge, 20 Oct., 2008). The combined market value of the biggest 20 GLCs (G-20) as shown Figure 2.6, had been reduced to RM159 billion as at November 21, 2008, from RM276 billion at end-2007 (Khazanah, 2009).

**Figure 2.6: Market Value of G-20 Companies**

<table>
<thead>
<tr>
<th>Date</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 14, 2004</td>
<td>145</td>
</tr>
<tr>
<td>31-Dec-07</td>
<td>276</td>
</tr>
<tr>
<td>21-Nov-08</td>
<td>159</td>
</tr>
</tbody>
</table>

Source: Based on Khazanah (2009)

### 2.1.4.5 The Stimulus Package 2009

In order to revive the economy, the Government introduced two Stimulus Packages amounting to RM67 billion. Of the amount, RM25 billion constitutes guarantee funds, RM10 billion for equity investments, and RM7 billion for Private Finance Initiatives (The Star, 11 Mac., 2009). GLCs play the lead role in implementing the two Stimulus Packages and the Government is relying heavily on them for new investments and job creation. They are required to provide training and creating employment opportunities to about 100,000 of these retrenched workers (The Star, 11 Mac., 2009).
2.1.4.6 National Key Results Areas

Datuk Seri Najib Tun Razak assumed the office of Prime Minister on April 3rd, 2009 with ‘a plan of action to strengthen and equip Malaysia for a new leap forward in the highly competitive global environment’ (The Sun, 29 July, 2009, p. 12). His Government is giving priority to six key areas. They are i) fighting crime, ii) fighting corruption, iii) improving education, iv) upgrading low-income households, v) upgrading rural basic infrastructure and vi) upgrading urban public transport. Performance will be measured through key performance indicators (KPIs) and each of the six target areas has National Key Results Areas (NKRAs) with delivery plans for each of the NKRAs. The Prime Minister is the Chairman of a special Delivery Task Force (DTF) to monitor implementation and to ensure that each NKRA achieves its objectives (The Star, 28 July, 2009, p.6).

2.1.5 Summary

This Section provided the contextual setting for the literature review. It examined Malaysia’s development goals and strategies and then discussed the developmental roles for Malaysian GLCs. The challenges emerging from the global economic slowdown and their impact on Malaysian GLCs were outlined. The next Section examines the literature on the first parent theory of Government-linked companies.

2.2 Parent Theory 1: Government-Linked Companies

This Section reviews the scholarship on GLCs and highlights the pertinent theories and models to explain the behaviour and business performance of GLCs. It then discusses the evolution of GLCs, their economic and social significance and the factors that impact on their performance.

2.2.1 What is a GLC?

GLCs are peculiar economic entities as they may have public policy objectives although they operate as corporate bodies (Mazzolini, 1979; Powell, 1987). They
engage in a vast range of activities in diverse fields and can be fully owned or partially owned by Government. As a definitional issue, it is difficult to determine categorically what level of state ownership would qualify an entity to be considered as a GLC, since Governments can also own regular stock, without influencing the operations of the corporate entities (Vining & Boardman, 1992). The scholarship on GLC revealed several definitions of GLCs and the selected definitions pertinent to this research are listed in Table 2.2.

Table 2.2: Selected Definitions of Government Linked Companies

<table>
<thead>
<tr>
<th>Authors</th>
<th>Terms &amp; Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Powell (1987)</td>
<td>Describes a ‘Public Enterprise’ as a corporate identity whose capital is wholly or substantially provided by a central or local Government authority. The enterprise has objectives that are primarily economic. It can also be used as a vehicle to achieve both social and political objectives of the Government.</td>
</tr>
<tr>
<td>Mazzolini (1979)</td>
<td>Uses the term ‘Government Controlled Enterprises’ to describe companies for which ultimate formal authority rests in the hands of the State. They include companies in which Government own equity or at least a substantial part thereof.</td>
</tr>
<tr>
<td>Vining (1983)</td>
<td>Uses and defines ‘Crown Corporations’ as vehicles for public services which are economic enterprises, that is, ones which may be expected to pay for themselves.</td>
</tr>
<tr>
<td>Ramanadham (1984)</td>
<td>Uses the term ‘Parastatal Organisation’ (in Tanzania) to define a body which is not an integral part of the Government but is an institution, organisation, or agency which is wholly or mainly financed or owned and controlled by the Government.</td>
</tr>
<tr>
<td>Davies (2006)</td>
<td>Defines ‘Public Corporations’ as public trading bodies which have a substantial degree of financial independence of the public authority – generally the Central Government which created them.</td>
</tr>
<tr>
<td>The World Bank (1997)</td>
<td>Defines ‘State Owned Enterprises’ as Government-owned or Government-controlled economic entities that generate the bulk of their revenues from selling goods and services.</td>
</tr>
<tr>
<td>Shin (2005)</td>
<td>Government Linked Companies are entities in which the wholly-owned Government holding company, Temasek Holdings, directly holds controlling share as well as subsidiaries and associates of those entities.</td>
</tr>
</tbody>
</table>

Source: From the Literature Review
The term ‘Public Enterprise’ describes a corporate identity whose capital is wholly or partly provided by a central or local Government authority (Powell, 1987). ‘Government-Controlled Enterprises’ is the term used by Mazzolini (1979) to identify companies in which ultimate formal authority rests in the hand of the state. ‘Parastatal organisations’ refers to organisations which receive funding and which are controlled by the Government although they are not an integral part of a Government (Ramanadham, 1984). A similar term is ‘Public Corporations’ (Davies, 2006). The World Bank (1997) treats GLCs as ‘State-Owned Enterprises’ which are either Government-owned or Government-controlled economic entities that obtain much of their revenues from selling goods and services.

Accordingly, this research considers the term ‘Government-Linked Companies’ (GLCs) synonymous with State-Owned Enterprises (SOEs), Public Enterprises (PEs), Government-Controlled Enterprises (GCEs), Crown Corporations, and Parastatal Organisations (POs). For the purpose of this research, all terms will be treated as GLCs.

2.2.1.1 The Adopted Definition for This Research

In view of the different perspectives offered by authorities on Government owned or linked companies, the researcher had to adopt a working definition for this research. Guided by its scope and objectives, the preferred definition is that of the United Nation’s International Centre of Public Enterprises (ICPE), at Ljubljana, Slovenia, cited in Basu (2005) which defined a GLC as

‘Any commercial, financial, industrial, agriculture or promotional undertaking – owned by public authority, either wholly or through majority share holding – which is engaged in the sale of goods and services and whose affairs are capable of recorded in balance sheets and profit and loss accounts. Such undertakings may have diverse legal and corporate forms, such as departmental undertakings, public corporations, statutory agencies, established by Acts of Parliament or Joint Stock Companies registered under the Company Law’.
2.2.2 The Theoretical Framework for Government Linked Companies

The reviewed literature identified six groups of theories that are pertinent to GLCs and the research: (i) ownership change (ii) market competition (iii) management reform (iv) Rondinelli’s Performance Management Model (v) the resource based view of the firm and (vi) the knowledge based view.

2.2.2.1 Ownership-Led Theory

This theory emphasises ownership change to address GLC problems. Divestiture or privatisation for shrinking the public sector features prominently in these attempts. Examples are studies by Megginson, Nash & Randenborgh (1994), the World Bank (1995), and Boardman and Vining (1989). The theoretical grounds of ownership change are rooted in three principal theories: the public choice theory, property rights theory, and principal-agent theory (Cook, 2001; Shirley & Walsh, 2000).

- **The public choice theory** suggests that public managers, bureaucrats and politicians use their control of GLCs to serve their own interests rather than the firm’s efficiency (Shirley & Walsh, 2000). Managers of GLCs are more concerned on maximising their own power, their prestige and the amount of resources under their control while the politicians and members of Government care more about retaining office than monitoring the managers of GLCs (Niskanen, 1971).

- **The property rights theory** notes that individuals respond to incentives, as do managers, and that the pattern of incentives is influenced by the property rights structure. The property rights theorists argue that under state ownership, property rights are poorly defined (Alchian & Demsetz, 1973; Ramamurti, 2000; Shleifer, 1998). Since no one can clearly benefit from an efficient operation of GLCs, ‘no one will be strongly motivated to hold management accountable for performance’ (Shirley & Walsh, 2000, p.116).

- **The principal-agent theory** highlights the agency problems in that the manager or agent has different objectives with the principal or the owner.
Therefore, the principal faces the problem of monitoring costs (Vickers & Yarrow, 1988). For GLCs, it is assumed that managers seek to maximise their own advantage rather than that of the owners of the firm or the firm itself (Andrews & Dowling, 1998; Jensen & Meckling, 1976). Managers in the private firm are disciplined by a number of external control mechanisms such as markets and also by internal control mechanisms such as compensation and reward incentives (Cuervo & Villalonga, 2000).

2.2.2.2 Competition-Led Theory

There is a wide body of literature that stresses the importance of fostering a competitive market on the grounds that market competition, not property rights, is the primary determinant of enterprise performance (Cook, 2001). Proponents of these argue that competition influences operational and internal efficiencies (Vickers & Yarrow, 1988). The World Bank (2002, p. 133) documents that ‘product market competition increases efficiency by providing incentives for managers to reduce costs, innovate, reduce slack, and improve the institutional arrangements in production’. This is supported by the findings of Cook and Kirkpatrick (1988) and Cook and Minoque (1990) which note that competition-led instruments such as market liberalisation and deregulation, rather than privatisation, are likely to yield more substantial gains in the context of developing countries.

2.2.2.3 Management-Led Theory

Another body of the literature advocates the reform of management without the need for mass privatisation to improve efficiency and performance (Farazmand, 2004; Nolan & Wang, 1999; Stiglitz, 1993; Xu, 2000). Theories on enterprise management place managers and managerial motivation in a central position with profit-maximisation not being the only goal of the firm. Since the managers of the firm are empowered and have substantial discretion they often pursue goals other than profits (Williamson, 1975). Management-focus theory incorporates public policies that provide a conducive business environment (Crew, 1975).
2.2.2.4 Rondinelli’s GLC Performance Model

A more recent model combining both aspects of ownership and competition-led theories was offered by Rondinelli (2008). As shown in Figure 2.7, the model suggests that a comprehensive review is a first step for improving performance. The formulation of an appropriate Government strategy is vital to give the desired strategic directions to GLCs. These must set out the vision for contributions to development, the enterprise missions, and the criteria for performance.

**Figure 2.7: GLC Rondinelli’s Performance Management Model**

![Diagram showing GLC Rondinelli’s Performance Management Model](source)

Source: Adapted from Rondinelli, 2008, p.29

GLCs also require a proper legal framework for functioning effectively. Governments undertaking reforms must periodically revise the legal framework to clarify ownership relationships between the Government and GLCs, impose
internationally accepted accounting and financial reporting standards and outline governance options. At the same time, the enacted policies should be directed at strengthening the business climate and enhancing competitiveness within the economy (Rondinelli, 2008). The regulatory framework should also protect the rights of businesses, consumers, workers, and citizens as well as ensure that GLCs do not abuse their powers. However, overly restrictive regulations could hinder the GLCs from achieving their objectives efficiently.

The model offers several policy options for achieving organisational and managerial performance and these include internal governance and management reforms. These entail adequate supervision by a state agency or an independent board of governors for operating effectively, efficiently, accountably and responsibly in the public interests. The Government has to establish policies, procedures, and organisational structures that guide GLCs operations to achieving those goals. Another policy option is corporatising GLCs with a legal business status. This will permit them to operate according to market criteria and to compete with private and civil society providers (Kennedy & Jones, 2003).

The third option is ‘outsourcing’ as this mode enables the GLCs to take advantages of the benefits of private production and distribution while remaining in public ownership. The final option is public-private partnerships. These can help GLCs to overcome the weaknesses of state ownership and take advantage of the benefits of private management.

There are situations when Governments decide that GLCs must remain in state ownership. This decision has to be the outcome of a comprehensive and objective performance assessment with the aims of strengthening their governance, management, operations, integrity and enlarging the capabilities of the GLCs to contribute to the national economic and social interests (Rondinelli, 2008).

The researcher considers Rondinelli’s Model appropriate for Governments committed to reforming GLCs to make them more effective and efficient. Accordingly, the model serves as an important component of the theoretical framework for this research.
2.2.2.5 The Resource Based View of the Firm

In the current globalising context, it is necessary for firms, including GLCs, to craft appropriate strategies for effectively using resources, developing new markets, retaining favourable market positions, defending their market positions, and achieving long term sustainability (Conner, 1991; Foss & Eriksen, 1995). They must also have the strategic capability to achieve competitive advantage. The resource-based view (RBV) of the firm contends that competitive advantage originates at the firm level rather than at the industry in which the firms operate (Capron & Hulland, 1999; Conner & Prahalad, 1996).

A firm’s resources and capabilities provide the basis for strategy (Rao & Stekel, 1998). There are three basic resources that together create distinctive competitiveness in a firm. These are tangible resources, intangible resources and organisational capabilities (Thompson, Strickland & Gamble, 2007). The mix, type, volume, and the composition of the firm internal resources are foremost in devising strategies that lead to sustainable competitive advantage (Barney, 2001; David, 2003; Dierickx & Cool, 1989).

The uniqueness of the firm comes from two sources. First, the differences in resources; each firm has human resources with different skills, knowledge and potential to offer to the firm. Additionally, each resource has more than one use. Each worker, for example, could be used in a number of different jobs within the firm. Taken together these assumptions make a unique individual firm. Firms in the same industry may be different because the resources at their disposal may be different and the manner in which they use the resources may be different. Thus, the RBV focuses on a firm’s specific resources and its capabilities (Cashian, 2007; David, 2003).

Figure 2.8 depicts the resource based model of the firm (Hoskisson et al., 2008). A firm can achieve superior returns by identifying its resources and capabilities for competitive advantage. It can then locate an attractive industry with opportunities that it can exploit by using its resources and capabilities. The final step is to devise a
strategy that best allows the firm to utilise its resources and capabilities relative to opportunities in the external environment (Hoskisson et al., 2008).

**Figure 2.8: The Resource Based Model of the Firm**

![Resource Based Model of the Firm Diagram]

Source: Adapted from Hoskisson et al., 2008, p.14

### 2.2.2.6 Knowledge Based View of the Firm

Some leading authorities (Drucker, 1993; Nonaka & Takeuchi, 1995; Toffler, 1990) extended the debate on the RBV of the firm and argue that knowledge is the ultimate replacement of other resources. Innovative knowledge enables a GLC to lead its industry and competitors and to significantly differentiate itself from its competitors (Zack, 1999). Since a company cannot innovate without knowledge, it follows that knowledge is a source of competitive advantage (Ichijo, 2002).

In order to increase the intellectual capital of the firm, top management should recognise and focus on strategic roles and values of the knowledge worker who is the biggest single asset (Drucker, 1993). The knowledge worker is critical in the knowledge era which is transforming the rules of business (Saint-Onge, 2002).

Accordingly, GLCs must give emphasis to knowledge as the driver for growth. Therefore implementing a sound knowledge management strategy and becoming a
knowledge-based company can be viewed as mandatory conditions of success for GLCs operating in the knowledge economy (Binney, 2001).

All firms including GLCs should have a knowledge strategy. A knowledge-based SWOT analysis can enable firms to map their knowledge resources and capabilities against their strategic opportunities and threats to better understand their points of advantages and weaknesses. The firm can then perform a gap analysis or ‘what the firm must know to execute its strategy and what it does know’ (Zack, 1999, p.135). This would enable the firm to determine which knowledge should be developed or acquired.

As shown in Figure 2.9, the firm’s knowledge management initiative should be directed towards closing the strategic knowledge gap.

**Figure 2.9: Strategic Knowledge Gap**

Source: Adapted from Zack, 1999, p. 135.
2.2.3 Historical Overview of GLCs

GLCs were established as a solution to accelerate economic and social development. Governments created GLCs in order to control certain key sectors considered vital for the development of the national economy (Millward, 2000). Some arguments suggest that companies in fields of activity close to a public service should be the property of the state. Further, companies which are dependent on public funds should be taken over by the Government. The French firm, Dassault, was nationalised because the Government felt that the company lived on public money (Amatori, 2000).

In Europe, the growth of GLCs was in line with the growth of nationalism. GLCs were the means to supply military equipment, coal and steel (Clifton, Comin, & Fuentes, 2003), to promote industrialisation (Amatori, 2000; Millward, 2000) and to respond to the formation of organised labour (Reinert, 2000). The French Government opted for direct control over certain sectors which were felt to be too important to be left in the hands of the private sector (Amatori, 2000).

In line with Keynesian economics, numerous GLCs emerged after the World War II to address market deficits, capital short-falls, promote economic development, reduce mass unemployment and/or ensure national control over the overall direction of the economy (Goldstein, 2002; Greenwald & Stigliz, 2006; Kessler & Alexander, 2003). This resulted in the establishment of large numbers of GLCs over the past 50 years to accomplish these developmental objectives (Kay & Posner, 1989). Other reasons for the establishment of GLCs, explored by Amatori (2000), Basu (2005), Cook and Kirkpatrick (1988) and Van De Walle (1989) are:

- First, GLCs were thought of as the most important medium to generate the much needed revenues to finance investments in priority sectors of the economy (Van De Walle, 1989).
Second, a large public role was seen as necessary for rapid and sustained development in an ideological climate when the private sector was held in low esteem and when the Government saw the need to control strategic industries for employment creation (Basu, 2005; Rondinelli, 2008).

Third, and pertinent to this research, was that GLCs were created to strengthen the economic position of particular ethnic groups or geographical regions often incompatible with profit maximisation (Cook & Kirkpatrick, 1998).

The literature indicates situations of Governments intervening when private firms lacked the capacity to undertake projects which require high capital outlays and where the expected returns of investments were not attractive enough to private investors (Walsh, 1978). They also often intervened to avoid the closing down of an ailing company, especially when considerable employment was involved, or when a company is considered essential for national interest. When Rolls-Royce was broken up in 1971, the car sector remained in private hands while the aerospace sector became a public enterprise (Mazzolini, 1979).

The 1980s was influenced by the Monetarists’ School, led by Milton Friedman of the University of Chicago, which believed that Governments should not intervene in the economy (Dornbusch & Fischer, 1993). A new set of global leaders, including President Reagan of the United States, Prime Minister Thatcher of the United Kingdom, President Carlos Salinas of Mexico (Ramamurti, 1996) as well as the then Prime Minister Mahathir Mohamad of Malaysia, were influenced by their thinking. The outcome was a wave of privatisation on the grounds that the contributions from large scale privatisation could reduce budget deficits and public debts which were spiraling out of control in the 1980s (Ramamurti, 2000). In developing countries the resources raised from privatisation grew from USD2.6 billion in 1988 to USD23.1 billion in 1992 (Sader, 1993). Several of the privatised firms became GLCs since the Government retained a controlling interest. Privatisation also forced the Governments to formalise the regulatory relationship with the firms (Ramamurti, 1996).
The global financial crisis in 2008 led to increased state intervention in troubled financial institutions, housing corporations and the automobile industry. In the United Kingdom, the Government took shares in the Lloyds Bank, the Northern Rock Building Society and the Royal Bank of Scotland as part of the financial rescue package (The Star, 9 Mac., 2009). In the United States, the troubled mortgaged institutions, Fannie Mae and Freddie Mac as well as the giant American Insurance Group AIG are now under Government control in exchange for bail-outs (Financial Times, 8 Sep., 2008). This situation implies that state interventions are also means for addressing failures in the market economy (OECD, 2009).

2.2.4 The Economic and Social Significance of GLCs

GLCs are important organisations in both developed and developing economies. In India, the Government controls 70% of the banking and the financial assets (Newsweek, 22 Sept., 2008). In the former, they account for 8% of GDP and 13% of investments in 2006. The corresponding shares for middle-income countries were 9% and 17%. The Governments shares were even higher in the Least Developed Countries (LDCs) as they accounted for 14% and 28% respectively (OECD, 2009).

GLC contributions to Government revenues are also high. In 2006, they ranged from 60% in Algeria, 24% in the Middle East, and 7% for China and Thailand (ANIMA 2006). In several developing countries GLCs are also the major sources of employment. They employ 34.3% of the total workforce in Ghana, 25.1% in Gabon, 12.2% in Sri Lanka; 8.1% in India, 7.7% in Kenya and 7.4% in China (The World Bank, 2009).

In today’s highly competitive world, GLCs are focusing on becoming commercially-oriented enterprises rather than limiting themselves to producing public goods to satisfy societal needs. One such example is Temasek in Singapore which has taken up stakes in several multinational companies worldwide. Another is Bank Rakyat Malaysia which announced a record profit of RM1.2bil for 2008. This was higher than its private sector competitors like Hong Leong Bank (RM1.0bil), Affin Holdings (RM404mil) and EON Bank which registered profits of RM208mil in the same year (The Star, 9 Mac., 2009).
There are several other successful commercially run GLCs. As shown in Table 2.3, the successfully-run GLCs include Volkswagen, the giant Automobile producer in Germany; Baosteel, a Chinese-Government owned enterprise which is one of the largest steel producing companies in the world, and Embraer, the successful Brazilian manufacturer of Jet aircraft.

**Table 2.3: Examples of Successfully-run GLCs**

<table>
<thead>
<tr>
<th>Name of GLC</th>
<th>Country</th>
<th>Business Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Airlines</td>
<td>Singapore</td>
<td>Airline. Often voted the best run airline in the world</td>
</tr>
<tr>
<td>Baosteel</td>
<td>China</td>
<td>One of the world’s largest steel company</td>
</tr>
<tr>
<td>EdF</td>
<td>France</td>
<td>One of the world’s largest power company</td>
</tr>
<tr>
<td>ENI</td>
<td>Italy</td>
<td>One of the world’s largest energy group</td>
</tr>
<tr>
<td>Oil &amp; Gas Corporation</td>
<td>India</td>
<td>Petroleum. The largest Indian company in FT500</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>Germany</td>
<td>Automobile</td>
</tr>
<tr>
<td>Pohang Steel</td>
<td>South Korea</td>
<td>Steel</td>
</tr>
<tr>
<td>PETRONAS</td>
<td>Malaysia</td>
<td>Energy. Malaysia’s sole company in FT500</td>
</tr>
<tr>
<td>Embraer</td>
<td>Brazil</td>
<td>Jet Manufacturer</td>
</tr>
</tbody>
</table>

Source: Literature Review

### 2.2.5 Factors Impacting on the Performance of GLCs

The literature provides several examples of well managed GLCs providing the services needed for development. However, several behave like bureaucracies and incur losses due to inefficiency, ineffectiveness, corruption and incompetence (Basu, 2005). Several GLCs are also underperforming due to social burdens and excessive Government interventions. Consequently, they incur losses and are a drain on public resources (Rondinelli, 2008).
The literature also revealed several common problems shared by GLCs. These included bureaucratic meddling, conflicting objectives, over-centralisation of decision making and inadequate capitalisation. The lack of managerial skills is also an important problem for GLCs (Shirley & Walsh, 2000). They were often convenient organisations for locating surplus labour and providing a wide array of social benefits for workers (Kennedy & Jones, 2003). Directorships and senior managerial positions in GLCs were political patronage positions for retired military and high level civil servants or for relatives and friends of powerful political leaders (Meggison, Nash & Randenborg, 1994; Vining & Boardman, 1992).

In the early 1980s and 1990s, there was growing dissatisfaction with the way that Governments provided goods and services, especially to the poor. There were reports of cronyism and corruption in some GLCs (Kennedy & Jones, 2003). In Nigeria, for example, Government ownership and the monopoly position of the National Electric Power Authority was plagued by corruption, inefficiency, and mismanagement (Alukoju, 2004). In Turkey, the Government’s manipulation of the prices of goods and services produced by GLCs resulted in them incurring losses (Berument, 2003). In China, 17% of the national budget was used for direct subsidies and loans to unprofitable GLCs in 1990 (Endean, 1991). GLCs in Thailand and South Africa also suffered from unsustainable debt burdens, underinvestment in infrastructure and technology and unmanageable corporate structures (Hatfield, 2000; Phillips & Kunrong, 2005). Studies by the World Bank (1995) revealed that in the 1980s, GLCs in developing countries accounted for one-half of all outstanding domestic debt and for a substantial portion of foreign borrowings.

2.2.6 Summary

This Section reviewed the scholarship on GLCs and identified the theories and models pertinent to this research. It adopted a definition for GLC and examined their economic and social significance. The Section concluded with an examination of the factors impacting on the performance of GLCs. The next Section discusses corporate and social governance, the second parent theory for this research.
2.3 Parent Theory 2 - Corporate and Social Governance

A firm has several stakeholders, namely individuals, the Government, financiers, and suppliers. They have to be assured that their investments will be protected from misappropriation and only used for agreed corporate objectives that generate maximum benefits. Such assurances are at the heart of effective CG (Gregory, 2000). The requirement is for organisations to have ‘a set of provisions that enable the stockholders by exercising voting power to compel those in operating control of the firm to respect their interests’ (Scott, 2001, p.26).

Failures of CG are expensive as they undermine trust in the competence of the individuals leading the company and the board that supervises them (Zinkin, 2009). In Malaysia, the Green Book, a component of the GLC Transformation Programme, emphasises on enhancing the effectiveness of the boards of GLCs and the timely dissemination of all board information (PCG, 2006).

Over the past three decades, there has been a radical change in the relationship between business and society (Tan, 2008). The relationship between companies and societies has moved on from philanthropy to corporate social responsibility (UNIDO, 2009). Businesses including GLCs are now required to answer questions posed by more conscientious and environmentally aware consumers. They live in an age of instant information dissemination, brought about by the internet and global news channels (Chandler & Mazlish, 2005; Haufler, 2001; Litvin, 2004). Recognising this, the Silver Book, another important component of the Malaysian GLC Transformation Programme, is aimed at guiding GLCs to achieve value through social responsibility (PCG, 2006).

While CG is regarded as the hardware and business ethics the software in business operations, CSR links them together (Szeto, Wright & Cheng, 2006). As shown in Figure 2.10, business ethics is at the core of both CSR and CG. Accordingly this Section reviews the scholarship on CG, CSR and ethics.
2.3.1 Corporate Governance

CG reflects the way companies address their legal responsibilities to their stakeholders (Knecht & Calenbuhr, 2007; Moir, Kennerly & Ferguson, 2007). At its core, CG is concerned with ensuring that strategic decisions are made effectively (Desai, Hogan & Wilkins, 2006). Governance can also be thought of as a means that corporations use to establish effective relationships between the firm’s owners and its top-level managers since they may have conflicting interests. Thus CG reflects and enforces the company’s values (Schwartz, Danfee & Kline, 2005). In modern corporations, especially those in the United States and United Kingdom, a primary objective of CG is to ensure that the interests of the top level managers are aligned with the interests of the shareholders (Hoskisson et al., 2008).

revealed weaknesses in the quality of transparency, the regulatory framework and accounting/auditing standards (Goh, 2009). This resulted in a loss of investor confidence in countries and firms that had poor CG practices. Several Malaysian GLCs, as discussed in Section 2.5, also became loss-making entities due to poor accountability and transparency (PCG, 2006).

2.3.1.1 Theories Underpinning Corporate Governance

There is a large body of knowledge and supportive theories on CG. They can be categorised into two main theories, namely Agency Theory and Stewardship Theory.

I Agency Theory
This theory endeavours to explain the relationship between the owners or shareholders of the firm and the top management of the firm. The theory postulates that top management are more concerned with their own interests and less on the needs of the shareholders (Berle & Means, 1967). Accordingly, top management becomes more powerful in situations when stock ownership is dispersed and held by a large number of shareholders. A weak board of directors also permits top management to secure a significant ownership of the firm in order to reap the benefits emerging from the large ownership of stocks (Mallin, 2004).

II Stewardship Theory
The board of directors and the CEO are the stewards of the firm and tend to view the corporation as an extension of them. They are therefore more inclined to focus on the long term growth and development of the firm rather than use the firm for their own needs (Kosnik, 1987). This theory emphasises on a strong board of directors to manage the firm in the interest of the business and its stakeholders (Zinkin, 2009).

2.3.1.2 The Pillars of CG

The CG environment varies between countries since the business environment is not uniform. Notwithstanding, there are four elements which underpin good CG practices in all corporate entities including GLCs. These are accountability, transparency, a regulatory framework, and strong board stewardship.
I Accountability

The Resource Based View of the firm discussed in Section 2.3 suggests that the firm is a unique bundle of resources and capabilities that allows it to outperform its competitors and enhance profits (Keat & Young, 1996). This requires effective governance by the top management of the firm by providing sound financial reporting and adhering to all the firms’ stakeholders. Accounts must be presented in terms of expectations and achievements. However, a review of the literature revealed weaknesses in this regard and suggested three main reasons for these (Basu, 2005; Chang, 2007; Khan, 2005; Kauzya, 2005; Rondinelli, 2008; Trivedi, 2008). These are termed as ‘under expectation, the ‘not-me syndrome’, and ‘confusion between cause and effect’.

(i) The ‘Not me’ Syndrome

GLCs are wholly or partly owned by the Government and are therefore required to interact with the Government, the people and the parliament. This could result in the phenomenon of disclaiming responsibility and absence of accountability. In this situation as depicted in Figure 2.11, no one person can be held accountable (Trivedi, 2008).

Figure 2.11: The ‘Not Me’ Syndrome in GLC Management

Source: Adapted from Trivedi (2008)
(ii) Under Expectations – Multiple Principals with Multiple Goals.

The existence of clear expectations plays a major role in achieving accountability. If owners of an enterprise – public or private – are not clear about the goals of the enterprise, they cannot be expected to achieve them. GLC managers face even worse problems as they often have multiple principals with often conflicting goals. The situation leads to an unclear interpretation and transmission of objectives to managers of PEs. The resulting fuzziness of goals and objectives generally results in managers being confused as to what is expected of them (Trivedi, 2008).

(iii) Confusion between Cause and Effect

Generally, accountability is poor in GLCs largely because the measures taken to address the matter focus on the symptoms and not the underlying basic causes. For example, as shown in Figure 2.12, the top management of loss-making GLCs often become subject to scrutiny by the Government. This lowers their credibility; results in increased financial deficits and leads to a further weakening of the GLCs (Trivedi, 2008).

Figure 2.12: System Performance Deficit Versus Financial Deficit

Source: Adapted from Trivedi 2008
II Corporate Transparency

Good corporate transparency extends beyond ethical financial reporting. It falls under the ambit of good and ethical communication practices overall (Zinkin, 2009). This suggests that corporate transparency is more about channels of open two way communications between a company and its shareholders. The objective is to meet the information needs of the investors. Richard Oliver defines the term as allowing others to see the truth without trying to hide or shed the meaning, or altering the facts to put things in a better light (Cited in APCO, 2009).

Accordingly, good corporate transparency requires all companies, including GLCs, to disclose both positive and negative information. They should also be presented in a clear way and in a form which can be understood by all its shareholders (ASX Corporate Governance Council, 2003). The collapses of ENRON (2002), Worldcom (2002), Satyam (2008), and Madoff (2008) are illustrative of distorted financial reporting aimed at misleading investors and the public about the underlying performance of the enterprises.

III Public Oversight and the Regulatory Framework

Effective CG requires legislation that defines the rights of shareholders, the roles of the board of directors and the obligations of top management. The legislative framework should protect the interests of the minority shareholders. Equally important is the need for a sound enforcement machinery that penalises firms for not complying with statutory requirements (Goh, 2009).

In addition, any shortcoming in respect of the GLC supervisory responsibilities of Government ministries could potentially contribute to the mismanagement and inefficiency of GLCs. A good example is that of India which has 38 supervising ministries controlling and overseeing 240 GLCs without any stipulation for accountability or responsibility for performance (Rondinelli, 2008). At the same time, there are several examples of best practices by GLCs. Temasek in Singapore and Khazanah in Malaysia, have developed reputations with clearly defined responsibilities of GLC management (Basu, 2005).
IV Strong Board Stewardship

Good CG is dependent on boards acting appropriately in the interests of business and their stakeholders (Zinkin, 2009). In 2008, the financial giants Bear Sterns, UBS, Lehman Brothers, AIG and Citigroup fell into the category of failed or failing corporations. This was caused by poor CG stewardship as their boards did not understand their businesses and the totally different risk profiles they were supervising (Zinkin, 2009). The Cadbury report (1992) emphasises that good CG requires a strong board of directors to govern an organisation as distinct from management which is the function of the executives. The directors should be well balanced and ensure that the boards are transparent in the manner in which they direct and control companies. They should also serve as ‘Challenger’ boards, where there is great emphasis on the monitoring, control, advice and coaching responsibilities (Zinkin, 2009).

The Australian Stock Exchange emphasises the need for independent directors (ASX Corporate Governance Council, 2003). By having external independent directors, no single individual could have excess powers in the running of a corporation (Petra, 2006). In addition to the board’s three key functions of leadership, stewardship and control, it should also be responsible for internal accountability through the ‘audit committee’. This is inclusive of independent directors to serve as checks and balances and act against executives and misreporting of financial results (Petra, 2006).

2.3.1.3 OECD’s Principles of Corporate Governance

The OECD (2004) attributes the poor performance of GLCs to poor governance. The OECD Principles of Corporate Governance sets out some subjective elements of the criteria for good governance as shown in Table 2.4. They clearly reflect a clear Government’s need to be better owners of GLCs.

The aim of the Guidelines is to make GLCs more competitive, efficient and transparent. To address this, the Guidelines call on the Government to separate the state’s ownership role from its regulatory role and to reduce political interference in
day-to-day management. It also calls for the independence of the board and the separation of powers between the Chairman and the CEO. Finally, it emphasises the need to improve transparency by strengthening internal controls and conducting independent and external audits based on international standards.

**Table 2.4: OECD Principles of Good Governance**

<table>
<thead>
<tr>
<th>Governments need to be better owners of state-owned enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>The OECD Guidelines on Corporate Governance of State-Owned Enterprises advise countries on how to manage more efficiently their responsibilities as company owners.</td>
</tr>
</tbody>
</table>

In many countries the state remains an important owner of large firms operating in key sectors, including energy, utilities and infrastructure. But they face challenges including conflicting corporate objectives, unclear board responsibilities and opaque appointment procedures. To address these issues, the Guidelines call on Government to:

**Ensure a level-playing field for state-owned enterprises competing with the private sector by**
- Clearly separating the state’s ownership role from its regulatory role
- Allowing more flexibility in capital structures while making sure that state-owned enterprises face competition access to finance

**Become more informed and active shareholders by**
- Simplifying the chain of accountability through centralizing or more effectively coordinating shareholding responsibilities within the state administration
- Reducing political interference in day-to-day management
  - Introducing a transparent nomination process for boards, based on competence and skills

**Empower boards by**
- Clarifying their mandates and respecting their independence
- Separating the role of Chairman and CEO and giving boards the power to appoint CEOs
- Systematically monitoring the board’s performance

**Improve transparency by**
- Strengthening internal controls
- Carrying out independent, external audits based on international standards
- Disclosing any financial assistance from the state
- Producing aggregate performance report

Source: OECD 2004
2.3.2 Corporate Social Responsibility

Companies in particular GLCs should be good corporate citizens by taking strategic actions to benefit shareholders. The top management has to display a social conscience in operating their businesses. This requires them to take full account of the impact of their decisions on the well-being of their employees, the community, the environment and the society at large (Thompson, Strickland & Gamble, 2007). Firms can demonstrate their social responsibilities in five main ways as shown in Figure 2.13.

Figure 2.13: The Five Components of Socially Responsible Business Behaviour

Source: Adapted from Thompson, Strickland & Gamble, 2007
1. **Ethics.** Firms must display a strong commitment to observing ethical principles as they are compatible with the concept of good corporate citizenship and socially responsible behaviour. Ethics provide standards or guidelines for the conduct and decision making of employees and managers (Gomez-Mejia, Balkin & Cardy, 2007).

2. **Philanthropic and charitable activities.** Firms can fulfill their corporate citizenship and community outreach by supporting charities and disadvantaged social group (Thompson, Strickland & Gamble, 2007).

3. **Sustainability.** The principle of sustainability requires that companies should operate in ways that secure long-term economic performance by avoiding short-term behaviour that is socially detrimental or environmentally wasteful (Porter & Kramer, 2006);

4. **Employees Wellbeing.** This relates to actions that create a work environment that improves the quality of life for all employees and making the company the preferred place for employment (Thompson, Strickland & Gamble, 2007).

5. **Workforce Diversity.** This relates to actions to build a workforce that is diverse in respect of gender, colour, ethnicity, religious belief and age. A company could also extend this policy to its suppliers (Thompson, Strickland & Gamble, 2007).

### 2.3.2.1 Global CSR Practices

Corporate entities must treat CSR as part of their normal business obligations to all their stakeholders, regardless of whether these are primary or secondary stakeholders. In both developed and developing countries, corporate entities are expected to be socially responsible in whatever they do (Idowu & Walter, 2009).

The Responsible Competitiveness Index (RCI) and the Brazilian Business School, Fundação Dom Cabral, examine how countries promote responsible business practices. The 2007 Index which covered 108 countries, revealed that the three
Scandinavian countries of Sweden, Denmark and Finland, as shown in Table 2.5, headed the list. The only Asian countries in the top 20 are Singapore, Japan and Hong Kong.

**Table 2.5: The State of Global Responsible Competitiveness 2007**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sweden</td>
</tr>
<tr>
<td>2</td>
<td>Denmark</td>
</tr>
<tr>
<td>3</td>
<td>Finland</td>
</tr>
<tr>
<td>4</td>
<td>Iceland</td>
</tr>
<tr>
<td>5</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>6</td>
<td>Norway</td>
</tr>
<tr>
<td>7</td>
<td>New Zealand</td>
</tr>
<tr>
<td>8</td>
<td>Ireland</td>
</tr>
<tr>
<td>9</td>
<td>Australia</td>
</tr>
<tr>
<td>10</td>
<td>Canada</td>
</tr>
<tr>
<td>11</td>
<td>Germany</td>
</tr>
<tr>
<td>12</td>
<td>Netherlands</td>
</tr>
<tr>
<td>13</td>
<td>Switzerland</td>
</tr>
<tr>
<td>14</td>
<td>Belgium</td>
</tr>
<tr>
<td>15</td>
<td>Singapore</td>
</tr>
<tr>
<td>16</td>
<td>Austria</td>
</tr>
<tr>
<td>17</td>
<td>France</td>
</tr>
<tr>
<td>18</td>
<td>United States</td>
</tr>
<tr>
<td>19</td>
<td>Japan</td>
</tr>
<tr>
<td>20</td>
<td>Hong Kong</td>
</tr>
</tbody>
</table>

Source: Adapted from Zadek (2008)

**2.3.2.2 Strategic CSR**

Increasingly companies are treating social responsibility as an essential component of judging their business performance and this is making a difference to the way they do business. Viewed from this perspective, Porter and Kramer (2006) categorised CSR into two categories, as shown in Figure 2.14.

The first category is Responsive CSR which requires the firm to be a good corporate citizen. The second, Strategic CSR can unlock shared values and strengthen the firm’s competitiveness by adopting socially responsible behaviour. For this purpose, the firm has to integrate social impact into its overall strategy.
Pearce and Robinson (2008) identified five principles for successful CSR collaboration initiatives as shown in Figure 2.15. This approach suggests that firms make the greatest social contributions when they identify an important, long-standing policy challenge and address it over the long term (Alsop, 2004). Among the social challenges demanding attention are hunger, inadequate housing, ill health, substandard education, and environmental degradation. The benefits of a firm’s corporate contributions are maximised when CSR is part of the firms’ core skills. Companies have the greatest social impact when they make specialised contributions to large-scale cooperative efforts (Burgmans, 2008).

Firms gain the greatest benefits from their social contributions when they put a price on the total benefits package. The valuation should include both the social contributions delivered and the reputation effects that solidify or enhance the company’s position among its constituencies (The Catalyst Consortium, 2002). Governments however have to play their part. They can have an important positive
influence on CSR through tax incentives, liability protection and other forms of direct and indirect support for CSR. All these measures help to foster business participation and contribute to the success of collaborative social initiatives (Pearce & Robinson, 2008).

**Figure 2.15: Five Principles of Successful CSR Collaboration**

Source: Adapted from Pearce and Robinson, 2008

### 2.3.3 Business Ethics

Ethical conduct encompasses principles that explain ‘what is good and right’ and ‘what is bad and wrong’ (Carroll & Buchholtz, 2006). Good CG and socially responsible behaviour are underpinned by high standards of ethical conduct. The ethical stance adopted by an organisation sets out its obligations to any specific stakeholder group (Johnson & Scholes, 1997). While the adopted ethical stance may be different between firms, they fall into four different categories as shown in Figure
At one extreme of the spectrum are organisations that are only interested in short-term shareholder interests. They take the ethical stance that it is the responsibility of the Government to formulate legislation which sets out the do’s and don’t’s (Clarke, 2004). While the second category shares the same ethical stance with the first category, they are geared towards longer term shareholders’ interests.

The third category takes a different stance. They think in terms of multiple stakeholder expectations and are prepared to reduce profitability for the social good (Kay & Silberston, 1995). The final group is the ideological end of the spectrum. This group which includes charitable organisations and NGOs, are more concerned with shaping society. Since this may create issues relating to CG and accountability, it may be difficult for GLCs to operate in this way as they are accountable to external shareholders.

Regardless of whatever ethical stance a GLCs takes, it has to be an integral element of corporate strategy. It also helps to determine how the GLC can reach its goals and how it will relate to its various stakeholders (Johnson & Scholes, 1997).
2.3.4 Summary

This Section highlighted the importance of CG in firms and their social responsibilities. It also examined the role of CSR and its relationship with ethics. The next Section examines the research problem theories of Malaysian GLCs.

2.4 Research Problem Theory 1: Malaysian Government Linked Companies

2.4.1 Introduction

The earlier Sections reviewed the literature on the parent theories pertinent to this research. This Section reviews the literature on the Malaysian Government Linked Companies (GLCs), the first research problem theory. It starts by defining Malaysian GLCs and the Malaysian Linked Investment Companies (GLICs). It then briefly describes the major GLICs, the roles of Malaysian GLCs in meeting national developmental interests and their participation in the international business arena through strategic alliances.

2.4.2 Defining Malaysian GLCs and GLICs

Malaysian GLCs are essentially privatised public sector enterprises that were established to meet social and economic needs on the grounds that certain public services could not be appropriately handled within the traditional structure of a Government’s organisation (Ahmad, 2008). Accordingly, Malaysian GLCs are defined as ‘companies that have a primary commercial objective and in which the Malaysian Government through Government-linked investment companies (GLICs) have a direct controlling stake’ (PCG, 2006). This is more specifically defined by the Ministry of Finance Malaysia as follows:

‘What constitutes a GLC is defined by control rather than by percentage ownership. Essentially, a GLC is where control of a company is exerted by a GLIC. Control is defined by the ability to exercise and influence major decisions such as appointment
of board members and senior management, award of tenders and contracts by the board’.

GLIC’s are defined as ‘Federal Government-Linked Investment Companies that allocate some or all of their funds to meet GLC investment’ (MOF, 2009). GLICs are also defined by the influence of the Federal Government in appointing and approving board members and senior management, having these individuals report directly to the Government, and in providing funds for operations and/or guaranteeing capital (MOF, 2009).

The Malaysian GLCs fall into three categories as shown in Figure 2.17, based on the extent of the Government’s shareholdings and its degree of control. It includes firms in which the Government has acquired equity interests in companies listed in Bursa Malaysia (PCG, 2006).

Figure 2.17: Nature of Government Involvement in Malaysian GLCs

Source: Adapted from PCG, 2006

The first category comprises companies in which a GLIC is either the majority shareholder or the largest single shareholder. This enables the Government to fully control the 57 GLCs that fall under this category. Pertinent examples include the national carrier Malaysia Airline System Berhad, the national gas company,
Petronas Gas Berhad, the former national telecommunications department, Telekom Malaysia and the country’s largest bank, Maybank Berhad. Although several of these GLCs are PLCs, the Government influences the appointment of board members and the chief executive officers.

The Government has quasi control of the GLCs that fall under the second category. In these companies, the GLICs are collectively the largest single shareholder. DRB-Hicom, the manufacturer and distributor of the national car, Proton, falls into this category.

The third category involves 541 companies listed in Bursa Malaysia. The Government has a stake in these firms but does not exercise control. For example, the Government, through a GLIC, has a 32% stake in SP Setia Berhad but management control rests in the hand of a single individual shareholder, Tan Sri Liew Kee Sin, who only has a 12% stake in the company (*The Star*, 20 Dec., 2008). Another example is that of the EPF owning 20.1% of the large construction company, IJM. However, its managing director, Datuk Krishnan Tan, who only has 0.2% equity in IJM, controls the management of the company (*The Star*, 20 Dec., 2008).

### 2.4.3 Government Linked Investment Companies

Malaysian GLCs under the purview of the Federal Government are grouped under seven GLICs namely the Minister of Finance Inc, Khazanah, Permodalan Nasional Bhd (PNB), Employees Provident Fund (EPF), Retirement Fund Incorporated (KWAP), Lembaga Tabung Angkatan Tentera (Armed Forces Fund Board) and Lembaga Tabung Haji (Pilgrims Fund Board). As shown in Table 2.6, GLICs have different shareholders and different mandates. Accordingly, GLCs under their control also have differing strategies. The nature and characteristics of these GLICs merit elaboration as follows.
Table 2.6: Mandates of Malaysian GLICs

<table>
<thead>
<tr>
<th>GLICs</th>
<th>Mandates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khazanah Nasional</td>
<td>To maximise shareholder value of investments and to shape selected strategic industries in Malaysia to meet the nation’s long-term economic interests.</td>
</tr>
<tr>
<td>Permodalan Nasional Berhad – PNB (National Fund Management)</td>
<td>To enhance the economic wealth of the Bumiputera community through share ownership in the corporate sector and participation in the creation and management of wealth.</td>
</tr>
<tr>
<td>Employees Provident Fund (EPF)</td>
<td>To provide retirement benefits to members through the efficient management of their savings and work towards the nation’s socio-economic goals through prudent investments.</td>
</tr>
<tr>
<td>Minister of Finance Incorporated (MOF Inc.)</td>
<td>Hold investments on behalf of the Government of Malaysia and manage these investments in line with national interests.</td>
</tr>
<tr>
<td>Lembaga Tabung Angkatan Tentera - LTAT (Armed Forces Fund Board)</td>
<td>Provide retirement benefits to its other ranks of the Armed Forces and to enable officers and mobilised members of the volunteer forces to participate in a savings scheme.</td>
</tr>
<tr>
<td>Lembaga Tabung Haji (Pilgrims Fund Board)</td>
<td>To enable Muslims to save for the pilgrimage through effective participation in investment activities permissible in Islam through their savings.</td>
</tr>
<tr>
<td>Kumpulan Wang Amanah Pencen (Retirement Fund Incorporated)</td>
<td>To assist the Government to finance pension payments and other retirement benefits to Malaysian civil servants.</td>
</tr>
</tbody>
</table>

Source: Adapted from PCG, 2006
2.4.3.1 Khazanah Nasional Berhad

This is the investment holding arm of the Government of Malaysia. It manages the assets held by the Government and undertakes new investments (Khazanah 2009). Khazanah has investments in more than 50 major companies, both in Malaysia and abroad. It is involved in a broad spectrum of automotive industries, basic materials, finance, healthcare, infrastructure and construction, media and communications, property, technology and biotech, transportation & logistics and utilities. The GLCs which it controls include Tenaga Nasional Berhad and Telekom Malaysia Berhad.

Khazanah’s assets were worth RM44bil as of 30 June 2009 (The Star, 2 July 2009). It is now selling its stakes in some of the GLCs and over the period 2004 – 2009 its disinvestments totaled RM12.6bil. At the same time, it is looking into further acquisitions (New Straits Times, 2 July 2009). The Government has allocated Khazanah another RM10bil to promote domestic-private investments under the Government’s RM60bil Stimulus Package (The Star, 11 Mac., 2009).

Khazanah has on its board three chiefs of the Government: the Prime Minister, his deputy, and the Minister of Finance. This suggests the dominating role of the Government in the management of Malaysian GLCs. ‘Ostensibly, the GLCs have no political agenda, but in Malaysia, politics is never far away from any decision’ (Asiamoney, Sept., 2007).

2.4.3.2 Permodalan Nasional Berhad (PNB)

This large GLIC is a pivotal instrument of the Government’s New Economic Policy to increase Bumiputera share ownership in the corporate sector. It also creates opportunities for Bumiputra professionals to participate in the creation and management of wealth (PNB, 2009). Accordingly, the PNB’s main function is to select and acquire a portfolio of shares in companies with sound growth potential. Since its establishment on March 17, 1978, PNB has succeeded in mobilising more
than RM85 billion in funds for its various investments in more than 360 subsidiary companies in Malaysia (PNB, 2009).

PNB currently has substantial shareholdings in established companies such as UMW Holdings Berhad, Golden Hope Plantations Berhad, Malayan Banking Berhad, Island and Peninsular Berhad, Sime Darby Berhad, Kumpulan Guthrie Berhad, NCB Holdings Berhad and Malaysia National Insurance Berhad.

PNB has seven members in the board. Five of them are retired Government servants and a retired military general. The Board of Trustees comprises the Prime Minister, the Deputy Prime Minister, the Minister of International Trade and Industry, and the second Minister of Finance. The top management comprises eleven Bumiputeras with the majority representing the relevant Government ministries (PNB, 2009).

2.4.3.3 Employees Provident Fund (EPF)

This Fund is mandated to provide retirement benefits to its members through the efficient and reliable management of their savings (EPF, 2009). The EPF manages RM340 billion of funds of which RM16 billion has so far been invested overseas in five major financial markets – the US, Britain, Australia, Singapore and Japan (The Star, 23 Mac., 2009). The EPF’s board includes representatives of the Government, the employers, and the employees. The current and past Chairmen have always been retired senior civil servants.

The EPF has invested in a number of financial instruments, approved by the Government. They include Malaysian Government securities, money market instruments, loans & bonds, equity and property. The EPF holds shares in Sime Darby Berhad, IOI Corp Bhd, IJM Plantations Bhd, United Plantations Berhad, Telekom Malaysia Berhad, DiGi.Com Bhd and MAS (The Star, 23 July, 2008).
2.4.3.4 Minister of Finance Incorporated (MoF Incorporated)

This unit of the Ministry of Finance holds investments on behalf of the Government of Malaysia and manages these investments in line with national interests (MOF, 2009). As of January 2009, there are 94 companies under the purview of MOF Incorporated, with 25 in the economic sector, 22 in infrastructure and public facilities, 17 in public services, and 30 in social services. In 2008, the Government allocated RM46.258billion for developing these sectors. Government officials monitor the performance of these companies (MOF, 2009).

2.4.3.5 Armed Forces Fund Board

The Armed Forces Fund Board (LTAT) provides retirement and other benefits to members of the Armed Forces (LTAT, 2009). The LTAT has substantial investments in the plantation industry, property development, and the manufacturing of building materials. With total assets of RM44.8 billion in 2007, LTAT has controlling interests in a number of financial institutions including a commercial bank, a merchant bank, a finance company, a general insurance company, a discount house, a money broking house, a stock broking company and an asset management company. Under the purview of the Ministry of Defence, the board members of LTAT comprise retired generals, the Secretary-General Ministry of Defence and the Secretary-General Ministry of Finance. The CEO is an appointee of the Minister of Defence.

2.4.3.6 Pilgrims Fund Board

This Fund participates in investment activities permissible in Islam. It uses the deposits and savings made by Muslims undertaking the Haj or the pilgrimage to the Holy City of Mecca. The Pilgrims Fund Board has a total 4.2 million depositors with funds amounting to RM13billion in February 2008 (Berita Harian, 25 Mac., 2008). The Board reported a net profit of RM1.066billion in 2007 (Berita Harian, 6 Feb., 2008). LTH invests through its four subsidiaries: TH Plantations Berhad, TH Properties Sdn Bhd, TH Technologies Sdn Bhd, TH Travel & Services Sdn Bhd and TH Global Services Sdn Bhd (LTH, 2009).
2.4.3.7 Retirement Fund Incorporated (KWAP)

This Fund was created for the specific purpose of assisting the Government with its pension payments and other retirement benefits to Malaysian civil servants (KWAP, 2009). Previously called the Pensions Trust Fund, the KWAP was established on 1st of June, 1991 with a launching grant of RM500 million from the Federal Government and administered by the Pensions Trust Fund Council under the supervision of the Accountant General of Malaysia, Ministry of Finance. With assets of RM55.294 billion as at 31 March 2009, the KWAP has an eleven member board chaired by the Chief Secretary of the Treasury. Its other members are drawn from the Government and the private sector (KWAP, 2009).

2.4.4 The Economic and Social Roles of Malaysian GLCs

The significance of Malaysian GLCs was summed up by the then Prime Minister, Abdullah Ahmad Badawi, that “GLCs make up the backbone of the country’s economy…they are not only stewards of the nation’s wealth, they can also be trailblazers on the world economic stage” (Badawi, 2004). GLCs and their controlling shareholders, GLICs, constitute a significant part of the economic structure of the nation. GLCs account for approximately RM260 billion in market capitalisation or approximately 36% and 54% respectively of the market capitalisation of Bursa Malaysia and the benchmark Kuala Lumpur Composite Index (PCG 2006).

GLCs account for an estimated 5% of the national workforce. In recent years, there has been much divestment and privatisation by the GLCs and the Government. Despite this, the GLCs remain the main service providers to the nation in key strategic utilities and services including electricity, telecommunications, postal services, airlines, airports, public transport, water and sewerage, banking and financial services. The significant role of GLCs as service providers further underscores their importance in the economy (The Edge Daily, 26 Feb., 2009).

As shown in Figure 2.18, the market capitalisation of the top 20-listed GLCs increased by 80% from RM145 billion in May 2004 to RM238 billion at the end of
May 2008. In September 2008, the G-20’s total shareholders return (TSR) outperformed the KL Composite Index by 6.2% and some GLCs achieved TSR growth in excess of 100% (The Star, 28 Oct., 2008).

![Figure 2.18: Market Capitalisation of G-20 Companies](source:image)

The Government estimates that during the course of the next five-to-seven years, GLCs could contribute RM250 billion to RM300 billion in market capitalisation (PCG, 2005). The GLCs appeared to be on track to achieve this as their profits increased by more than RM11 billion by just improving procurement practices and systems (Asiamoney, Sept., 2007).

2.4.5 Business Performance of Malaysian GLCs

KPMG Business Advisory formulated a list of the top 100 high performing Malaysian corporate bodies in 2007 (The Edge, 18 Aug., 2008). These companies were evaluated on the basis of Economic Profit. As shown in Table 2.7, only nine GLCs were among the 100 top performers. They did not include the GLCs like
Tenaga Nasional, Telekom Malaysia and Malayan Banking which are large by way of market capitalisation.

Table 2.7: Malaysian GLCs Top Performers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Economic Profit (RM'000)</th>
<th>Economic Profit/Invested Capital (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>TH Plantation Bhd</td>
<td>59,267</td>
<td>26.12</td>
</tr>
<tr>
<td>11</td>
<td>VADS Berhad</td>
<td>38,208</td>
<td>24.19</td>
</tr>
<tr>
<td>15</td>
<td>Berjaya Sports Toto Bhd</td>
<td>295,115</td>
<td>21.64</td>
</tr>
<tr>
<td>24</td>
<td>Bursa Malaysia Berhad</td>
<td>133,217</td>
<td>16.76</td>
</tr>
<tr>
<td>32</td>
<td>Sarawak Oil Palm Berhad</td>
<td>104,483</td>
<td>14.54</td>
</tr>
<tr>
<td>38</td>
<td>Malaysian Airline System</td>
<td>527,063</td>
<td>13.69</td>
</tr>
<tr>
<td>57</td>
<td>Petronas Dagangan Bhd</td>
<td>365,723</td>
<td>10.7</td>
</tr>
<tr>
<td>60</td>
<td>BIMB Holdings Bhd</td>
<td>138,402</td>
<td>10.42</td>
</tr>
<tr>
<td>69</td>
<td>Bintulu Port Holdings Bhd</td>
<td>85,381</td>
<td>9.41</td>
</tr>
</tbody>
</table>

Source: Adapted from The Edge, 18 Aug., 2008

A ranking of companies in the Asian region by the WAI (Wealth Added Index) and the RWA (relative wealth added) revealed that only 24 Malaysian companies make it to the top 100 in 2007 (The Star, 30 Aug., 2008). A country which has more companies in positive WAI ranking is judged to have a Government that creates more value by investing in the right direction. Of the 24 Malaysian companies that were on the list, only 10 were GLCs, and these, with ranking in bracket were: MISC Berhad (28), Bumiputra-Commerce Holding (41), Telekom Malaysia (45), Sime Darby (54), UEM World (11), Petronas Dagangan Bhd (67), Petronas Gas Bhd (75), Malayan Banking Berhad (78), AMMB Holdings Bhd (94), and Tenaga Nasional (99).
Most recent data on the January 2009 – March 2009 reporting period revealed that the GLCs generally performed badly as the global recession weakened demand for goods and services. In some cases the poor performance was due to foreign exchanges losses and one-off provisions which included excessive expenses relating to public infrastructure development and utilities, and other non-profit driven mega projects undertaken to meet social obligations (*New Straits Times*, 3 June 2009). As shown in Table 2.8, Sime Darby’s profits dropped by 85% due to lower crude palm oil prices. Forex losses hurt Telekom Malaysia and TNB, the national electricity company and their profits fell by 34% and 36% respectively. Bumiputera Commerce Holdings Berhad (BCHB), which runs a major bank however registered increases in both net profits and revenue for the same period (*News Straits Times*, 3 June 2009).

**Table 2.8: Performance of Selected GLCs January – March 2009**

<table>
<thead>
<tr>
<th>GLC</th>
<th>Net Profit (Year-on-Year % Change)</th>
<th>Revenue (Year-on-Year % Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sime Darby</td>
<td>-85</td>
<td>-14</td>
</tr>
<tr>
<td>Maybank</td>
<td>-34</td>
<td>+14</td>
</tr>
<tr>
<td>TNB</td>
<td>-36</td>
<td>+16</td>
</tr>
<tr>
<td>MISC</td>
<td>-76.2</td>
<td>+13</td>
</tr>
<tr>
<td>BCHB</td>
<td>+15</td>
<td>+25</td>
</tr>
<tr>
<td>Petronas Gas</td>
<td>-12</td>
<td>+16</td>
</tr>
</tbody>
</table>

Source: *News Strait Times*, 3 June 2009

### 2.4.6 Business Performance of Selected GLCs

As discussed in the earlier Section, Malaysian GLCs are registering uneven business performances and can be categorised as exceptional performers, average performers, and poor performers benchmarked on financial return and profit. Examples of GLCs falling into each of these categories are given below:
1. Exceptional performers

A review of the Annual Reports of the GLCs revealed that two GLCs justify inclusion in this category. The first is Petronas, Malaysia’s national oil company which contributes 44% of the Government’s total revenue. The performance of this firm for the financial year ended March 31 2008, was exemplary. Turnover was a high RM233 billion, the net profit grew to RM61 billion while shareholders’ funds reached RM201 billion. It however registered a 12% decline in profits for the first quarter of 2009 although revenue increased by 16%. As of September 2008, Petronas’ shareholders funds crossed the RM200bil level to RM223bil from RM179bil in 2007 (The Star, 3 Dec., 2008). Fortune magazine ranked Petronas as the 95th largest company in the world and the 8th most profitable in 2007 (The Edge, 29 Dec., 2008).

The other outstanding performer is the UEM Group Berhad. Although the firm’s performance fell below target in 2007, its revenue of RM6.98 billion represented a growth of 46% as compared to the targeted growth of 65%. This was due to lower revenues from the construction, healthcare and manufacturing segments (The Star, 29 Aug., 2008).

2. Average performers

Two banks, BBMB and Maybank fall into this category. Maybank is the largest Malaysian owned bank with market capitalisation at RM23.53billion as of March 6, 2009 (Bernama, 6 Mac., 2009). Although Maybank’s profit fell by 34% in the first quarter of 2009, its revenue increased by 14%. However, Maybank is losing grounds to BBMB in terms of market value. There is a perception that BCB is more entrepreneurial and Maybank is more conservative (The Star, 5 Mac., 2009).

3. Poor Performers

There are three pertinent examples of poor performers. The worst is Silterra Malaysia Sdn Bhd, a Khazanah Nasional-owned company, which incurred losses of RM1bil in 2007 despite the Government pumping in RM5.2bil since the company was set up in 1994. The company also made losses of RM864mil and RM646mil in
2005 and 2006 respectively. The revenues generated by the company were only RM461mil in 2005 and RM551mil in 2006, lower than even the losses incurred (The Star, 3 Nov., 2008). Another is Timedotcom or TdC, also a subsidiary of Khazanah, which has been in the red for almost a decade. For the quarter ended September 30, 2008, the company reported a net loss of RM3.1mil and for the cumulative nine months, the losses widened to RM110mil (The Star, 31 Jan., 2009). The final example is MAS. Although it posted a net profit of RM46 million for the quarter ended December 2008, it is expected to incur almost RM3bil in hedging costs over the next two years. This is due to MAS hedging 64% of its fuel requirements for financial year (FY) ending Dec 31 at US$100 per barrel and 40% for FY10 at US$95 per barrel while crude oil is hovering around US$60 per barrel (The Star, 26 Feb., 2009).

2.4.7 The CSR Performance of Malaysian GLCs

The notion of CSR is gaining importance in Malaysia due to a number of factors. First, supportive Government policies as reflected by the current Prime Minister Najib Razak, who was then the Finance Minister, that ‘CSR will help Malaysian companies compete in the world markets by resolving the potential concerns that end users may have in developed markets’ (OECD, 2005, p. 12). Second, the Government’s requirement that all PLCs disclose their CSR activities by specifically stating in their annual reports the breakdown of staff in terms of gender and ethnic diversity (Budget Speech, GOM, 2008). The third is a requirement by Bursa Malaysia or the Malaysian Stock Exchange which has now formulated a detailed CSR framework for Malaysian PLCs (Bursa Malaysia, 2009).

Several Malaysian GLCs are reflecting their corporate citizenship and community outreach by supporting charities, educational institutions, conservation activities, sports development, and disadvantaged social groups. CIMB, a GLC, set up a non-profit CIMB foundation in December 2007 with an initial commitment of RM100 million. The Foundation has to date spent RM8 million on community developments, education and sports project (The Star, 4 Nov., 2008). Sime Darby Berhad is supporting educational institutions, sports development, and recently
provided a RM25 million grant to protect Orang Utans in Sabah (Sime Darby, 2009). Some 23 GLCs are participating in a programme called PINTAR which has adopted 13 schools. TH Plantations contributed to Trengganu and Sarawak economic growth, creating employment opportunities for the local Bumiputra community (LTH, 2009). Affin Holdings through its subsidiary, Affin Bank, donated ‘zakat’ payment of RM342,000 to build 19 houses for the hardcore poor families in Bachok.

2.4.8 Summary

This Section highlighted the characteristics of Malaysian GLCs and discussed the major GLICs. It then examined the roles of Malaysian GLCs in national economic and social development. Finally, the Section analysed the business and CSR performances of Malaysian GLCs. The next Section examines the second research problem theory of challenges faced by Malaysian GLCs.

2.5 Research Problem 2 - Challenges Faced by Malaysian GLCs

The Malaysian economy is now entering the knowledge era. Enabled by ICT, the country is strengthening its capabilities for innovation and creating indigenous technology for developing new products and enhancing international competitiveness (Badawi, 2007). However, the forces of globalisation and liberalisation are generating intense competition in international trade spurred by the rise of China and India as economic powers (PCG 2005).

This challenging situation requires the GLCs to create competitive advantage for sustaining market dominance and superior performance in both the international and domestic markets (Grant, 1998). They must achieve favourable positions to take advantage of the new markets emerging from the liberalisation of world trade (Salleh & Ndubsi 2006). At the same time Malaysian GLCs must fulfill their social responsibilities (Silver Book, PCG 2005).

Accordingly, GLCs strategies have to be directed and meeting the twin goals of competing successfully in a more liberalised trading environment with new players
and rivals (Thompson, Strickland & Gamble 2007) and effectively discharging their social obligations (PCG, 2005). The challenge, as shown in Figure 2.19 is to transform GLCs through effective leadership, knowledge management, adopting strategic global outlook to identify new products and markets, hiring knowledge workers and creating an appropriate organisational culture and introducing professional management structures (Tan, 2008). Each challenge is discussed in the subsequent Sections.

Figure 2.19: Challenges Faced by Malaysian GLCs

Source: Developed for this Research
2.5.1 Leadership

The new economy has defined the attributes of the operating environment for GLCs and the leadership competencies to compete and grow in the changing environment (Morino, 1999). The CEO being the leader must have the capacity to identify new business opportunities and take strategic initiatives to enable the organisation to benefit from the changing environment. Effective leaders must be accorded legitimate power and authority. They should also generate expert power resulting from special skills and knowledge (Robbins et al., 2000). The failure to do so carries a high price. Poor leadership can result in GLCs being mismanaged and squandering Government assets and resources (Boardman & Vining, 1998). It can also result in GLCs not being able to secure the resources required to meet operational costs, implement expansion plans and service debts (Haggarty & Shirley, 1996).

The performance of Malaysian GLCs is relatively poor compared to the private enterprises. Basu (2005) attributes this to the common practice of giving directorial and managerial level positions to retired military officers, high level civil servants and friends. Their bureaucratic culture and the lack of business acumen, often results in politically, rather than commercially, motivated investment decisions (Megginson, Nash & Randenborg, 1994).

Malaysia has a significant number of highly qualified individuals with significant leadership skills. However, the majority of them are not considered for leadership positions in GLCs. This is due to the GLCs adhering to the NEP policies favouring the engagement of Bumiputeras. As stated by Datuk Seri Tony Fernandez, the CEO of AirAsia, Malaysia ‘should therefore unleash the talent pool through meritocracy’ (New Straits Times, 1 July 2009).

Notwithstanding, strong advocates of the NEP however maintain that the senior positions in GLCs must be occupied by Bumiputras. The appointment of a non-Bumiputera Malaysian as the acting General Manager of the Selangor State Development Corporation in 2008 triggered political protests which were only settled after the Government announced that the post would be filled by a Bumiputera (The Malay Mail, 17 Oct., 2008). Strong political pressures were
applied on MAS, the national airline, to appoint a Bumiputera during its search for a world-class CEO to lead the company out of its financial problems (News Straits Times, 14 Sept., 2007). The appointment of a Dutch national to lead the operations of RapidKL, a transportation GLC was viewed as being against the spirit of NEP.

Compared to some of the big corporations in the private sector, the Malaysian GLCs are generally underperforming. A pertinent example is Telekom, the former national telephone company. Although it had a monopoly in the telecommunications industry it had since lost much ground to other private sector competitors namely Maxis and DiGi (The Star, 26 Feb., 2009). These examples reinforce the justification for effective leadership of Malaysian GLCs to move ahead in both the international and domestic markets.

2.5.2 Governance and CSR

The Asian financial crisis in 1997 resulted in the collapse of several GLCs and highlighted distorted CG structures (Shenoy & Koh, 2001; Singam 2003). It also underlined the need for Malaysian GLCs to accept and adhere to international accounting standards (New Straits Times, 15 July 2002). An important lesson learnt from the crisis was that poor CG could lead to recklessness and excesses (Bello, 1998). Furthermore, several GLCs neglected to emphasise on transparency and timely disclosure as required by the Principles of the Malaysian Code of Corporate Governance. The current practice of appointing the independent directors of GLCs by the controlling GLICs often results in them being merely proxies of the controlling GLICs (Goh, 2008).

Mindful of the need to improve CG practices, the Malaysian Securities Commission is intensifying efforts to improve CG to avoid a Malaysian Satyam (The Star, 7 Feb., 2009). Najib Razak, then Malaysian Deputy Prime Minister has also suggested that all Malaysian organisations commit to the collaborative development of good CG practices. This includes the transition to independent board leadership with a split chair and CEO (The Star, 21 Feb., 2009).

CSR is still at an infancy stage in Malaysia (Thompson & Zakaria, 2004). The concept of CSR is still misconstrued by the practicing companies in Malaysia. A
A survey of 10 managers revealed that only two of them considered the concept to be important for the firms. The rest were unaware of the concept and cited cost as a factor for not practicing CSR (Amran & Devi, 2007). For the period 1996 – 2000, about 45 Malaysian companies voluntarily made corporate social disclosure items in their Annual Reports (Baba & Hanafiah, 2001). The extent of social disclosure practices by Malaysian banks and finance houses was low (Hamid & Rahman, 2000). Bumiputera CEOs demonstrated higher corporate social performance levels as compared to companies with Chinese CEOs. While the age of the CEOs is a significant predictor of CSR levels, the educational background did not appear to have an effect on the level of CSR practices (Ramasamy, Ng & Hung, 2007).

GLCs are required to meet the conflicting goals of profitability and discharging their social obligations as required by the NEP. They therefore have to think in terms of multiple shareholder obligations and expectations. Although GLCs, as discussed in Section 2.4.7, are increasing their corporate outreach, their CSR practices largely comprise philanthropic and charitable activities. They also generally pay lip service to the principle of sustainability that requires them to secure long term economic performance by avoiding short term behaviour that is socially detrimental or environmentally wasteful (Porter & Kramer, 2006). A notable exception is the Sime Darby Group which acknowledges that

‘the traditional responsibility of delivering profits to shareholders is no longer adequate. Companies that show superior management of social and environmental issues will hold an edge over their competitors to create long term shareholder value. By balancing and integrating economic performance, social responsibility and environmental stewardship, Sime Darby is becoming more competitive and better prepared to meet the needs of the future for all its stakeholders’ (Sime Darby Annual Report 2008, p49, cited in Sime Darby, 2009).

For this purpose, as stated by Puvan J Selvanathan, the Group Chief Sustainability Officer at Sime Darby, it has established ‘a sustainability working group to set policies on sustainability and to drive its sustainability initiatives’ (cited in The Edge, 22 Jun 2009, p.F17).
2.5.3 Organisational Culture

The original source of an organisation culture usually reflects the culture of the organisation’s founders and their image of what an organisation should be (Robbins et al., 2000). Since several GLCs were the creation of political leaders and bureaucrats, a bureaucratic culture often prevails (Dewenter & Malesteta, 2001; D’Souza & Megginson, 1999; Reeves & Ryan, 1998). Furthermore, the bureaucrats’ preference for social and political goals as compared to profit maximisation, conflicts with the needs of firms in the new economy. This requires GLCs to merge the traditional values of the old economy with those needed to support the new economy for growth (Harris & Long, 2001).

The prevailing political and bureaucratic cultures have influenced the board composition of Malaysian GLCs and the organisational outcomes (Baliga, Moyer & Rao, 1996). The presence of the Prime Minister’s special officers as board members in some Malaysian GLCs may create agency problems since there could be conflicts of interest (The Star, 28 May, 2008).

2.5.4 Professional Management Structures

Human resources are a source of competitive advantage. They are critical for transforming the organisation to compete and grow in the new economy. Central to the exercise are professional management structures with the competence and capacity to reach global markets. The structure must also be geared to understanding and identifying the competitive landscape and new business opportunities (Tan, 2008). GLCs can adapt to the complex and dynamic external environment by hiring managers with multiple strategic capabilities for delivering results on a global basis (David, 2005). They also have to build their managerial cadres by establishing a readily accessible pool of professionals that can be drawn upon (Basu, 2005).

Poor salaries and incentives also result in corrupt practices (Basu, 2005). The Malaysian Minister of Finance II, Nor Yakcop suggested that GLCs should design performance incentive packages for attracting, retaining and motivating talent (Yakcop, 2004). The remuneration and salary structures should be in line with the
private sector to include incentives like stock options and performance based benefits. GLCs could emulate the example of the large GLIC, Khazanah Malaysia, which introduced fixed term contracts for senior executives with extensions and salaries based on performance (Basu, 2005).

Low-skilled and semi-skilled employees are particularly problematic for Malaysian GLCs since they are under pressure from the Government to often employ surplus redundant labour (Rondinelli, 2008). Under the Stimulus Package announced in March 2009, the Government is relying heavily on GLCs for new investments and creating employment opportunities (The Star, 11 Mac, 2009). While this solves the problem of high unemployment in the short term, the long-term effect of this temporary reprieve is the creation of gross inefficiency. The problem is compounded by the GLCs favouring ethnic Malays for jobs in line the Government’s NEP. Meaningful reform is dependent on changing the culture (Lee, 2005).

2.5.5 Financial Discipline Culture

Financial discipline is a valuation process which is supported by analytical methods and models. They are intended to provide timely and meaningful assessments of risk/return performance and trends associated with underwriting, investment and finance operations. Sound economic, risk-based analytics are used to support strategic and operational decision making throughout the company (Bingham, 2007).

Several GLCs are underperforming and this could signal deeper shortfalls in their financial discipline culture (PCG, 2006). For example, as shown in Figure 2.20, the true performance of Malaysian GLCs is much weaker than headline profits suggest. In the case of Telekom, the net profit for 2004 was RM2.6 billion although the economic profit was in deficit (PCG, 2006).
The new economy is changing the business processes. Sometimes referred to as the knowledge economy, the new economy environment is perceived as ‘having changed the barriers to access the market and has changed the way business is transacted using technology and knowledge’ (Kanapathi, 2003, p. 79). What has changed is the way business is conducted or transacted. The widespread use of e-commerce and the internet is an integral part of doing business in this new environment (ICSR Canberra, 2001). Knowledge therefore is one important resource of the firm. ‘The only one sure source of lasting competitive advantage is knowledge’ (Nonaka & Takeuchi 1995, p. 96). The long-term sustainability of GLCs is therefore dependent on the emphasis that they attach to knowledge workers who can identify opportunities by using the inherent strengths of the enterprise structure to compete effectively in this changed environment.
Knowledge workers possess competencies, knowledge, and skills in the organisation. Hired for their problem solving abilities, creativity, talent and intelligence (Kelly, 1998) they include scientists, engineers, professors, attorneys, physicians and accountants (Nomikos, 1989). Today’s industry increasingly depends on the performance of knowledge workers who are rapidly becoming the single largest group in the work force of every developed country (Drucker, 1993). Enjoying more autonomy than other workers, much of their work is hard to measure because they work with their minds and with skills that are hard to replace (Davenport, 2005). Lau, Chan and Man (1998) identified the related sets of knowledge, skills and personal attributes required by workers to be marketable and competitive, and these are shown in Figure 2.21. This suggests that people are seldom selected on the basis of single skills or isolated attributes but for a combination of inter-related qualities.

**Figure 2.21: Competencies Required by the New Economy Workers**

![Image of Figure 2.21](image)

Source: Adapted from Lau, Chan and Man, 1998.
Malaysia is generally lacking in trained knowledge workers. Malaysia's severe skills shortage particularly in business English and communications impedes the country from becoming a successful R&D nation and a regional hub for multinationals (Tan, 2008). This problem is impacting on Malaysian GLCs since the demand for information technology personnel far exceeds the supply and the gap is widening. The skills shortages are particularly acute for staff with knowledge and experience of systems development, engineering, operations management, training, marketing intelligence and R&D (Chew, 2007).

2.5.7 Global Strategic Outlook

The fundamental nature of competition in many of the world’s industries is changing (Castrogiovanni, 2002; Tapscott, 2001). This is due to the continuous globalisation of the world’s markets (Gupta & Govindarajan, 2002) which significantly expands and complicates a firm’s competitive environment (Chang & Park, 2005). Globalisation has contributed to hyper-competition or extremely intense rivalry among firms. This challenging situation makes it more difficult for firms to determine an industry’s boundary (D’Aveni, 2004; Ferrier, 2001; McNamara, Vaaler & Devers, 2003).

The forces of globalisation have resulted in the lowering or removal of trade barriers. This implies that GLCs can no longer be safeguarded by protectionist measures in domestic markets. They could lose ground to their external rivals with superior low cost products (Porter, 1979). As shown in Table 2.9, there are several factors that drive global companies. Of significance is a global management team with a global vision, culture and the skills to formulate appropriate global strategies for obtaining best cost and market advantage (Lussier, Baeder & Corman, 1994).
2.5.8 Performance Management

The Blue Book of the Transformation Programme, discussed in Section 2.6.1.1, was aimed at establishing best practices for successful performance management. Since all GLCs are compelled to use Key Performance Indicators (KPIs) and determine Key Result Areas (KRAs), these key terms, together with the Balanced Scorecard, merit elaboration.

2.5.8.1 Performance Measurement of Malaysian GLCs

Performance measurement has over the past 20 years become an important aspect of services delivery and assessment of the public enterprise all over the world.
Public enterprises are required to participate in the implementation of the Government’s objectives in the same way as other components of the public sector. Consequently, the performance has to be evaluated by the extent to which they achieve these objectives (Pestieau, 1989).

### 2.5.8.2 Key Performance Indicators and Key Results Areas

Performance indicators are means of displaying accountability within the public sector. They are incentives for Government to take stock of how well services are provided. The creation of benchmarks for year-on-year improvement contribute to better service provisions as they are a way of informing the public, via published performance indicators, on how Government funds are spent (Davies, 2006).

Performance indicators can improve the overall management of the GLCs in terms of the planning, development and policy making process. They also enable the identification of good and poor performances and help indicate operational improvements (Jackson, 1995). This however requires reforms in supervision and management, reliable and timely information, and adequate skills to supervise political will (Shirley & Walsh, 2000).

KPIs represent a set of measures focusing on those aspects of organisational performance that are the most critical for the current and future success of the organisation. Useful for defining and measuring progress towards organisational goals, they are quantifiable measurements that reflect the critical success factors (CSF) of an organisation (Parmenter, 2007). Differing depending on the organisation, they should be developed after determining the strategy and should make progress towards the organisation’s strategic goals. The results from KPIs indicate whether or not an organisation’s CSF are effective and on the right track. However, the integrity of different KPIs is continually being questioned (Bourne & Bourne, 2007; Paladino 2007; Parmenter, 2007). A system of performance measures does no good if it does not inform decision makers or if it misrepresents or misleads decision makers (Shanmugam, 2006).
In Malaysia, the use of KPIs is gaining importance in line with the global push towards performance management system as a means for accelerating growth and attaining organisational focus and discipline. For KPIs to be effective, everyone in the organisation must be familiar with the KRAs. These are the result or outcome for which a job holder is accountable. Identifying KRAs help employees to clarify their roles, focus on results and align their roles towards the organisation’s strategic objectives. The goals and the KPIs themselves need to be achievable and reasonable. A recent survey among 50 organisations in Kuala Lumpur indicated that less than 45% briefed their staff regularly on whether their department had met their KPIs (The Star, 17 July 2009).

Malaysian GLCs are expected to use KPIs to measure performance, report the relevant Headline KPIs on a quarterly basis. Personal KPIs for CEO and senior management members were introduced with appropriate rewards and consequences system in place. This includes managing the non-performers by providing training, deployment and termination according to current labour laws. Since then, Malaysian GLCs began to roll-out performance management initiatives including the announcement of Headline KPIs and establishing performance management structures. This four-year programme was launched to build on the initial efforts by broadening implementation of value-based performance management (PCG, 2005).

Malaysian GLCs are expected to disclose headline KPIs. Disclosure of these measures will provide better insights to all stakeholders (board, employees, shareholders and debt holders) on the health and strategy of the company to facilitate decision-making processes that will ultimately lead to increasing shareholder value (PCG, 2006).

Some GLCs have been slow in accepting the KPIs for fear of not being able to meet the targets. In some GLCs, the KPI setting has become a routine process that is adhered to for the sake of complying with the company or group’s policies, rather than being used to drive business performance (Ethos Consulting, 2008). Generally, use of KPIs among Malaysian GLCs still pose surmounting challenges that need addressal (Krishnan, 2006; Shanmugam, 2006).
2.5.8.3 Balanced Scorecard

Some authorities including Bourne and Bourne (2007), Paladino (2008) and Parmenter (2007) contend that it is difficult for managers in GLCs to develop a set of KPIs which relate to both business performance and meeting social goals. KPIs although useful only provide a partial view of the overall picture and suggest the use of the Balanced Scorecard (BSC) devised by Kaplan and Norton in 1992 to measure performance (Johnson & Scholes, 1997). The BSC combines both qualitative and quantitative measures, and acknowledges the expectations of the different stakeholders in GLCs. These are then related to an assessment of performance linked to the adopted strategy.

2.5.9 Summary

This Section highlighted the challenges faced by Malaysian GLCs relating to effective leadership, knowledge management, adopting strategic global outlook to identify new products and markets, hiring knowledge workers and creating an appropriate organisational culture and introducing professional management structures. The next Section discusses reform policies for GLCs.

2.6 Research Problem 3: The Malaysian GLCs Reforms Policies

The uneven performance of Malaysian GLCs over the past three decades compelled the Government to take measures to improve their performance. As discussed in Section 2.1.4, and shown in Figure 2.22, there was a massive increase of PEs over the period 1985/95. This was followed by a decade of privatisation centered on toll road projects, independent power producers, and the disposal of the national motorcar and airlines to private sector interests which became GLCs.

More than 90 public listed firms, including GLCs, were de-listed due to the Asia Financial Crisis in late 1990s. The Government introduced a major rationalisation policy involving major corporate restructuring and the bail-outs of large and economically significant GLCs (Ching, Jomo & Fay, 2005). It acquired assets and
shares of several corporate bodies deemed to be of national interests and they included the Malaysian Airlines Systems, United Engineers Malaysia, the STAR publication, Proton and Indah Water Konsortium (Ching, Jomo & Fay, 2005).

Figure 2.22: Performance Management Setting for Malaysian GLC

<table>
<thead>
<tr>
<th>1970-1985</th>
<th>Public Sector Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Massive expansion of public sector.</td>
<td></td>
</tr>
<tr>
<td>• Inter-ethnic redistribution and rural poverty reduction.</td>
<td></td>
</tr>
<tr>
<td>• Encouraged by increased oil export revenues from mid 1970.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1985-1996</th>
<th>Privatisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Toll road projects</td>
<td></td>
</tr>
<tr>
<td>• Independent Power Producers (IPPs)</td>
<td></td>
</tr>
<tr>
<td>• Proton, MAS, Hicom sold to private interests at massive discounts.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1997-1998</th>
<th>Economic Crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>• NPLs in the banking system rose to 16%</td>
<td></td>
</tr>
<tr>
<td>• Some 80 - 90 public listed companies faced de-listing due to reduced shareholder funds below KLSE practice Note 4 (PN4) requirements.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2000 - 2001</th>
<th>Nationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Government including PETRONAS bought back previously privatised assets</td>
<td></td>
</tr>
<tr>
<td>• 6 major acquisitions: MAS, UEM, STARPUTRA, PROTON, and IWK were completed</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>&gt; 2004</th>
<th>GLC Transformation Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Use of KPIs &amp; KRAs to measure performance</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed from the Literature Review

Several GLCs performed badly and became a growing financial burden to the Government (Doraisami, 2005). GLCs have to drive shareholder value creation, efficiency gains and enhance corporate governance in GLCs (PCG, 2006). These were the foundations of the GLC Transformation Programme announced by the Government in 2004 and now under implementation.

To facilitate the transformation of Malaysian GLCs, the Putrajaya Committee on GLC High Performance (PCG), chaired by the Minister of Finance, was set up to design and implement comprehensive national policies and guidelines to transform GLCs into high performing entities and establish the institutional framework to program-manage and subsequently to oversee their execution (PCG, 2009).

2.6.1 The GLCs Transformation Programme

The Transformation Programme took account of the experiences of other countries which was successful in improving the performance of their GLCs. These included
New Zealand which introduced measures to improve the performance of New Zealand Post and New Zealand Telekom. Important lessons were also learned from Telefonica in Spain and Unicredito Italiano in Italy. These once underperforming GLCs have become successful regional and global corporate entities (PCG, 2006).

Three key problem areas were identified. First, the need for all GLCs to adopt sound capital management practices. It was also necessary for them to enhance working capital management. Equally important was the need to determine the optimal capital structure, develop and communicate a dividends policy and establish guidelines for share buyback programs. Second, the appointment of board members and their respective roles. Third, to renew their CSR outreach activities as these were uncoordinated. Furthermore, several questionable grants and financial assistance were given under cover of the expenditure item CSR.

The Transformation Program has five policy thrusts. These are shown in Figure 2.23 and outlined below:

**Figure 2.23: Policy Thrusts of the GLC Transformation Programme**

<table>
<thead>
<tr>
<th>Underlying Principles of GLC Transformation Programme:</th>
</tr>
</thead>
<tbody>
<tr>
<td>National development foundation</td>
</tr>
<tr>
<td>Performance focus</td>
</tr>
<tr>
<td>Governance, shareholder value and stakeholder management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Policy Thrust 1:</th>
<th>Policy Thrust 2:</th>
<th>Policy Thrust 3:</th>
<th>Policy Thrust 4:</th>
<th>Policy Thrust 5:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarify the GLC mandate in the context of national development</td>
<td>Upgrade the effectiveness of boards and reinforce the corporate governance of GLCs</td>
<td>Enhance GLIC capabilities as professional shareholders</td>
<td>Adopt best practices within GLCs</td>
<td>Implementing the GLC Transformation Programme</td>
</tr>
</tbody>
</table>

Source: Adapted from PCG, 2006
Policy Thrust 1: *Clarify the GLC mandate in the context of national development.* The cornerstone of this policy is the continued promotion and development of the Bumiputera community as required under the NEP.

Policy Thrust 2: *Upgrading the effectiveness of boards and reinforcing the corporate governance of GLCs.* Doubts had been frequently expressed about the CG practices of the GLCs. Several listed companies including GLCs collapsed during the Asian financial crisis due to weaknesses in the structure and the role of the boards (Khatri, Leruth & Piesse, 2002). This policy trust therefore focuses on the role and mandates of GLC boards, strengthening GLC board composition, intensifying GLC board performance and upgrading the structure and processes of boards.

Policy Thrust 3: *Enhancing GLIC capabilities as professional shareholders.* GLICs are the key conduit for the Government to support and influence GLCs. Since they play a critical role in guiding and influencing the GLCs in which they have a controlling interest, they must have the skills and capabilities to discharge their monitoring and directional roles.

Policy Thrust 4: *Adopting corporate best practices within GLCs.* This is directed at raising performance to benchmark levels, improving the regulatory environment between GLICs, GLCs, and the regulators and to promote CSR. This policy thrust also calls for a revamping of procurement policies for greater efficiency, better management of capital and improved performance management practices.

Policy Thrust 5: *Implementing the GLC Transformation program.* The success of the transformation program is dependent on timely implementation. This is the responsibility of GLICs and GLC boards. They are supported by the Program Monitoring Unit of the Prime Minister’s Office, and the Transformation Management Office of the Putrajaya Committee for GLC High Performance (PCG, 2006).
2.6.1.1 The Specific Transformation Initiatives

The Government has issued specific guidelines for the timely implementation of the Transformation Programme. These guidelines are detailed in various books coded by colours and translated into ten specific initiatives to boost performance, enhance shareholder value, stakeholder management and governance (Yakcop, 2004). These are shown in Table 2.10 and outlined below.

Table 2.10: GLCs 10 Transformation Initiatives

<table>
<thead>
<tr>
<th>No</th>
<th>Initiatives</th>
<th>Description</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enhancing Board Effectiveness</td>
<td>To enhance board effectiveness through revamping board practices and processes</td>
<td>Green Book</td>
</tr>
<tr>
<td>2</td>
<td>Strengthening Directors Capabilities</td>
<td>To develop a strategy to match Directors to the right Boards and to establish a Directors Academy</td>
<td>Directors Academy</td>
</tr>
<tr>
<td>3</td>
<td>Enhancing GLC monitoring and Management functions</td>
<td>To reinforce the ability of GLCs to monitor and manage individual GLCs</td>
<td>Blueprint for GLICs</td>
</tr>
<tr>
<td>4</td>
<td>Improving Regulatory Environment</td>
<td>To enhance regulatory capabilities at GLCs and create a Regulatory Knowledge Network</td>
<td>Programme for Managing Regulatory Framework</td>
</tr>
<tr>
<td>5</td>
<td>Achieving Value Through Social Responsibility</td>
<td>To guide GLCs to become responsible corporate citizens where creating value for their shareholders and stakeholders</td>
<td>Silver Book</td>
</tr>
<tr>
<td>6</td>
<td>Reviewing and Revamping Procurement Practices</td>
<td>To enhance the effectiveness and efficiency of the procurement processes in GLCs</td>
<td>Red Book</td>
</tr>
<tr>
<td>7</td>
<td>Optimising Capital Management Practices</td>
<td>To establish guidelines for GLCs to optimise their capital structure</td>
<td>Purple Book</td>
</tr>
<tr>
<td>8</td>
<td>Strengthening Talent Management Practices</td>
<td>To improve GLCs capabilities in attracting, developing and retaining talent</td>
<td>Orange Book</td>
</tr>
<tr>
<td>9</td>
<td>Intensifying Performance Management Practice</td>
<td>To encourage adoption of performance management best practices at GLCs</td>
<td>Blue Book version 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Announcement of Headline KPIs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Programme for Implementing Value-Based Performance Management</td>
</tr>
<tr>
<td>10</td>
<td>Enhancing Operational Efficiency and Effectiveness</td>
<td>To enhance operational efficiency and effectiveness through the adoption of a Framework for Continuous Improvement</td>
<td>Framework for Continuous Improvement</td>
</tr>
</tbody>
</table>

Source: PCG 2006

i) Enhancing Board Effectiveness - The Green Book

GLCs require strong boards that act in the interests of businesses and shareholders. The board has to ensure that the top management of the firm is fully accountable to
all the stakeholders of GLCs by providing sound financial reporting and adhering to accounting standards.

In line with Policy Thrust 2, the Green Book sets the guidelines for strengthening the composition and the effectiveness of the boards of GLCs. They emphasise the importance of moving away from the attitude of mere conformity to one of performance. This highlights the need for establishing high-performing boards which are in line with the GLCs requirements. It also stresses the importance of transparency and disclosure through the open communications and timely dissemination of all board information. Finally, the Green Book focuses the importance of the board taking full account of valid stakeholder interests.

ii) **Strengthening Directors Capabilities**

This initiative, also directed at enhancing the effectiveness of the GLC Boards, stresses the need for sourcing, screening and matching effective directors to the right boards in accordance with the skills and capabilities needed by each GLC. Recognising that the GLCs are compelled to perform efficiently in a globalising world, it calls for the establishment of a ‘Directors Academy’. This is considered critical for producing directors with world-class knowledge, skills and mindsets.

iii) **Enhancing GLIC Monitoring and Management functions**

As discussed in Section 2.4.2, the majority of GLCs in Malaysia are owned and controlled by the GLICs. The GLICs have also invested heavily in several other corporations both in Malaysia and abroad. The poor performance of some GLCs has been attributed to a lack of adequate monitoring by the parent GLICs. This initiative is specifically aimed at strengthening the capacities of GLICs to efficiently monitor and manage the individual GLCs that they own and/or control for remedying the situation (PCG 2006).

iv) **Improving the Regulatory Environment**

Effective CG requires procedures and a sound regulatory environment that protects the interests of all the stakeholders of GLCs as well as to maximise business performance. The poor business performance of several GLCs highlighted the need
for GLCs to adopt a knowledge-based approach to create and manage effective regulatory frameworks.

v) Achieving Value Through Social Responsibility – The Silver Book

The Malaysian Government is now emphasising CSR leadership and practices as reflected in the National Integrity Plan, the 9th Malaysia Plan and the Capital Market Masterplan (CSR Malaysia, 29 Mac 2007). The Bursa Malaysia CSR Framework launched in 2006 provides the guidelines for PLCs, including GLCs, for reporting on their CSR practices. The CSR 2007 Status Report commissioned by Bursa Malaysia, revealed that Malaysian PLCs generally lag behind international best practices in CSR disclosure and approaches (The Star, 8 Apr., 2008).

Acknowledging that GLCs have much ground to cover to meet their CSR obligations, the ‘Silver Book’ (PCG, 2006) requires Malaysian GLCs to at least clarify their social obligations in coordination with relevant regulators and ministries. The Book also suggests that they identify the costs and benefits of such obligations. Where such social roles and related costs are significant and beyond the affordability of the GLC, they are encouraged to seek alternative funding options.

vi) Reviewing and Revamping Procurement Practices – Red Book

Much criticism has been labeled on GLCs for their procurement processes on the grounds that they have been wasteful and at times subjected to abuse. The Red Book specifically addresses these concerns. It sets the guidelines for establishing procurement best practices and these are targeted at board members and the CEOs of GLCs.


The poor capital management practices of GLCs underline the need to improve capital expenditure efficiency, enhance working capital management and determine the optimal capital structure. Other areas requiring attention included dividend policies and guidelines for share buy-back programs. In view of these shortcomings, the Purple Book is directed at improving the capital management practices of GLCs.
The aim is for GLCs to use better capital management as a business tool to yield strategic benefits. The Purple Book requires GLCs to optimise the capital management practices by establishing guidelines to generate maximum benefits from their capital structure (PCG, 2006).


‘Leadership is the ability to influence a group towards the achievement of goals’ (Robbins et al., 2000, p.593). The opportunities for GLCs to register good business and corporate performance are dependent on strong and effective leadership. CEOs must be given the powers to initiate and manage change. A good GLC must produce its own leaders as it would boost the morale of staff and be a magnet for talent. Succession plans must therefore be in place to provide for continuity in carrying through agreed corporate strategies. The literature indicates that the recruitment practices of several GLCs do not have measures to retain talents to ensure that they have the best person to run the operations when the CEO leaves. GLCs must therefore give priority to recruiting the best leadership talents. The failure to do so could result in the GLCs of being run by CEOs who are not equipped with the necessary professional and personal attributes to lead large corporations (New Straits Times, 4 July 2009).

The Orange Book addresses the critical issue of recruiting and grooming effective CEOs. Directed at strengthening talent management practices, GLCs are now required to attract, develop and retain talents for improving their business performance and capabilities. They are also required to develop a talent pool for filling positions as senior employees move on or retire.

ix) Intensifying Performance Management Practice – The Blue Book Version 2

Malaysian GLCs have to adopt best practices for successful performance management through the use of KPIs and economic value added (EVA). The Blue Book requires GLCs to report relevant Headline KPIs on a quarterly basis to enable all stakeholders to gain insights on the health and the strategies of the company.
The KPIs applies to all levels in the GLCs to overcome the ‘not-me syndrome’ discussed in Section 2.3.1. Since everyone becomes accountable, they have to work towards the achievement of the targets. The Blue book also calls for a report on Economic profit to supplement accounting profit for providing a more accurate picture of the underlying economic performance.

x) Enhancing Operational Efficiency and Effectiveness

The poor performance of several GLCs can be attributed to operational inefficiencies arising from the absence of change management techniques based on a continuing review of business procedures and processes. Closely related to Policy Initiatives 6, 7, and 9, it calls for the adoption of a framework for continuous improvement.

2.6.1.2 Implementing the GLC Transformation Program

The Government’s wide variety of measures and initiatives are indicative of its commitment to improving the performance of the GLCs (Badawi, 2004). However, Malaysian GLCs tend to retain a highly politicised internal environment with politically strong individuals or groups making key decisions. Such an organisational culture can hinder change. The Transformation Program has also met resistance from strong advocates of the NEP. The sale by Khazanah of a 5% stake in Telekom to Temasek, its Singapore counterpart generated protests from strong supporters of the NEP (The Economist, 18 Aug., 2005).

The use of Economic Value Added (EVA) as measure of performance has also been criticised on the ground that it is an accounting and cost-based method of viewing and analysing GLC activities. Although it gives insights into profitable and non-profitable activities based on a customer or a product viewpoint (Meyer, 2002; ADB, 2006), its lacks the strategic and non-financial elements, including social achievements, that can be more appropriately captured in the Balanced Scorecard (ADB, 2007).
This raises the fundamental question ‘has the Transformation Programme improved the performances of the GLCs in terms of meeting their financial targets and the parallel goals of discharging their social obligations as required by the Government?’

A Focus Group interview on 15 GLCs carried out by Khazanah in 2005, revealed a lack of focus on priorities by not linking KPIs and KRAs to strategy. Talent management practices were also poor and the KPIs were not fact-based. It also appeared that KPIs had not cascaded throughout the organisation. This was largely due to the lack of communication from the leadership and show of commitment to the KPIs implementation process. Another contributory factor was poor execution of the program brought about by a combination of policies, company management, external circumstances and a lack of transparency in the publication of KPIs (The Edge Daily, 7 Feb., 2006).

However, a subsequent progress review undertaken by Khazanah in March 2008 revealed more encouraging developments. The G-20 aggregate net profit stood at 91% above pre-GLC Transformation levels. This was due to net profits growing by 87% Year-on-Year in FY2007.

Most GLCs met their Headline KPIs. They also made significant progress in implementing the initiatives set out in the Transformation Programme. As a result, Economic Profit grew by RM5 billion in FY2007 or two and a half times of that in FY2006. The G-20 collectively posted a positive EP for FY2007, a turnaround from two consecutive years of economic losses. A pertinent example is the Sime Darby Group which reported a 47 per cent increase in profit after tax and minority interests of RM3.5bil for FY07/08, with Return on Shareholders Funds (ROSF) of 18.0 percent that exceeded its Key Performance Indicators (KPI) of RM3.2 billion and ROSF of 16.5 percent (Khazanah, 2009).

GLCs are increasingly delivering benefits to all stakeholders and all Malaysians through improved quality levels and better employment prospects. The generated benefits in the field of education, environmental protection and community welfare
through financial investments by G-20 were estimated at RM548m in 2007 (Khazanah, 2009).

2.6.2 Summary

This Section examined the Malaysian GLCs Transformation Programme which incorporated five policy thrusts and ten over-arching initiatives. It also outlined and discussed the use of KPIs, KRAs and the BSC for performance management.

2.7 The Theoretical Framework for the Research

As stated in sub-Section 2.1.1 an important aim of the literature review was to develop a theoretical framework for the research. There were several theories pertinent to GLCs. These were the ownership-led theories rooted in the public choice theory, property rights theory, and principals-agent theory (Cook, 2001; Shirley & Walsh, 2004; World Bank 1995); the competition-led theory which stresses that market competition is the primary determinant of enterprise performance (Wickers & Yarrow, 1988; World Bank 2002); the management-led theory which advocates the reform of management (Farazman, 2004; Nolan & Wang, 1999; Stiglitz, 1993; Xu, 2000); the resource based view of the firm (Hoskisson et al., 2008) which recognizes the GLCs as bundles of resources and capabilities; and the knowledge based view of the firm which contends that knowledge is the ultimate replacement of other resources and is a mandatory condition of success for operating in the knowledge economy (Zack, 1999).

While each has its strengths, Rondinelli’s GLC performance model 2008 was considered to be highly relevant since it combines both aspects of ownership and competition-led theories. Furthermore, it treats performance measures, management, strategic management, CG and CSR as building blocks of a successful GLC. Shown in Figure 2.6, this model constitutes an important component of the theoretical framework for this study.
There is a growing emphasis on good CG or the way companies address legal responsibilities to their stakeholders (Knecht & Calenbuhr, 2007; Moir, Kennerly & Ferguson, 2007). The review examined the agency theory which postulates that top management is powerful in firms where stock ownership is dispersed and held by a large number of stakeholders (Berle & Means, 1967). The stewardship theory however suggests that a strong board of directors is required to manage the firm in the interests of the business and its stakeholders (Mallin, 2004).

Firms have to be good corporate citizens by giving emphasis to CSR practices. They have to take strategic actions to benefit shareholders (Thompson, Strickland & Gamble, 2007). Accordingly they recognise that strategic CSR has the potential to unlock shared values and strengthen a firm’s competitiveness by adopting socially responsible behaviour (Porter & Kramer, 2006). Since Malaysian GLCs have the twin obligations of improving business performance and meeting welfare needs, the strategic CSR theory is also relevant for this research.

Building on the parent theories, the literature review explored the research problem theories specific to the Malaysian GLCs which are the backbone of the country’s economy. They play an important role in executing Government policies, including the NEP, which is directed at enhancing the economic well being of the Bumiputras.

2.8 Research Questions Development

There was much scholarship and prior research on the parent theories namely the GLCs, CG and the CSR. As discussed in the preceding section, there were also several theories pertinent to the GLCs and to this research. However there was limited information on the research problem theories. Virtually all the published literature emerged from Government sources and the Annual Reports of the GLICs that owned or control the GLCs. These provided information on their past performance and the Transformation Programme.

The findings revealed that the business performance of GLCs was uneven as the GLICs that control them have different shareholders, mandates and investment
strategies. While the Annual Reports of individual GLCs provided insights on their operations, there was limited information on the challenges that they face or the progress made in meeting the objectives of the Transformation Programme. Accordingly, there were several gaps in the existing body of knowledge on the key research issues and these are shown in Table 2.11. This research gaps reaffirmed the relevance of the research problem and served as the basis for developing four research questions for the study.

**Table 2.11: Identification of Research Gaps**

<table>
<thead>
<tr>
<th>Research Issues</th>
<th>Literature Review Findings</th>
<th>Gaps in the Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Malaysian Economy</td>
<td>Adequate</td>
<td></td>
</tr>
<tr>
<td>Government Linked Companies</td>
<td>Adequate</td>
<td></td>
</tr>
<tr>
<td>Corporate and Social Governance</td>
<td>Adequate</td>
<td></td>
</tr>
<tr>
<td>Malaysian GLCs Characteristics</td>
<td>Twin goals of profitability and implementing the national social agenda</td>
<td>Balancing the two conflicting goals</td>
</tr>
<tr>
<td>Strategies</td>
<td>Internationalisation</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>Limited information</td>
<td></td>
</tr>
<tr>
<td>GLC Transformation Programme Coverage</td>
<td>Comprehensive; Five key thrusts; Ten specific initiatives</td>
<td>The adequacy of the Transformation Programme</td>
</tr>
<tr>
<td>Use of KPIs as Performance Measure</td>
<td>Limited Information</td>
<td>The difficulties in using KPIs as a performance measure</td>
</tr>
<tr>
<td>CSR Practices</td>
<td>The Silver Book</td>
<td>Progress of implementing the Silver Book</td>
</tr>
<tr>
<td>GLC Challenges</td>
<td>Limited Information</td>
<td>How GLCs cope with the challenges and the desired approach for strengthening capabilities for improving business performance</td>
</tr>
</tbody>
</table>

Source: Derived from the review of research issues
2.8.1 Research Question 1

There is much scholarship and a prior research on the evolution of GLCs, their characteristics, objectives and the challenges they face. The review revealed that the Malaysian Government is expecting GLCs to be profitable business enterprises. They are also expected to be socially responsible by meeting employment needs, providing welfare benefits and playing catalytic roles for the economic progression of Bumiputeras as part of the NEP. However, there is very little published empirical evidence on the progress made by Malaysian GLCs in achieving the twin and possibly conflicting goals of profitability and discharging their CSR obligations as required by the Government. In view of this research gap, the first research question that emerges is ‘How do Malaysian GLCs balance their twin goals of profitability and discharging their CSR obligations as required by the Government?’

2.8.2 Research Question 2

Several Governments worldwide have introduced measures to improve the business performance of their GLCs. Since the poor performance of the Malaysian GLCs has become a burden to the national budget, the Malaysian Government introduced the GLC Transformation Programme. While there is much literature from Government sources on this Programme, little previous research has been undertaken to study the effectiveness and adequacy of the Transformation Programme to reform Malaysian GLCs. Accordingly, the second research question is ‘How adequate is the Transformation Programme for enhancing the performance of Malaysian GLCs?’

2.8.3 Research Question 3

KPIs, a globally recognised and popular performance measurement, is increasingly being used to measure the performance of corporate entities including GLCs. The Transformation Programme requires all Malaysian GLCs to use KPIs for their performance management to make them profit-oriented. However, there was limited scholarship on the measures taken by GLCs to encourage KM practices as a vehicle
for improving organisational efficiency and performance. The available literature is also silent on the difficulties that GLCs face in using KPIs. Viewed in this context, the third research question is ‘What are the difficulties experienced by the Malaysian GLCs for using KPIs to measure their performance?’

2.8.4 Research Question 4

The fundamental nature of global competition is changing due to the forces of globalisation which are resulting in the lowering or removal of trade various trade barriers (Chang & Park, 2005; Tapscott, 2001). GLCs must adopt a global orientation, practice good governance and formulate appropriate global strategies for obtaining best cost and marketing advantages. Their management structures, led by effective CEOs, must be geared to understanding and identifying the competitive landscape and new business opportunities (Tan, 2008). They must be staffed by managers with multiple strategic capabilities for delivering results on a global basis. GLCs must also adopt good CG and CSR practices and strengthen their capabilities and capacities for this purpose. Accordingly, the fourth research question is ‘What are the desired approaches for strengthening the governance and leadership capabilities of Malaysian GLCs for improving their business performance?’

2.8.5 The Research Objectives

Research objectives explain the purpose of the research in measurable terms and specify what the research should achieve (Zikmund, 2003). The objectives for this research based on the developed research questions, are listed below:

i. To identify the measures taken by Malaysian GLCs to effectively operate as profit making entities and discharge their CSR obligations as required by the Government.

ii. To determine the adequacy of the Transformation Programme for enhancing the performance of Malaysian GLCs.
iii. To examine the difficulties experienced by the Malaysian GLCs for using KPIs to measure their performance.

iv. To formulate the desired approaches for strengthening the governance and leadership capabilities of Malaysian GLCs for improving their business performance.

2.8.6 The Research Propositions

Propositions are statements concerned with the relationships among concepts (Maxfield & Babbie, 2001; Zikmund, 2003). A Proposition explains the logical linkage among concepts by asserting a universal connection between concepts (Bryman & Bell, 2007). Guided by these authorities, the four research questions developed in Sections 2.8.1 – 2.8.4 were translated to four research Propositions for empirical testing by this research. They are:

Research Proposition 1: Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government.

Research Proposition 2: The Government Transformation Programme emphasises on improving the business performance of Malaysian GLCs.

Research Proposition 3: Malaysian GLCs are experiencing difficulties in using KPIs to measure performance.

Research Proposition 4: Malaysian GLCs are strengthening their governance and leadership capabilities to enhance their business performance.

2.9 Conclusion

This Chapter reviewed the literature pertinent to the research topic. It examined the scholarship on the parent theories of GLCs, corporate and social governance as well as the research problem theories. The analysis of the secondary data revealed several gaps in the existing body of knowledge and these permitted the development of the
research questions, the identification of the research objectives and the crafting of the four research Propositions for testing by this research. The next Chapter discusses the methodology used for this research.
CHAPTER 3 RESEARCH METHODOLOGY
Chapter 3 Research Methodology

3.1 Introduction

The literature review in Chapter 2 identified the research issues and the gaps in the existing body of knowledge. These permitted the drafting of four Research Propositions for testing by this research. For ease of reference they are restated below:

1) Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government.

2) The Government’s Transformation Programme emphasises on improving the business performance of Malaysian GLCs.

3) Malaysian GLCs are experiencing difficulties in using KPIs to measure performance.

4) Malaysian GLCs are strengthening their governance and leadership capabilities to enhance their business performance.

3.1.1 Chapter Structure

The structure of this Chapter is shown in Figure 3.1. Section 3.2 describes the available research paradigms considered for the research and the justification for the preferred methodology. Section 3.3 discusses the research design and in Section 3.4 the data collection instruments. Sections 3.5 and 3.6 examine the research quality and data analysis procedures respectively while Section 3.7 presents the ethical considerations. Section 3.8 concludes the Chapter.
Figure 3.1: Structure of Chapter 3

3.1 Introduction

3.2 Research Paradigms
   The Preferred Paradigm

3.3 Research Design
   The Chosen Research Path  Unit of Analysis

3.4 Data Collection
   Focus Group  Questionnaire Survey  Case Studies

3.5 Research Quality
   Trustworthiness  Triangulation

3.6 Data Analysis
   Qualitative Data Analysis  Quantitative Data Analysis

3.7 Ethical Considerations

3.8 Conclusion

Source: Developed for this research
3.2 Research Paradigms

A paradigm is essentially a mental set or lens which determines the questions that should be asked and how they shall be asked. It therefore represents a basic set of beliefs that guides the action of a researcher from the selection of a research topic to its execution (Bryman & Bell, 2007).

There are numerous paradigms to guide research and a typology of these is illustrated in Figure 3.2.

Figure 3.2: Typology of the Research Paradigm

![Figure 3.2: Typology of the Research Paradigm](image)


There is no universal paradigm that represents the best way to conduct research (Patton & Applebaum, 2003). However, an appropriate paradigm can provide guidelines and principles in relation to how research is conducted (Guba & Lincoln,
A paradigm may operate at three levels of application:

i. *Philosophical*, which reflects basic beliefs about the world,

ii. *Social*, which sets the rules about how the researcher should conduct his/her undertaking, and

iii. *technical* which specifies methods and techniques which should be adopted when researching (Morgan 1998a, 1998b).

At the philosophical level, researchers respond to three basic questions which relate to the ontological, epistemological and methodological assumptions underpinning the research.

**a) Ontology**

The ontological assumptions answer questions relating to the form and nature of reality and what and how it exists (Guba & Lincoln, 1994; Parkhe, 1993). The key issue is whether social entities can and should be considered objective entities that have a reality that is external to social actors or whether they should be treated as social constructions built up from the perceptions and actions of social actors (Bryman & Bell, 2007).

**b) Epistemology**

The epistemological assumptions establish the relationship between reality and what is to be known (Guba & Lincoln, 1994). An important epistemological issue relates to what is or should be regarded as acceptable knowledge in a discipline (Bryman & Bell, 2007). In this regard, the authorities are divided by the School of Positivism and Interpretivism or Phenomenological School (Parkhe, 1993; Guba & Lincoln, 1994) as shown in Table 3.1.
Table 3.1: Features of the Positivism and Phenomenological Paradigms

<table>
<thead>
<tr>
<th><strong>Positivistic Paradigm</strong></th>
<th><strong>Phenomenological Paradigm</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tends to produce quantitative data</td>
<td>Tends to produce qualitative data</td>
</tr>
<tr>
<td>Uses large samples</td>
<td>Uses small sample</td>
</tr>
<tr>
<td>Concerned with hypothesis testing</td>
<td>Concerned with generating theories</td>
</tr>
<tr>
<td>Data is highly specific and precise</td>
<td>Data is rich and subjective</td>
</tr>
<tr>
<td>The location is artificial</td>
<td>The location is natural</td>
</tr>
<tr>
<td>Reliability is high</td>
<td>Reliability is low</td>
</tr>
<tr>
<td>Validity is low</td>
<td>Validity is high</td>
</tr>
<tr>
<td>Generalises from sample to population</td>
<td>Generalises from setting to another</td>
</tr>
</tbody>
</table>

Source: Adapted from Hussey and Hussey, 1997, p.54

Positivism advocates that the social world should be studied according to the same principles of the natural sciences. This differs from the Interpretivism or phenomenological school’s view. This School contends that the subject matter of social sciences – people and their institutions – are fundamentally different from that of the natural sciences. The study of the social world therefore requires research procedures that reflect the distinctiveness of humans as against the natural order (Wright, 1971).

Business research is influenced by the ontology and the epistemology position of the researcher. Additionally, as shown in Figure 3.3, there are other factors which must be taken into account. These are the relevant theories, the values of the researcher (personal beliefs and empirical observation), and the practical considerations in particular the resources available for carrying out the research (Bryman & Bell, 2007).
c) Methodological Assumptions

The methodological assumptions relate to the techniques used to acquire the data required for the research (Guba & Lincoln, 2004; Zikmund, 2003). Several authorities subscribe to two principal methodological approaches or paradigms, namely the qualitative and quantitative paradigms (Parkhe, 1993; Carson et al., 2001; Bryman & Bell, 2007) and the characteristics of each are shown in Table 3.2.
Table 3.2: Characteristics of the Qualitative and Quantitative Research

<table>
<thead>
<tr>
<th>Quantitative Research</th>
<th>Qualitative Research</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research Problems:</strong></td>
<td><strong>Research Problems:</strong></td>
</tr>
<tr>
<td>Who (How many?)</td>
<td>How?</td>
</tr>
<tr>
<td>What (How much?)</td>
<td>Why?</td>
</tr>
<tr>
<td><strong>Literature Review:</strong></td>
<td><strong>Literature Review:</strong></td>
</tr>
<tr>
<td>Explanatory</td>
<td>Exploratory</td>
</tr>
<tr>
<td>What are the relationships between variables which have been previously identified and measured?</td>
<td>What are the variables?</td>
</tr>
<tr>
<td>Hypotheses are developed</td>
<td>Constructs are messy</td>
</tr>
<tr>
<td><strong>Paradigms:</strong></td>
<td><strong>Paradigms:</strong></td>
</tr>
<tr>
<td>Positivist</td>
<td>Critical Realism / Interpretive</td>
</tr>
<tr>
<td><strong>Ontology:</strong></td>
<td><strong>Ontology:</strong></td>
</tr>
<tr>
<td>Reality is real and apprehensible</td>
<td>Reality is ‘real’ but only imperfectly probablistically apprehensible</td>
</tr>
<tr>
<td>Artificial setting</td>
<td>Natural setting</td>
</tr>
<tr>
<td><strong>Epistemology:</strong></td>
<td><strong>Epistemology:</strong></td>
</tr>
<tr>
<td>Possible to obtain hard, secure objective knowledge</td>
<td>Understood through perceived knowledge</td>
</tr>
<tr>
<td>Objectivist: Findings true</td>
<td>Modified Objectivist: Findings probably true</td>
</tr>
<tr>
<td><strong>Methodology</strong></td>
<td><strong>Methodology:</strong></td>
</tr>
<tr>
<td>Concentrates on description and explanation</td>
<td>Concentrates on understanding and interpretation</td>
</tr>
<tr>
<td>Examples: Survey or Experiment</td>
<td>Examples: Case Study, Action Research</td>
</tr>
<tr>
<td>Generalisation</td>
<td>Contextual understanding</td>
</tr>
<tr>
<td><strong>Data:</strong></td>
<td><strong>Data:</strong></td>
</tr>
<tr>
<td>Hard, reliable data</td>
<td>Rich, deep data</td>
</tr>
<tr>
<td>Points of view of researcher</td>
<td>Points of view of participants</td>
</tr>
<tr>
<td>Numbers</td>
<td>Words</td>
</tr>
<tr>
<td><strong>Researcher’s Role:</strong></td>
<td><strong>Researcher’s Role:</strong></td>
</tr>
<tr>
<td>Detached, external observer</td>
<td>Experience what they study</td>
</tr>
<tr>
<td>Research distanced</td>
<td>Researcher close</td>
</tr>
</tbody>
</table>

Source: Developed from a Review of the Literature on Research Methodology

### 3.2.1 The Quantitative Paradigm

Quantitative research emphasises the collection and analysis of data in numeric form and emphasises on relatively large-scale and representative sets of data (Blaxter, Hughes & Tight, 2006). Thus, the quantitative paradigm is characterised by the use
of theoretical propositions for empirical testing to determine if such propositions are true (Easterby-Smith, Thorpe & Lowe, 1991). In addition, quantitative research entails a deductive approach to the relationship between theory and research in which the emphasis is on the testing of theories. The ontological orientation is towards objectivism by viewing social reality as external, objective reality. Finally, the epistemological orientation is towards the natural scientific model or positivism.

The quantitative paradigm has strengths and weaknesses (Maxwell & Delaney, 2004, Popper, 1959; Schrag, 1992). Its main strengths are that it generates precise, quantitative, numerical data from large survey sizes. Furthermore, the findings are reliable and can be generalised and replicated on many different populations. However, the use of value-free data does not enable the researcher to benefit from the use of personal judgments. The findings may also be inapplicable to specific local situations and individuals (Zikmund, 2003).

### 3.2.2 The Qualitative Paradigm

Qualitative research emphasises words and images rather than numbers in the collection and analysis of data. It comprises ‘an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world’ (Ticehurst & Veal 2000, p.94).

The ontological orientation is towards constructivism. Social reality is regarded as a constantly shifting emergent property of individuals’ creation. It is therefore interpretive and subjective since it relies on the individual’s perceptions of reality at a particular point in time (Hirschman, 1986).

The epistemological orientation of qualitative research is towards interpretivism. It emphasises the way in which individuals interpret their social world. The researcher becomes a passionate participant in the research and as such the findings are jointly created by the researcher and the respondents (Guba & Lincoln, 1994; Hirschman, 1986).
Qualitative research has several strengths and applications (Guba & Lincoln, 1994; Lincoln & Guba, 1986; Schwandt, 2000). It is well suited for describing phenomena as they are situated and embedded in local contexts. It is also useful for exploring new topics that have not been previously researched or when there is a need to develop a new theory (Cresswell, 1998).

Qualitative research also has its limitations. Its findings are not usually generalisable due to small respondent numbers, the findings being interpretive and subjective (Sekaran, 2000).

3.2.3 The Preferred Paradigm for the Research

As discussed in the earlier Sections, the qualitative and quantitative paradigms have weaknesses and strengths. However the qualitative methods weaknesses are the quantitative methods strengths. A combination of qualitative/inductive and quantitative/deductive approaches can build on the strengths and minimise the weaknesses of both (Onwueguzie & Leech, 2004; Steckler et al., 1992). In addition, different aspects of an investigation could be dovetailed (Hammersley, 1996) to give a more informed basis for theory development (Bonoma, 1985; Eisenhardt, 1989; Yin, 2003). Accordingly, this research used quantitative and qualitative approaches in a complimentary manner and applied them in different stages of the research project (Carson et al., 2001; Steckler et al., 1992; Zikmund, 2003).

The objectives of this research, however, were largely directed at understanding the workings of the GLCs. For this reason the qualitative or inductive approach played a dominant role with the quantitative component playing a supplementary role.

3.3 Research Design

A research design specifies a framework of how the researcher intends conducting the research process in order to solve the research problem (Babbie & Mouton, 2002; Bryman & Bell, 2007; Burns & Grove, 1993; Leedy, 2001; Ritchie, 2001). The researcher had to decide on an appropriate research design for the conduct of
this research. Full account was taken of the purposes of the research and the skills and resources available to the researcher (Babbie & Mouton, 2002).

All factors were taken into account for developing a master plan for this research. Shown in Figure 3.4, it sets out the direction of theorising, research paradigm, research design, data collection instruments, data analysis procedures and the research output. These are elaborated in the subsequent Sections.

**Figure 3.4: Research Master Plan**

Source: Developed for the research
3.3.1 Dimensions of Research

The research purpose influences decisions on an appropriate design for its conduct (Cavana, Delahaye & Sekaran, 2001; Cooper & Schindler, 2003; Zikmund, 2003). There are three principal types of research – exploratory, descriptive and explanatory (Babbie, 1998; Ritchie, 2001) and the purposes and characteristics of each are shown in Table 3.3.

Table 3.3: Dimensions of Research

<table>
<thead>
<tr>
<th>Exploratory Research</th>
<th>Descriptive Research</th>
<th>Explanatory Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Become familiar with the basic facts, setting, and concerns</td>
<td>Provides a detailed, highly accurate picture</td>
<td>Test a theory’s prediction</td>
</tr>
<tr>
<td>Create a general mental picture of conditions</td>
<td>Locate new data that contradict past data</td>
<td>Elaborate and enrich a theory’s explanation</td>
</tr>
<tr>
<td>Formulate and focus questions for future research</td>
<td>Create a set of categories or classify types</td>
<td>Extend a theory to new issues or topics</td>
</tr>
<tr>
<td>Generate new ideas, conjectures or hypothesis</td>
<td>Clarify a sequence of steps or stages</td>
<td>Support or refute an explanation or prediction</td>
</tr>
<tr>
<td>Determine the feasibility of conducting research</td>
<td>Document a causal process or mechanism</td>
<td>Link issues or topics with a general principle</td>
</tr>
<tr>
<td>Develop techniques for measuring and locating future data</td>
<td>Report on the background or context of a situation</td>
<td>Determine which of several explanations is best</td>
</tr>
</tbody>
</table>

Source: Adapted from Neuman, 2006, p.34.

Exploratory Research

Exploratory research is conducted to better comprehend the nature of a problem when it is ambiguous (Babbie, 1998), crystallise them and identify information needs for future research (Zikmund, 2003). The outputs of exploratory research therefore enable the researcher to gain better insights into the problem and to have a
clearer understanding of the data required for subsequent quantitative research (Neuman, 2006). Exploratory research usually falls into the qualitative paradigm and the outputs provide patterns of the phenomenon of interest and permits theory generation (Stebbing, 2007).

❖ **Descriptive Research**

‘A descriptive study is appropriate for ascertaining and describing the characteristics of the variables of interest in a specific situation’ (Sekaran, 2000, p.125). Zikmund (2003, p.38) states that ‘the major purpose of descriptive research is to describe characteristics of a population or phenomenon’. Unlike exploratory research, descriptive research is undertaken when the characteristics of the phenomenon to be tapped in a situation are known to exist. It is also appropriate for situations when important descriptive information is required to solve the problem (Zikmund, 2003).

❖ **Explanatory Research**

Explanatory research explains why events occur and builds, elaborates, extends or tests theory (Churchill, 1997). It can support or refute an explanation or extend a theory to new issues or topics (McDaniel & Gates, 1996). Explanatory research is usually undertaken subsequent to exploratory or descriptive research.

3.3.2 **The Chosen Research Path**

The findings of the literature review in Chapter 2 revealed gaps in the existing body of knowledge. These indicated that the research problem was ambiguous. For this reason, exploratory research was used as a first step to gain background information about the research problem, to generate the research questions and to craft the research Propositions.

However, the purpose of this research extended beyond the mere identification of the research problem. Another important aim was to extend and generalise the finding. This second stage was descriptive in nature for which quantifiable data was required.
Accordingly, as shown in Figure 3.5, this research had two stages, the first an exploratory stage to reaffirm the relevance of the research problem (Easterby-Smith, Thorpes & Lowe, 1991; Guba & Lincoln, 1994; Parkhe, 1993; Perry & Coote, 1994; Zikmund, 2003), and the second, a descriptive stage to generalise the findings (Cavana, Delahaye & Sekaran, 2001).

Figure 3.5: A Two-Stage Research Path

3.3.3 Unit of Analysis

Having identified the dimensions of the research, the next issue that was addressed was the unit of analysis. This is defined as ‘the level of aggregation of the data collected during the subsequent data analysis stage’ (Cavana, Delahaye & Sekaran 2001, p. 119).
This research was targeted at Malaysian GLCs. Due to time and resource constraints, it was decided that the unit of analysis comprise GLCs located in the Federal Territory of Kuala Lumpur, the researcher’s place of work.

### 3.4 Data Collection Instruments

The research design, discussed in Section 3.3, entailed a two-stage approach. The first an exploratory approach involved collecting qualitative data to reaffirm the research problem. The second, a descriptive approach, required the collection of quantitative data to generalise the findings. For the purpose, the data collection instruments, as shown in Fig 3.6, were a Focus Group, Case Studies and a Questionnaire Survey.

**Figure 3.6: Primary Data Collection Instruments**

![Primary Data Collection Instruments Diagram](source: Developed for this research)

### 3.4.1 Focus Group

A Focus Group is an unstructured, free-flowing interview with a small group of people (Zikmund, 2003) where people are encouraged to talk to one another, ask
questions, and comment on each others’ experiences and points of view (Kitzinger, 1994). The Focus Group contains elements of two methods (i) the group interview, in which several people discuss a number of topics; and (ii) a focused interview, in which interviewees are selected because they are known to have been involved in a particular situation and are asked about that involvement (Merton, Fisk & Kendall, 1956).

A Focus Group interview offers many advantages. It is highly synergistic as the combined efforts of the group produce a wider range of information and insights as compared to individual personal interviews (Morgan, 1988a, 1988b). A Focus Group meeting can also create a snowballing effect as a comment by one individual can trigger a chain of responses from the other participants (Hess, 1968). Another advantage is that a Focus Group enables the researcher to study the ways in which individuals collectively make sense of a phenomenon and construct meanings around it (Wilkinson, 1999).

In addition, Livingstone and Lunt (1994) and Blackburn and Stoke (2000) suggest that if the researcher could identify patterns from a small number of groups and that little new material are likely to be generated if more groups are added, it would not serve any purpose to add more groups. Guided by these authorities, the researcher decided to engage only one Focus Group.

3.4.1.1 Size of the Focus Group

In small groups, participants are likely to have a lot to say on the research topic (Morgan, 1998). Blackburn and Stokes (2000) suggest a minimum of three participants in a Focus Group with more than eight being difficult to manage. Accordingly, eight members were selected to participate in the Focus Group and the composition is shown in Table 3.4.
A Discussion Guide and topics agenda were drawn for the Focus Group as shown in Table 3.5. The Topics Agenda highlighted the following key issues that related to each of the four Propositions tested by this research.

- The measures taken by Malaysian GLCs to balance their twin goals of profitability and discharging their CSR obligations as required by the Government;
- The adequacy of the Transformation Programme for enhancing the performance of Malaysian GLCs;
- The difficulties experienced by Malaysian GLCs for using KPI to measure their performance; and
- The desired approaches for strengthening the corporate governance and leadership capabilities of Malaysian GLCs for enhancing business performance.
### Table 3.5: Discussion Guide and Topics Agenda for the Focus Group

<table>
<thead>
<tr>
<th>Topics for discussion</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Introduction</strong></td>
<td>(5 min)</td>
</tr>
<tr>
<td>Introduce the researcher and roles</td>
<td></td>
</tr>
<tr>
<td>Aim and format of the Focus Group</td>
<td></td>
</tr>
<tr>
<td>Conventions (Confidentiality, Speak one at a time, recordings, everybody’s views, open debate, report of proceeding)</td>
<td></td>
</tr>
<tr>
<td>Personal introduction of participants and their businesses</td>
<td></td>
</tr>
<tr>
<td><strong>Discussion topics/Issues:</strong></td>
<td></td>
</tr>
<tr>
<td>Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government.</td>
<td>(20 min)</td>
</tr>
<tr>
<td>- The corporate culture and orientations of Malaysian GLCs.</td>
<td></td>
</tr>
<tr>
<td>- Malaysian GLCs strategic CSR practices.</td>
<td></td>
</tr>
<tr>
<td>- The commercial and political orientations of Malaysian GLCs.</td>
<td></td>
</tr>
<tr>
<td>The Government’s Transformation Programme emphasises on improving the business performance of Malaysian GLCs.</td>
<td>(20 min)</td>
</tr>
<tr>
<td>- The adequacy of Government Transformation Programme.</td>
<td></td>
</tr>
<tr>
<td>- The staff hiring procedures of Malaysian GLCs.</td>
<td></td>
</tr>
<tr>
<td>- Malaysian GLCs operational practices.</td>
<td></td>
</tr>
<tr>
<td>Malaysian GLCs are experiencing difficulties in using KPIs to measure performance.</td>
<td>(20 min)</td>
</tr>
<tr>
<td>- Familiarity with the use of KPIs as a performance measure.</td>
<td></td>
</tr>
<tr>
<td>- The relevance and reviews of KPIs by Malaysian GLCs.</td>
<td></td>
</tr>
<tr>
<td>- Staff training for the use of KPIs</td>
<td></td>
</tr>
<tr>
<td>Malaysian GLCs are strengthening their governance and leadership capabilities to enhance their business performance.</td>
<td>(20 min)</td>
</tr>
<tr>
<td>- Corporate governance practices in GLCs.</td>
<td></td>
</tr>
<tr>
<td>- Professional management structures and knowledge workers.</td>
<td></td>
</tr>
<tr>
<td>- Leadership of Malaysian GLCs.</td>
<td></td>
</tr>
<tr>
<td><strong>Summing up</strong></td>
<td>(5 min)</td>
</tr>
</tbody>
</table>

Source: Developed for this Research
3.4.1.2 Planning the Focus Group

Prior to the meeting, the researcher circulated an Information Sheet about the research project and the conduct of the Focus Group meeting. This included a topic agenda as shown in Table 3.5. The participants also received an ‘Informed Consent Form’ which stated clearly the scope and purpose of the research and this is attached as Appendix A. The researcher made several phone calls to the members of the Focus Group to reconfirm their interest and participation. The Focus Group meeting proceeded only after receipt of the signed Informed Consent Forms from participants.

3.4.1.3 Conduct of the Focus Group

The Focus Group meeting was held on 5th of May 2009. It was a relaxed affair with participants sitting in a circle to create the right atmosphere and maximise interactions (Kitzinger, 1994). The researcher played the role of a facilitator and moderator. As a facilitator, the researcher stayed at the process level and only intervened to highlight salient issues relating to the topics in the agenda (Cavana, Delahaye & Sekaran, 2001). The discussions were not tape-recorded because of the sensitivity of the issues. However, detailed notes were taken during the meeting.

3.4.2 Selection of Case Studies as a Data Collection Technique

A Case Study refers to the collection and presentation of detailed information about a particular participant or small group, frequently including the accounts of subjects themselves (Stake, 1994; Thaller, 1994; Yin, 2003). Authorities draw distinctions on whether case studies should be employed as a ‘method’ as opposed to it being used as a ‘technique’ (McGuire, 1985). The former is a procedure of inquiry or research design. The latter is only an instrument of the overall research effort for the collection of data for theory building (Perry & Coote, 1994, p.107).

Since this research required the collection of both qualitative and quantitative data, the use of Case Studies as data collection instruments were considered appropriate.
Accordingly, representatives from the selected Case Studies participated in the Focus Group and the Questionnaire Survey.

### 3.4.2.1 Number and Selection of Cases

The researcher had to decide on the number of cases to be used. Between four and ten cases often work well (Eisenhardt, 1989). In practice, four to six cases probably form a reasonable minimum for a serious project (Hedges, 1985). Guided by these and due to resource constraints, four cases were selected as data collection instruments. The exercise started with a desk study of all GLCs in the country at the Federal level. Appropriate criteria was then formulated to ensure that the selected cases represented a geographical spread and constituted GLCs in different sectors. It was also considered useful to select cases that constituted ‘extreme situations and polar types’ in order to clearly discern the issues of concern (Pettigrew, 1989).

On the basis of these criteria, cases were selected from the critical sectors of aviation, banking, energy and investment. These cases are listed in Bursa Malaysia. A brief profile of each of the four selected cases is given below. Since the staff of all the four requested for anonymity, the names of the GLCs are only identified by numerical labels.

**GLC 1**

This is a banking institution with 118 branches spread throughout the country. Previously under the direct supervision of the Central Bank of Malaysia, it is now supervised by a Federal Government ministry. Winner of the Prime Minister’s quality award in 2004, it was ranked 16th under the ‘Top 500 Islamic Institutions’ category in the world by *The Banker* magazine in its November 2007 issue. For the first time in its history, it posted earnings of RM1.234 billion in 2008 and outperformed many of its privately-owned counterparts in the country. Despite the economic slowdown, this GLC is targeting a further 5% profit growth for 2009 (*The Star*, 7 Mac., 2009).
GLC 2
Involved in the air travel business, this company holds a lengthy record of service and best practices excellence, having received more than 100 awards in the last 10 years including among others the ‘World's Best Cabin Crew’ consecutively from 2001 until 2004. However, it has been beleaguered by poor performance, operational losses, falling revenues and mounting debts particularly after the 1997/98 Asia Financial Crisis. Despite restructuring efforts and bail-outs, the company continued to suffer a series of losses. Under pressure from the Government, GLC2 pursued a business turnaround strategy in 2006 to achieve profitability and consequently posted a net profit of RM46.2mil for the quarter ended Dec 31 2008. However, this company could incur hedging costs of up to close to RM3bil over the next two years as compared to its privately-owned competitor which enjoys the benefits of lower crude oil prices (The Star, 5 Mac., 2009).

GLC 3
This is a utility company involved in the generation, transmission and distribution of electricity. With a market capitalisation of RM41.5 billion, it ranked among the top 50 energy companies in Asia and 168th among the top 250 Global Energy Companies in 2006. In recent years, the company has been under-performing. Although it declared a profit of RM2.594bil in 2008, it ended up with a net loss of RM944.1mil for the period after taking account a foreign exchange loss of RM1.439bil (The Star, 16 Mac., 2009).

GLC 4
This is an agency entrusted with the mandate of raising the long term productivity and optimal utilisation of non-customary rights (NCR) land and mixed zone land which has been underutilised, unutilised or undeveloped. This company receives funding from the Federal Government and has five subsidiary companies, four of which are involved in palm oil refineries. The other subsidiary is a tea leaves plantation. It also has 4 associate companies involved in the transportation business, refinery and fertilizer production.
3.4.3 The Questionnaire Survey

A sample survey was used to obtain a representative sample of the target population (Zikmund, 2003). A target population is ‘the total collection of elements about which we wish to make some inference’ (Cooper & Schindler, 2003, p. 179). A self-administered Questionnaire survey was the main source of quantitative data for this research. This is one where ‘the respondent takes the responsibility of reading and answering the Questionnaire’ (Zikmund, 2003, p.244).

3.4.3.1 Questionnaire Design

‘A Questionnaire survey is only as good as a question it asks’ (Zikmund 2003, p.378). Therefore, a great deal of emphasis was given to the design of the Questionnaire with the aim of achieving relevancy and accuracy. Other factors considered in the Questionnaire design as suggested by Presser and Blair (1994), Singh (2000), Tanur (1992), Ticehurst and Veal (2000), Neuman (2006), and Zikmund (2003) were:

- Relevancy of the questions,
- Wording of the questions,
- Number of questions/Questionnaire length,
- Sequencing of the questions,
- Pilot testing,
- Measurement and Scaling

- **Relevancy of the questions**

‘A Questionnaire is deemed relevant if no unnecessary information is collected and if the information required to solve the problem is obtained’ (Zikmund, 2003, p.379). Care was taken to ensure that only relevant questions were included in the Questionnaire and those that related directly to each of the four research Propositions (Singh, 2000).
- **Wording of the questions**

Some of the survey participants were not very fluent in English. They also came from different ethnic and cultural backgrounds. Guided by Neuman (2006), particular attention was given to the wording of the questions. The questions were therefore presented in clear terms which could be understood by the respondents.

As stated in Section 1.9, Malaysian GLCs operate a set of rules and regulations that are peculiar to Malaysia. Malaysian law prohibits the discussion of sensitive ethnic issues in a form and manner that could generate racial tensions. For this reason, ambiguous and leading and loaded questions were avoided. Furthermore, no attempts were made to include political or cultural issues.

- **Number of questions and Questionnaire length**

A short Questionnaire of 2-3 pages was considered appropriate (Neuman, 2006). Accordingly, a 3-page Questionnaire comprising 12 questions was prepared by the researcher. All the pages were numbered and the questions were printed in 12-point Times Roman fonts for ease of reading.

- **Sequencing**

The questions were grouped into four categories in line with the four Propositions. There were three questions for each category. The sequencing of questions was based on the Funnel Approach (Festinger & Katz, 1966). This started with questions of a general nature to those that were more specific and from questions that were easy to answer to those that were progressively more difficult.

- **Pilot testing**

A pilot test collects data from a small population of a research project to serve as a guide for the larger study (Zikmund, 2003). It can detect weaknesses in design, evaluate Questionnaire items and review the actual wordings of questions (Warwick & Linniger, 1975). For this test, Questionnaires were handed to 10 selected respondents. The pilot test identified poor wording and ambiguous questions which could be misinterpreted by the participants. Accordingly, the wordings of some questions were amended.
- **Measurement and Scaling**

Measurement can be defined as ‘the assigning of numbers or other symbols to characteristics of objects according to certain pre-specified rules (Malhotra, 1999, p.248). Scaling can be defined as ‘the generation of a continuum on which measured objects are located’ (Malhotra, 1999, p.248). The survey Questionnaire was aimed at collecting quantifiable data. This required the adoption of an appropriate rating scale to measure attitude responses. While there are several rating scales, only three of them were considered by researcher for this study.

The first was the *simple attitude scale* which required respondents to either state their agreement or disagreement to a question. The scale was not adopted as it did not cater for making fine distinctions in the attitudes of the respondents.

The second are the *category scales* which provide for several response categories. However the effective use of these scales is dependent on the wording of each question. Consequently, each Statement would require the use of a different descriptive dimension (Cavana, Delahaye & Sekaran, 2000). For this reason this scale was not considered appropriate.

Third is the *Likert scale* which is a summated weighting method. It enables respondents to indicate their degree of agreement or disagreement on a 5-point scale with scores being assigned to alternative responses. The five points are: ‘strongly disagree’, ‘disagree’, ‘uncertain’, ‘agree’, and ‘strongly agree’.

Given the composition of the survey sample, the Likert scale was considered best suited for this research as it enabled some of the respondents to adopt an uncertain position on issues that they considered to be sensitive. The Likert scale used in the Questionnaire survey and the assigned scores are shown in Figure 3.7.
Figure 3.7: Likert Scale and Scores Assigned for the Survey

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

Source: Developed for this research

3.4.3.2 The Finalised Questionnaire

**Research Proposition 1:** Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government.

**Statement 1:**
Malaysian GLCs operate as effective private sector firms with a corporate culture that maximises profits and meets CSR obligations.

**Statement 2:**
Malaysian GLCs should emphasise on strategic CSR for increasing their competitiveness by integrating social impact into their overall corporate strategies.

**Statement 3:**
Malaysian GLCs are politically, rather than commercially, motivated.
**Research Proposition 2:** The Government‘s Transformation Programme emphasises on improving the business performance of Malaysian GLCs.

**Statement 4:**
The Government’s Transformation Programme is appropriate and adequate to improve the business performance of Malaysian GLCs.

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<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

**Statement 5:**
The Government does not interfere and intervene with staff hiring procedure and decision making process of Malaysian GLCs.

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<th>4</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

**Statement 6:**
Malaysian GLCs conduct their operations in a transparent and professionally accountable manner.

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<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

**Research Proposition 3:** Malaysian GLCs are experiencing difficulties in using KPIs to measure performance.

**Statement 7:**
The senior and management staff of Malaysian GLCs are not fully familiar with the use of KPIs as a performance measure.

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<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

**Statement 8:**
The KPIs used by Malaysian GLCs should be frequently reviewed and revised to keep pace with the changing business environment.

<table>
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<tr>
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<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>
Statement 9:
Malaysian GLCs should give emphasis to staff training to enable them to more effectively use KPIs as a performance measure.

<table>
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</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

Research Proposition 4: Malaysian GLCs are strengthening their governance and leadership capabilities to enhance their business performance

Statement 10:
The operations of Malaysian GLCs are characterised by a bureaucratic culture that is not conducive to good corporate governance practices.

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

Statement 11:
Malaysian GLCs place emphasis on human capital and knowledge workers by hiring the best talent through a transparent and open recruitment system.

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

Statement 12:
Malaysian GLCs benefit from empowered CEO’s with strong academic, professional and leadership attributes.

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

3.4.3.3 Sampling Design

A sampling design is the selection of an appropriate sample to minimise the gap between the values obtained from the sample and the population (Kumar, 1996). Sampling is essential in conducting a survey to measure the characteristics of all elements of a population. Researchers identify sampling criteria and evaluate the
relative importance of each criteria to choose a suitable sample design (Zikmund, 2003). Guided by these, the researcher gave full attention to the design of survey sample in particular the target population and the sampling method for deciding on the size and composition of the sample.

3.4.3.3.1 The Target Population

The total category of subjects in a particular research project is known as the population (Ticehurst & Veal, 2000). A sample also has to be representative of a population. In order to select sample participants, research could rely on either probability or non-probability sampling. Each, as shown in Table 3.6, has advantages and disadvantages.

Table 3.6: Sampling Methods

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Probability</th>
<th>Design Type</th>
<th>Non Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>More costly</td>
<td></td>
<td>Less costly</td>
</tr>
<tr>
<td>Accuracy</td>
<td>More accurate</td>
<td>Less accurate</td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td>More time</td>
<td></td>
<td>Less time</td>
</tr>
<tr>
<td>Generalisability</td>
<td>Good</td>
<td></td>
<td>Poor</td>
</tr>
</tbody>
</table>

Source: Adapted from Davies 2005.

Taking into account the purposes of the research and the availability of the resources for the conduct of the survey, the researcher opted for non-probability sampling. Furthermore, non-probability sampling is favoured by qualitative researchers because of its ‘relevance to the research topic rather than their representativeness which determines the way in which the people to be studied are selected’ (Flick 1998, p.41).
In order to obtain a large number of completed Questionnaires quickly and economically, the researcher adopted a combination of judgment and quota sampling. The use of judgment sampling permitted information being secured from specific target groups and the required information for the research (Cavana, Delahaye & Sekaran, 2000). Quota sampling ensured that certain groups were adequately represented in the study through the assignment of a quota (Davies, 2005).

Because of time and cost constraints, it was also necessary to confine the Survey to participants residing in the Klang Valley, within the 50 kilometer-range of Kuala Lumpur, Malaysia. This made it possible for the researcher to have relatively easy access to the participants. Roscoe (1975) suggests that sample size should be larger than 30 and less than 500. Guided by the discussed factors, the target population comprised Case Studies, Knowledgeable Persons, Government and the Academia.

There were a total of 64 participants and their breakdown in terms of the four components of the target population is shown in Table 3.7.

Table 3.7: Composition of the Survey Sample

<table>
<thead>
<tr>
<th>Category Code</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Population</td>
<td>GLCs</td>
<td>Knowledgeable Persons</td>
<td>Government</td>
<td>Academia</td>
<td></td>
</tr>
<tr>
<td>Sample Size</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Percentage of Sample</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Developed for this research

The first group, coded A, comprised 16 CEOs and senior managers selected from the four Case Studies discussed in Section 3.4.2.1.
The second Group, coded B, comprised 16 Knowledgeable Persons, mainly consultants and retired CEOs of large firms.

The third Group, coded C, represented 16 senior officers of the Government and regulatory bodies involved in the administration of GLCs.

The fourth Group, coded D, represented 16 senior members of the Academia from reputable local universities.

3.4.3.4 Administration of the Questionnaire and the Response Rate

The research candidate is the managing director of several firms which have in their clients’ list of several GLCs. Guided by the sampling methodology suggested by Tabachnick and Fidell (1996), permission was first obtained from the management of the selected Case Studies for the researcher to interview selected staff and to include them in the Questionnaire survey. Second, invitation letters were sent to each of the identified participants. These provided the details of the research and stressed the importance of their participation in the Survey. It also stressed that the researcher would comply with company policies and practices on information confidentiality.

The researcher then established contacts with the other target population groups namely the consultants, the Government and regulatory bodies as well as the Academia. The Consent Form was then sent to each of them. The process was followed up by emails and telephone calls to each of the identified participants.

The response rate is a percentage of the total attempted responses successfully completed and a high response rate is important for survey analysis and validity. As shown in Table 3.8, the administration process for the Questionnaire survey resulted in a response rate of 100%.
# Table 3.8: Questionnaire Survey Response Rate

<table>
<thead>
<tr>
<th>Target Population</th>
<th>Sample Size</th>
<th>Response Rate</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Linked Companies</td>
<td>16</td>
<td>16</td>
<td>100</td>
</tr>
<tr>
<td>Knowledgeable Persons</td>
<td>16</td>
<td>16</td>
<td>100</td>
</tr>
<tr>
<td>Government</td>
<td>16</td>
<td>16</td>
<td>100</td>
</tr>
<tr>
<td>The Academia</td>
<td>16</td>
<td>16</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64</strong></td>
<td><strong>64</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Developed for this research

## 3.5 Ensuring Quality of Research

Research findings must be trustworthy. This Section discusses the quality of the research by examining the measures taken to make the findings valid and reliable (Bryman & Bell, 2007; Neuman, 2006). These relate to error reduction and quality measurement.

### 3.5.1 Error Reduction

For the Questionnaire Survey, the respondents had broadly similar positions. They were of the rank of chief executive officers, chief operations officers, professors, and chief information officers. This helped to minimise the risk of error source (Cooper & Schindler, 2003). Before proceeding with the survey, the Questionnaire was checked for clarity in the wordings and to avoid ambiguous or double barrelled questions. The Questionnaire was then pilot-tested to minimise errors.

All the Focus Group participants benefited from an Information Guide. It clearly stated the objectives and purposes of the study and their contributions. Accordingly, the Focus Group members were better-placed to give informed views on the research issues.
3.5.2 **Quality Measurement**

The purpose of measurement is to measure what is intended to be measured (Zikmund, 2003). The researcher took the necessary steps to maximise the quality of the design for improving reliability and validity.

The measurement is said to be reliable when the measure is without bias (Sekaran, 2000). Reliability issues were addressed in the drafting of the Questionnaire, pilot testing the Questionnaire, clearly written questions, and proper scale development. These were complemented by the sound administration of the Questionnaire including the drop-off and pick-up methodology in the distribution and collection of the Questionnaire.

Validity refers to how reasonably certain the researcher is that the instruments are measuring the concepts that are to be measured (Ritchie, 2001; Tabachknick & Fidell, 1996). There were three factors which contributed to the validity of the exercise. First, the coverage of the Questionnaire which dealt with all the issues considered pertinent to the research topic. Second, the relatively large sample size and a thorough and sound administration of the Questionnaire which resulted in a high respondent completion rate. Finally, the inclusion of subject-matter experts and prominent members of the Academia in the Focus Group provided useful insights on the gaps in the literature.

3.5.3 **Triangulation**

Triangulation means looking at something from multiple points of view in order to improve accuracy (Neuman, 2006). As shown in Figure 3.8, secondary data was collected through documents and archival records. This enabled the researcher to benefit from the findings of earlier studies related to the research problem. The Focus Group generated useful qualitative data on the research issues. These were complemented by the quantitative data emerging from the Questionnaire survey. The convergence of data enhanced the quality of the study (Yin, 2003).
3.6 Data Analysis Procedures

Data analysis is a step in the process of converting raw data into information to permit interpretation (Douglas, 1976). Qualitative and quantitative data were collected for this research and the data analysis process for each is outlined below.

3.6.1 Qualitative Data Analysis

Qualitative data analysis is a dynamic, intuitive and creative process to permit inductive reasoning, thinking and theorising (Neuman, 2006). It involves the process of systematically searching, arranging, coding and categorising the interview scripts, observation notes, or other non-textual materials to increase the understanding of the phenomenon (Bogdan & Biklen, 1982). Qualitative data analysis therefore focuses on the exploration of values, meanings, beliefs, thoughts, experiences, and feelings
characteristics of the phenomenon under investigation (Tashakkori & Teddlie, 2003).

The qualitative data analysis process for this research had three aims: first, to reduce the collected raw information, for the purpose of identifying significant patterns; second, to draw meanings from the data; and third, to build a logical chain of evidence (Patton & Applebaum, 2003).

The data analysis activity began by summarising the detailed notes taken during the Focus Group meeting. The following activities were then undertaken.

i. **Data reduction.** This essentially involved reducing the large volume of collected data by means of selecting, simplifying, abstracting, summarising, and converting data guided by the research questions and the conceptual framework developed for this research (Maione, 1997).

ii. **Coding.** This involved the use of tags or labels to ‘assign meanings to the descriptive or inferential information compiled during a study’ (Miles & Huberman, 1994, p. 56). This was aimed at making the data manageable and facilitated the identification of themes and categories.

iii. **Data Displays.** Matrices, graphs, charts, and networks were then prepared to facilitate the interpretation of data. The display of the data in this compact manner made the ‘data readily accessible and enabled the researcher to draw justified conclusions’ (Miles & Huberman, 1994, p. 11).

iv. **Content Analysis.** The next stage was content analysis of the coded and displayed data in order to locate patterns (Cavana, Delahaye & Sekaran, 2000; Miles & Huberman, 1994; Yin, 2003). Meanings emerging from the data were then verified. This involved reviewing the notes, considering rival explanations and the cross-checking of conclusions with each member of the Focus Group.

v. **Conclusion.** The researcher then investigated themes between the categories and drew conclusions. They are presented in Chapters 4 and 5.
3.6.2 **Quantitative Data Analysis**

The quantitative data analysis process started with the stages of checking, editing, handling blank questionnaires, coding, categorising, transcribing and data cleaning (Malhotra, 1999) as follows:

- **Editing.** This is the process of reviewing the question to increase accuracy and precision. The Questionnaires were screened to identify eligible, incomplete, inconsistent or ambiguous responses;

- **Coding.** This was done by translating the collected data into codes for the purpose of computer analysis;

- **Transcribing.** This was done by converting survey responses into a format that could be analysed by the computer; and

- **Cleaning.** This was done for consistency and treatment of missing data. Data cleaning was conducted during the data editing process.

Guided by Manning and Munro (2004), the data was then keyed into the SPSS Version 17 for Windows for analysis to produce the following outputs:

- A Case Processing Summary;

- Frequency Tables;

- Group Percentage Cross Tabulations for each Statement;

- Comparison of Mean Responses for each Proposition;

- Standard Deviations by Groups for each Proposition, and

- Group Responses for each Statement.

3.7 **Ethical Considerations**

The conduct of research raises moral and ethical issues (Bouma, 2000; Hussey & Hussey, 1997). For this research, ethical issues concerned three parties - the
researcher, Southern Cross University and the respondents. The interaction of each of these three parties identified a series of ethical questions (Zikmund, 2003). Since research involved the acquisition, analysis and distribution of information, it ought to be done without causing harm to research participants (Rubin & Rubin, 1995; Ticehurst & Veal, 1999; Zikmund, 2003).

Accordingly, the primary data collection exercise only started after receiving approval from the Southern Cross University, Human Ethics Committee, with ethics approval number ECN-08-100. The approval had required the researcher to meet the mandatory requirements of:

- **Voluntary participation.** Participants had the right to retract participation during the data collection period if they felt that their participation could cause them harm (Neuman, 2006).

- **Informed consent.** The researcher had secured the Informed Consent of intended respondents in writing.

- **Privacy or Anonymity.** To preserve anonymity in this research, participants remained nameless. Their identities were protected from disclosure and remained unknown (Zikmund, 2003).

- **Confidentiality.** For this purpose, this research presented data only in aggregate form (Burns & Grove, 1999).

### 3.8 Conclusion

This Chapter presented the selected research approach and then the research design for a two-stage approach. This was followed by a discussion on the data collection instruments and the data analysis procedures. Issues relating to research quality and ethics were also examined. The next Chapter presents the data analysis for this study.
Chapter 4 Data Analysis

4.1 Introduction

The previous Chapter presented the methodology for this research. This Chapter discusses the data analysis process for the primary data collected through a Focus Group and a Questionnaire Survey. The participants of both included representatives of the four selected Case Studies.

The Focus Group involved eight participants. It comprised two senior managers from the Case Studies, two Knowledgeable Persons, two senior officers from the Government, and two senior academics. The Questionnaire Survey involved 64 participants. They comprised 16 from the four selected Case Studies, 16 Knowledgeable Persons, 16 representatives of the Government and 16 Academics. They held broadly similar positions to minimise the risk of error source. The Questionnaires were dropped off to the target sample and the returned Questionnaires were physically examined by the researcher and then entered into a SPSS spreadsheet.

4.1.1 Structure of Chapter 4

This Chapter is divided into seven Sections as shown in Figure 4.1. This Section introduces the Chapter and sets the scene for the rest of the thesis. The analyses of the data on the four Propositions are presented in Sections 4.2- 4.5. The next Section details the „unplanned data’ or the views and observations that fell outside the agenda of the Focus Group meeting. Section 4.7 concludes the Chapter.

The data analysis process involved three-steps. The first captured the views expressed by the members of the Focus Group. The second analysed the responses of the survey respondents to each of the three Statements that related to each of the four Propositions. The third tested each Research Proposition. This was done by matching the findings of the Questionnaire Survey with the findings emerging from
the Focus Group meeting. The SPSS Version 17 was used for the analysis of the Questionnaire Survey data and the outcomes were:

a. Case summaries of Counts, Means, and Standard Deviations for each Statement

b. Group Cross-tabulations for each Statement showing details of Counts and percentages within Statements and within Groups;

c. Combined Responses to each Statement;

d. Combined and Re-coded Responses to each Proposition.

**Figure 4.1: Structure of Chapter 4**

```
4.1 Introduction
4.2 Data Analysis for Proposition 1
4.3 Data Analysis for Proposition 2
4.4 Data Analysis for Proposition 3
4.5 Data Analysis for Proposition 4
4.6 Analysis for Unplanned Data
4.7 Conclusion

Source: Developed for this Research
```
4.2 Data Analysis for Research Proposition 1: Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government.

As discussed in Chapter 3, three Statements formed the basis for the collection of data by the Focus Group meeting and Questionnaire Survey for this Proposition. These were:

Statement 1: Malaysian GLCs operate as effective private sector firms with a corporate culture that maximises profits and meets CSR obligations.

Statement 2: Malaysian GLCs should emphasise on strategic CSR for increasing their competitiveness by integrating social impact into their overall corporate strategies.

Statement 3: Malaysian GLCs are politically, rather than commercially, motivated.

4.2.1 Analysis of the Focus Group Meeting

The Focus Group with representations from the GLCs (Group A), the Knowledgeable Persons (Group B), the Government (Group C), and the Academia (Group D), generated varied opinions on the issues covered in all three Statements related to Proposition 1. Members of the Group agreed that:

i) Malaysian GLCs face the challenge of balancing the conflicting goals of profitability and meeting social concerns to achieve the goals of the NEP. For this purpose they should adopt strategic CSR practices and integrate them in their corporate strategies. This also requires effective leadership with the necessary expertise, special skills and knowledge of the importance of building reputational advantage. They should also have the power and authority to reward and punish staff and to take advantage of businesses in a manner which is beneficial to all aspects of civil society. While they considered the Silver Book of the Transformation Programme to be useful,
they were of the view that the CSR activities of the GLCs should be directed at long term corporate sustainability and not be undertaken in an ad-hoc fashion as is currently the case in most GLCs.

ii) Malaysian GLCs at both the Federal and State Government levels are politically motivated with senior management more inclined towards a bureaucratic culture. There were also instances of cronyism and corruption which lead to efficiency, mismanagement and poor results. Malaysian GLCs should adopt good CG practices that provide for accountability and transparency. Members of the board should no longer regard themselves as an extension of the political party that they are aligned to but rather to manage the GLCs in the wider interests of the country and the stakeholders.

The Focus Group was however divided on some issues and these are summarised as follows:

i. Malaysian GLCs are over-dependent on the Government to secure businesses, opportunities and funding. The continuation of such practices will result in the GLCs remaining uncompetitive and becoming a burden to the Government. Furthermore, the changing business landscape in the national regional and global markets compels the GLCs to become more competitive. They have to develop a new organisational culture in order to take advantage of a more liberalised trading environment with new players and rivals. This required the GLCs to develop their own capabilities and capacities for becoming self-reliant and be less dependent on the Government for securing new contracts.

ii. The Transformation Programme requires the GLCs to meet their commercial as well as their CSR obligations. One member believed that the larger Malaysian GLCs should focus on identifying and venturing into profitable businesses and be less concerned about social objectives. The case of Temasek Holdings of Singapore was cited as a successful GLC, which devotes all its resources to commercial objectives with the Singapore Government looking after the social concerns.
Findings: Taking full account of the views expressed by the members, the researcher concluded that the Focus Group rejected the Proposition that „Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government”.

4.2.2 Analysis of Questionnaire Survey Responses

4.2.2.1 Statement 1: Malaysian GLCs operate as effective private sector firms with a corporate culture that maximises profits and meets CSR obligations.

Table 4.1 shows the Case Summary of the Responses to this Statement.

**Table 4.1: Case Summary for Statement 1**

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>3.81</td>
<td>4.00</td>
<td>.750</td>
<td>28.9%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>3.81</td>
<td>4.00</td>
<td>.981</td>
<td>28.9%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>1.88</td>
<td>2.00</td>
<td>.719</td>
<td>14.2%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>3.69</td>
<td>4.00</td>
<td>1.078</td>
<td>28.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>3.30</td>
<td>4.00</td>
<td>1.204</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from the Survey Data

The overall Mean rating of 3.30 and a high Standard Deviation of 1.204 indicate modest agreement to the Statement. However, there was much support from the Case Studies representatives and the Knowledgeable Persons as they registered a high Mean of 3.81. The only exception was the Government Representatives Group which registered a Mean of only 1.88. The low Standard Deviation for the Group of 0.719 also indicated that Malaysian GLCs should not operate solely as private sector firms with only commercial motives.

A Cross-tabulation of the Responses for Statement 1, shown in Table 4.2, reveals that 81.3% of the Knowledgeable Persons were of the view that Malaysian GLCs should operate as private sector firms emphasising on profitability and not social
concerns. This view was shared by three-quarters of the Case Studies representatives and 66.1% of the Academia. However, 93.8% of the Government representatives expressed disagreement.

Table 4.2: Statement 1 Cross Tabulation of Survey Responses

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A</td>
<td>Count</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>10</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>6.3%</td>
<td>18.8%</td>
<td>62.5%</td>
<td>12.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 1</td>
<td>.0%</td>
<td>5.6%</td>
<td>50.0%</td>
<td>37.0%</td>
<td>22.2%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>1.6%</td>
<td>4.7%</td>
<td>15.6%</td>
<td>3.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>10</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>18.8%</td>
<td>.0%</td>
<td>62.5%</td>
<td>18.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 1</td>
<td>.0%</td>
<td>16.7%</td>
<td>.0%</td>
<td>37.0%</td>
<td>33.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>4.7%</td>
<td>.0%</td>
<td>15.6%</td>
<td>4.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>Count</td>
<td>4</td>
<td>11</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>25.0%</td>
<td>68.8%</td>
<td>.0%</td>
<td>6.3%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 1</td>
<td>100.0%</td>
<td>61.1%</td>
<td>.0%</td>
<td>3.7%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>6.3%</td>
<td>17.2%</td>
<td>.0%</td>
<td>1.6%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>Count</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>18.8%</td>
<td>18.8%</td>
<td>37.5%</td>
<td>25.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 1</td>
<td>.0%</td>
<td>16.7%</td>
<td>50.0%</td>
<td>22.2%</td>
<td>44.4%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>4.7%</td>
<td>4.7%</td>
<td>9.4%</td>
<td>6.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>4</td>
<td>18</td>
<td>6</td>
<td>27</td>
<td>9</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>6.3%</td>
<td>28.1%</td>
<td>9.4%</td>
<td>42.2%</td>
<td>14.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 1</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>6.3%</td>
<td>28.1%</td>
<td>9.4%</td>
<td>42.2%</td>
<td>14.1%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from the Survey Data

Figure 4.2 depicts the Combined Responses to the Statement in terms of the scale „disagree‟, „uncertain‟, „agree‟. Although it shows that 61% of respondents supported the Statement, it was rejected by 31% of the respondents. Furthermore the remaining 8% were uncertain. Taking account of these pertinent responses, the researcher concluded that the Survey respondents were divided on Statement 1.
4.2.2.2 Statement 2: Malaysian GLCs should emphasise on strategic CSR for increasing their competitiveness by integrating social impact into their overall corporate strategies.

Table 4.3 shows the Case Summary of the Responses to this Statement.

Table 4.3: Case Summary for Statement 2

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>4.06</td>
<td>4.00</td>
<td>1.124</td>
<td>26.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>4.25</td>
<td>5.00</td>
<td>1.065</td>
<td>27.5%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>3.13</td>
<td>3.50</td>
<td>1.586</td>
<td>20.2%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>4.00</td>
<td>4.00</td>
<td>1.033</td>
<td>25.9%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>3.86</td>
<td>4.00</td>
<td>1.271</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

There was a modest acceptance of the Statement as shown by a total Mean of 3.86. However, there was a wide range with the Government Representatives registering a Mean of 3.13 compared to a Mean of 4.25 for the Knowledgeable Persons. The results indicate that GLCs should emphasis on strategic CSR to improve their
competitiveness. Significantly, the Government Representatives Group registered a high Standard Deviation of 1.586 implying that they were divided on the issue.

A Cross Tabulation of the Survey Responses to this Statement, shown in Table 4.4, reveals that 81% of the Knowledgeable Persons were of the view the Malaysian GLCs should adopt strategic CSR practices as part of their overall corporate strategy. This Statement was also supported by 68% of the Representatives of the Case Studies. However, the Government Representatives and the Academics were divided with only 50% accepting the Statement.

Table 4.4: Statement 2 Cross Tabulations of Survey Responses

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>Count</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>6</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>.0%</td>
<td>18.6%</td>
<td>.0%</td>
<td>37.5%</td>
<td>43.8%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 2</td>
<td>.0%</td>
<td>42.9%</td>
<td>.0%</td>
<td>29.2%</td>
<td>25.0%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>.0%</td>
<td>4.7%</td>
<td>.0%</td>
<td>9.4%</td>
<td>10.9%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>.0%</td>
<td>12.5%</td>
<td>6.3%</td>
<td>25.0%</td>
<td>56.3%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 2</td>
<td>.0%</td>
<td>28.6%</td>
<td>9.1%</td>
<td>28.6%</td>
<td>32.1%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>.0%</td>
<td>3.1%</td>
<td>1.6%</td>
<td>6.3%</td>
<td>14.1%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Group C</td>
<td>Count</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>25.0%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>25.0%</td>
<td>25.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 2</td>
<td>100.0%</td>
<td>28.6%</td>
<td>16.2%</td>
<td>28.6%</td>
<td>14.3%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>6.3%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Group D</td>
<td>Count</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>.0%</td>
<td>.0%</td>
<td>50.0%</td>
<td>.0%</td>
<td>50.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 2</td>
<td>.0%</td>
<td>.0%</td>
<td>72.7%</td>
<td>.0%</td>
<td>28.6%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>.0%</td>
<td>.0%</td>
<td>12.5%</td>
<td>.0%</td>
<td>12.5%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>4</td>
<td>7</td>
<td>11</td>
<td>14</td>
<td>28</td>
<td>64</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>6.3%</td>
<td>10.9%</td>
<td>17.2%</td>
<td>21.9%</td>
<td>43.8%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 2</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>6.3%</td>
<td>10.9%</td>
<td>17.2%</td>
<td>21.9%</td>
<td>43.8%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from the Survey Data

Figure 4.3 depicts the Combined Responses to the Statement in terms of ‘disagree’, ‘uncertain’, ‘agree’. It shows that two-thirds of the Survey participants accepted the Statement with only 17% disagreeing. On the basis of the analysis, the researcher concluded that the participants accepted Statement 2.
Figure 4.3.: Combined Responses to Statement 2

Source: Developed from the Survey Data

4.2.2.3 **Statement 3**: Malaysian GLCs are politically, rather than commercially, motivated.  

Table 4.5 shows the Case Summary of the Responses to this Statement.

**Table 4.5: Case Summary for Statement 3**

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>3.62</td>
<td>4.00</td>
<td>.619</td>
<td>25.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>3.88</td>
<td>4.00</td>
<td>1.088</td>
<td>27.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>2.69</td>
<td>3.00</td>
<td>.479</td>
<td>18.8%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>4.13</td>
<td>4.00</td>
<td>.619</td>
<td>28.8%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>3.58</td>
<td>4.00</td>
<td>.905</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed From the Survey Data

The Mean of 3.58 and the low Standard Deviation of 0.905 indicate general acceptance by the Survey respondents. The Government Representatives, with a Mean of 2.69 and a Standard Deviation of 0.49, took the contrary position and were
unable to agree that the GLCs have a political orientation and are not commercial motivated.

A Cross Tabulation of the Survey Responses to this Statement is shown in Table 4.6. It can be seen that the highest level of support, at 88%, was from members of the Academia. Only 56% of the Case Studies representatives agreed with the Statement although a high number of 44% were uncertain. None of the Government Representatives supported the Statement with 31.3% of them expressing disagreement.

**Table 4.6: Statement 3 Cross Tabulation of Survey Responses**

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>Count</td>
<td>0</td>
<td>7</td>
<td>8</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>43.8%</td>
<td>50.0%</td>
<td>6.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 3</td>
<td>.0%</td>
<td>29.2%</td>
<td>36.4%</td>
<td>9.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>10.9%</td>
<td>12.5%</td>
<td>1.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>12.5%</td>
<td>25.0%</td>
<td>25.0%</td>
<td>37.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 3</td>
<td>28.6%</td>
<td>16.7%</td>
<td>18.2%</td>
<td>54.5%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>3.1%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>9.4%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>Count</td>
<td>5</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>31.3%</td>
<td>68.8%</td>
<td>.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 3</td>
<td>71.4%</td>
<td>45.8%</td>
<td>.0%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>7.8%</td>
<td>17.2%</td>
<td>.0%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>Count</td>
<td>0</td>
<td>2</td>
<td>10</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>12.5%</td>
<td>62.5%</td>
<td>25.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 3</td>
<td>.0%</td>
<td>8.3%</td>
<td>45.5%</td>
<td>36.4%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>3.1%</td>
<td>15.6%</td>
<td>6.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>7</td>
<td>24</td>
<td>22</td>
<td>11</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>10.9%</td>
<td>37.5%</td>
<td>34.4%</td>
<td>17.2%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 3</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>10.9%</td>
<td>37.5%</td>
<td>34.4%</td>
<td>17.2%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed From the Survey Data

Figure 4.4 depicts the Combined Responses to the Statement in terms of ‘disagree’, ‘uncertain’, and ‘agree’. It shows that while 52% supported the Statement, 10% disagreed. Based on this, the researcher concluded that the Survey participant expressed modest support for the Statement.
4.2.2.4 Analysis of the Combined Survey Responses

Figure 4.5 shows the Combined Survey Responses to Research Proposition 1. The Figure shows that only 55% of the survey participants agreed with Proposition 1. Significantly, a third or 34% of the respondents were uncertain as to whether Malaysian GLCs have a profit orientation culture which also enables them to address their CSR obligations.
The Coded Combined and Recoded Survey Responses to Proposition 1 by Groups are shown in Figure 4.6. They indicate modest support from the Academia, Knowledgeable Persons and the representatives from the Case Study firms. However, the Government Representatives strongly opposed the Proposition. Significantly a high percentage of the respondents were uncertain.

**Figure 4.6: Combined and Recoded Survey Responses to Proposition 1 by Groups**

![Bar chart showing survey responses by groups]

<table>
<thead>
<tr>
<th></th>
<th>Group A</th>
<th>Group B</th>
<th>Group C</th>
<th>Group D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>11</td>
<td>11</td>
<td>44</td>
<td>33</td>
</tr>
<tr>
<td>Uncertain</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Agree</td>
<td>36</td>
<td>36</td>
<td>9</td>
<td>18</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed From the Survey Data

**4.2.3 Testing of Research Proposition 1**

As discussed in Section 4.2.1, the Focus Group considered all the three Statements that were related to this Proposition which states that „Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government”. Although some members were supportive of this Proposition, the majority rejected it.
However, the Survey participants were divided on Statement 1, expressed strong support for Statement 2 and modest support for Statement 3. Accordingly, as reflected in Figure 4.5, only 55% supported the Proposition.

Taking full account of the findings of both the Focus Group meeting and the Questionnaire Survey the researcher concluded that there were mixed views on this Proposition.

### 4.3 Data Analysis for Research Proposition 2: The Government Transformation Programme emphasises on improving the business performance of Malaysian GLCs.

As discussed in Chapter 3, three Statements formed the basis for the collection of data by the Focus Group and the Questionnaire Survey for this Proposition. These were:

**Statement 4:** The Government Transformation Programme is appropriate and adequate to improve the business performance of Malaysian GLCs.

**Statement 5:** The Government does not interfere and intervene with the staff hiring procedure and decision making process of Malaysian GLCs.

**Statement 6:** Malaysian GLCs conduct their operations in a transparent and professionally accountable manner.

#### 4.3.1 Analysis of the Focus Group Meeting

The Focus Group meeting discussed the research issues as reflected by Statements 4 – 6. They offered a wide range of views and these permitted the researcher to gain useful insights on the concerned issues.

The members agreed that the Transformation Programme was timely. It would enable the GLCs to benefit from better planning and control, continuous improvement and more effective resource allocation. It would also enable managers
to focus on those issues that are crucial to the successful delivery of their specific operations.

The meeting highlighted the need for a reform of the GLCs. They viewed the GLC Transformation Programme as a move in the right direction. They however felt that the success of the Programme was dependant on the appointment of successful and effective leaders who recognised the innovative use of knowledge to drive performance. Accordingly, the Government should empower the board and the senior management of the GLCs to hire knowledge based staff and not interfere in the recruitment process.

They also considered it critical for Malaysian GLCs to emphasise on good governance by adopting a disclosure based framework. The operations of the GLCs and the decision making framework must be more transparent, with their Annual Reports highlighting achievements as well as the mistakes made. These could include poor management or investment decisions. To reinforce the point, a member cited the problem of the multi-billion Port Klang Free Zone, a project of the Klang Port Authority, which reported an unexplainable RM147 mill for corporate advisory services for which there was no provision and blamed Government interference as a key factor.

It was generally agreed that the implementation of the Transformation Programme should be closely monitored. This requires the Government to have a mechanism that will monitor compliance and measure the effectiveness of the Programme and business performance. GLCs should be given the opportunity to develop their own capacities and capabilities and consider sourcing talents with a global vision and culture. They could include foreign nationals and those who have undergone cross-cultural training.

**Outcome:** The Focus Group meeting recognised the value of the Transformation Programme. This must be matched by strong GLCs leadership to improve business performance through improved CG. On the basis of the views offered, the researcher assumed that the Focus Group rejected the Proposition.
4.3.2 Analysis of Questionnaire Survey Responses

4.3.2.1 Statement 4: The Government Transformation Programme is appropriate and adequate to improve the business performance of Malaysian GLCs.

Table 4.7 shows the Case Summary of the Responses to this Statement. The overall Mean rating of 3.45 and a Standard Deviation of 1.068 indicate modest agreement to the Statement. However, there was much support from the Government Representatives as they registered a high of 4.31. This indicated they believed that the Government’s policy framework is conducive to the business performance of the GLCs. Significantly, the responses of the Knowledgeable Persons and the Academics indicated their uncertainty on the issue.

Table 4.7: Case Summary for Statement 4

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>3.44</td>
<td>4.00</td>
<td>1.094</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>3.00</td>
<td>3.00</td>
<td>0.966</td>
<td>24.9%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>4.31</td>
<td>4.00</td>
<td>0.704</td>
<td>31.2%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>3.06</td>
<td>3.50</td>
<td>0.998</td>
<td>22.2%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>3.45</td>
<td>4.00</td>
<td>1.068</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A Cross-tabulation of the Responses for Statement 1, shown in Table 4.8 reveals that 87.6% of the Government Representatives agreed with the Statement as compared to only 35.5% of the Knowledgeable Persons and 50% of the Academics who also registered the highest level of disagreement at 43.8%. Significantly, almost one-third of the Knowledgeable Persons were uncertain.

Source: Developed from the Survey Data
Table 4.8: Statement 4 Cross Tabulation of Survey Responses

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>31.3%</td>
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</tr>
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</tr>
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<tr>
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<td>% within Group Type</td>
<td>6.3%</td>
<td>25.0%</td>
<td>31.3%</td>
<td>37.5%</td>
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<td>% within Statement 4</td>
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<td>20.7%</td>
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<td>9.4%</td>
<td>.0%</td>
<td>25.0%</td>
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<td>% within Group Type</td>
<td>.0%</td>
<td>.0%</td>
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<td>43.8%</td>
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<tr>
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<td>22.2%</td>
<td>24.1%</td>
<td>77.8%</td>
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<td>% of Total</td>
<td>.0%</td>
<td>.0%</td>
<td>3.1%</td>
<td>10.9%</td>
<td>10.9%</td>
<td>25.0%</td>
</tr>
<tr>
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<td>% within Group Type</td>
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<td>.0%</td>
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<tr>
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<td>% of Total</td>
<td>.0%</td>
<td>10.9%</td>
<td>1.6%</td>
<td>12.5%</td>
<td>.0%</td>
<td>25.0%</td>
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<td>Total</td>
<td>Count</td>
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<tr>
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<td>% within Group Type</td>
<td>1.6%</td>
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<td>14.1%</td>
<td>45.3%</td>
<td>14.1%</td>
<td>100.0%</td>
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<tr>
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<td>% within Statement 4</td>
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<td>100.0%</td>
<td>100.0%</td>
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<td>14.1%</td>
<td>45.3%</td>
<td>14.1%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from the Survey Data

Figure 4.7 depicts the Combined Responses to the Statement in terms of ‘disagree, uncertain, and agree’. It shows that 59% of all the respondents agreed with the Statement with only 27% being in disagreement. Accordingly, the researcher concludes that the Survey participants accepted the Statement.
4.3.2.2 Statement 5: The Government does not interfere and intervene with the staff hiring and decision making processes of Malaysian GLCs.

Table 4.9 shows the Case Summary of the responses to the Statement.

**Table 4.9: Case Summary for Statement 5**

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>3.19</td>
<td>3.50</td>
<td>1.109</td>
<td>29.5%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>1.69</td>
<td>2.00</td>
<td>.793</td>
<td>15.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>3.63</td>
<td>4.00</td>
<td>.719</td>
<td>33.5%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>2.31</td>
<td>2.00</td>
<td>.793</td>
<td>21.4%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>2.70</td>
<td>2.00</td>
<td>1.136</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed from the Survey Data

The overall Mean rating of 2.70 indicates that this Statement was rejected. The highest level of disagreement was registered by the Knowledgeable Persons since this Group registered a Mean rating of only 1.69. The only two Groups that expressed support were the Government Representatives and the Representatives of the Case Studies.

A Cross-tabulation of the Survey Responses to this Statement is shown in Table 4.10. It reveals that support for the Statement only emerged from the Government Representatives and the Case Studies Representatives although they were only 54.5% and 51.5% respectively. However more than 90% of the Knowledgeable Persons and three quarters of the Academics disagreed.
### Table 4.10: Statement 5 Cross Tabulation of Survey Responses

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>7</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td><strong>Group A</strong></td>
<td></td>
<td>6.3%</td>
<td>25.0%</td>
<td>18.8%</td>
<td>43.8%</td>
<td>6.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11.1%</td>
<td>16.0%</td>
<td>42.9%</td>
<td>31.8%</td>
<td>100.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.6%</td>
<td>6.3%</td>
<td>4.7%</td>
<td>10.9%</td>
<td>1.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td><strong>Group B</strong></td>
<td>Count</td>
<td>7</td>
<td>8</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>43.8%</td>
<td>50.0%</td>
<td>0%</td>
<td>6.3%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>77.8%</td>
<td>32.0%</td>
<td>0%</td>
<td>4.5%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10.9%</td>
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<td>0%</td>
<td>1.6%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td><strong>Group C</strong></td>
<td>Count</td>
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<td>2</td>
<td>2</td>
<td>12</td>
<td>0</td>
<td>16</td>
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<td>12.5%</td>
<td>12.5%</td>
<td>75.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
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<td>28.6%</td>
<td>54.5%</td>
<td>.0%</td>
<td>25.0%</td>
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<td>3.1%</td>
<td>18.8%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td><strong>Group D</strong></td>
<td>Count</td>
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<td>28.6%</td>
<td>9.1%</td>
<td>.0%</td>
<td>25.0%</td>
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<td>3.1%</td>
<td>3.1%</td>
<td>.0%</td>
<td>25.0%</td>
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<td>64</td>
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<td>39.1%</td>
<td>10.9%</td>
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<td>100.0%</td>
</tr>
<tr>
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<td></td>
<td>100.0%</td>
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<td>100.0%</td>
</tr>
<tr>
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<td></td>
<td>14.1%</td>
<td>39.1%</td>
<td>10.9%</td>
<td>34.4%</td>
<td>1.6%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from the Survey Data

Figure 4.8 depicts the Combined Responses to the Statement in terms of ‘disagree’, ‘uncertain’ and ‘agree.’ It shows that more than half or 53% of the respondents rejected the Statement.

### Figure 4.8: Combined Responses to Statement 5

![Combined Responses to Statement 5](image)

Source: Developed from the Survey Data
4.3.2.3 Statement 6: Malaysian GLCs conduct their operations in a transparent and professionally accountable manner.

Table 4.11 shows the Case Summary of the Responses to the Statement.

Table 4.11: Case Summary for Statement 6

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
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<td>3.56</td>
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<td>2.00</td>
<td>1.342</td>
<td>18.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
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<td>4.06</td>
<td>4.00</td>
<td>.250</td>
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<td>25.0%</td>
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<tr>
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<td>2.00</td>
<td>1.365</td>
<td>19.8%</td>
<td>25.0%</td>
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<tr>
<td>Total</td>
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<td>3.08</td>
<td>4.00</td>
<td>1.301</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

The overall Mean rating of 3.08 and a high Standard Deviation of 1.301 indicates that the participants were uncertain or divided on this Statement. The Mean of 3.406 implied that the Government representatives were of the view that GLCs conduct their operations in a transparent and accountable manner. While this view was also shared by the Case Study representatives, it was rejected by the Knowledgeable Persons and Academics.

A Cross-tabulation of the Survey Responses to this Statement, shown in Table 4.12, reveals that all the Government Representatives supported the Statement. Their views were shared by 62.5% of the Case Study representatives. In contrast, 62.6% of the Knowledgeable Persons and the majority of the Academics rejected the Statement.

Source: Developed from the Survey Data
Table 4.12: Statement 6 Cross Tabulation of Survey Responses

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
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<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
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<th>Total</th>
</tr>
</thead>
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<td></td>
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<td>18.8%</td>
<td>50.0%</td>
<td>12.5%</td>
<td>100.0%</td>
</tr>
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<td></td>
<td>% within Statement 6</td>
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<td>33.3%</td>
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<td>23.5%</td>
<td>66.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
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<td>4.7%</td>
<td>4.7%</td>
<td>12.5%</td>
<td>3.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
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<td>3</td>
<td>1</td>
<td>5</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>43.8%</td>
<td>18.8%</td>
<td>6.3%</td>
<td>31.3%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 6</td>
<td>53.8%</td>
<td>33.3%</td>
<td>20.0%</td>
<td>14.7%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>10.3%</td>
<td>4.7%</td>
<td>1.6%</td>
<td>7.8%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
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<td>1</td>
<td>16</td>
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<td>% within Group Type</td>
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<td>.0%</td>
<td>.0%</td>
<td>44.1%</td>
<td>33.3%</td>
<td>25.0%</td>
</tr>
<tr>
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<td>% of Total</td>
<td>.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>23.4%</td>
<td>1.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>Count</td>
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<td>1</td>
<td>6</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
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<td>% within Group Type</td>
<td>37.5%</td>
<td>18.8%</td>
<td>6.3%</td>
<td>37.5%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 6</td>
<td>46.2%</td>
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<td>20.0%</td>
<td>17.6%</td>
<td>.0%</td>
<td>25.0%</td>
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<tr>
<td></td>
<td>% of Total</td>
<td>9.4%</td>
<td>4.7%</td>
<td>1.6%</td>
<td>9.4%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
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<td>9</td>
<td>5</td>
<td>34</td>
<td>3</td>
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<tr>
<td></td>
<td>% within Group Type</td>
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<td>14.1%</td>
<td>7.8%</td>
<td>53.1%</td>
<td>4.7%</td>
<td>100.0%</td>
</tr>
<tr>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>20.3%</td>
<td>14.1%</td>
<td>7.8%</td>
<td>53.1%</td>
<td>4.7%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from the Survey Data

Figure 4.9 depicts the Combined Responses to the Statement in terms of ‘disagree’, ‘uncertain’ and ‘agree.’ It shows that 58% of the participants accepted the Statement. However, taking into account the Mean of 3.08 and the contrasting position taken by the Groups, it was necessary for the researcher to conclude that the responses to this Statement were mixed.

Figure 4.9: Combined Responses to Statement 6

Source: Developed from the Survey Data
4.3.2.4 Analysis of the Combined Survey Responses to Research Proposition 2

Figure 4.10 shows the Combined Survey Responses to Research Proposition 2. As shown in Figure 4.7, less than half of the Survey participants agreed with Proposition 2. Significantly, 28% of the participants were unable to agree that the Government’s Transformation Programme gives emphasis to improving the business performance of Malaysian GLCs. It is noteworthy that a larger number of 30% had no firm views on the Proposition.

**Figure 4.10: Combined and Recoded Responses to Research Proposition 2**

The Combined and Recoded Survey responses to Proposition 2 by Groups are shown in Figure 4.11. They indicate modest support from the Academia, Knowledgeable Persons and the Representatives from the Case Study firms. However, the Government representatives strongly opposed the Proposition.

Source: Developed from the Survey Data
4.3.3  Testing of Proposition 2

As discussed in Section 4.3.1, the Focus Group considered all the three Statements that were related to this Proposition which states that „Government policies emphasise on improving the business performance of the Malaysian GLCs‟. Although they considered the Transformation Programme as a move in the right direction, they suggested that the Government introduce a mechanism that will monitor compliance and measure business performance. Accordingly, they were not supportive of this Proposition.

The Survey Participants had broadly similar views. While they were divided on Statements 4 and 6, they rejected Statement 5. Their rejection of this Proposition is also reflected in Figure 4.10.

Taking full account of the findings of both the Focus Group meeting and the Questionnaire Survey, the researcher concluded that this Proposition was rejected.
4.4 Data Analysis for Research Proposition 3: ‘Malaysian GLCs are experiencing difficulties in using KPIs to measure performance.’

As discussed in Chapter 3, three Statements formed the basis for the collection of data by the Focus Group and Questionnaire Survey for this Proposition. These were:

**Statement 7**: Senior and management staff of Malaysian GLCs are not fully familiar with the use of KPIs as a performance measure.

**Statement 8**: The KPIs used by Malaysian GLCs should be frequently reviewed and revised to keep pace with the changing business environment.

**Statement 9**: Malaysian GLCs should give emphasis to staff training to enable them to effectively use KPIs as a performance measure.

4.4.1 Analysis of the Focus Group Meeting

The research issues, as reflected by all the three Statements related to Proposition 3, were addressed at the Focus Group meeting. Members of the Group expressed differing views on all three Statements on this Proposition. However, there was a consensus among the participants that:

i) Malaysian GLCs are increasingly recognising the importance of KPIs in performance management. There is therefore a need for their staff to fully understand the meaning of KPIs, how they are developed, the critical success factors that must be placed for KPIs to measure, and how to link them to the organisation’s strategy. They also underlined the need to develop an appropriate framework for the reporting and acting on the KPIs since the inability to do so could result in the poor monitoring and reporting of the progress made by Malaysian GLCs in implementing the Transformation Programme.

ii) Malaysian GLCs have both commercial and social goals. The need therefore was for a performance measurement and management system that offers a
balanced approach with a full account being taken of both the financial and the social parameters.

iii) The business environment is changing rapidly. Accordingly, KPIs as a set of performance measure needed to be refined and reviewed to maintain their relevance and effectiveness. They should also be matched with meaningful Key Result Areas (KRAs) as these will assist the staff to be clear about their roles and align them to the GLCs overall strategies.

iv) Most Malaysian GLCs experience difficulties in using KPIs. To address this problem, Malaysian GLCs must give emphasis to staff training at all levels of the organisation. Senior management should regularly monitor the situation to ensure that the staff using KPIs are fully familiar with how to use them.

Some members of the Focus Group commented on other issues related to the use of KPIs by the GLCs:

- The Government should introduce a skills-based training programme on KPIs. This should be conducted by competent professional trainers who have global experience in the use of KPIs as a performance measurement system.

- KPIs are not stand-alone instruments for measuring performance. GLCs should also consider the use of the Balanced Scorecard (BSC) which is the globally accepted tool for performance management. Accordingly, Malaysian GLCs should use both the BSC and the KPIs for producing an effective and efficient performance management system.

Finding: The Focus Group recognised the importance of KPIs as tools for measuring the performance of Malaysian GLCs. However, they had doubts on whether the staff had a full understanding of KPIs. Based on this, the Focus Group agreed with the Proposition that Malaysian GLCs are experiencing difficulties on the use of KPIs as performance measures.
4.4.2 Analysis of Questionnaire Survey Responses

4.4.2.1 Statement 7: All senior and management staff of Malaysian GLCs are not fully familiar with the use of KPIs as a performance measure.

Table 4.13 shows the Case Summary of the Responses to this Statement. The overall Mean rating of 3.30 indicates modest support for the Statement. A high Standard Deviation of 1.034 implies that the Groups were divided on whether the senior and management staff of the GLCs are familiar with the use of the KPIs as a performance measure. The Government Representatives with a higher Mean of 3.56 and a lower Standard Deviation of 0.629 maintained that the key management staff were fully equipped to handle KPIs. While the representatives of the Case Studies concurred with the Government Representatives, the higher Standard Deviation implied that members were divided on the issue.

Table 4.13: Case Summary for Statement 7

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>3.75</td>
<td>4.00</td>
<td>1.065</td>
<td>28.4%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>2.88</td>
<td>3.00</td>
<td>1.204</td>
<td>21.8%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>3.56</td>
<td>4.00</td>
<td>0.629</td>
<td>27.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>3.00</td>
<td>3.00</td>
<td>0.966</td>
<td>22.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>3.30</td>
<td>4.00</td>
<td>1.034</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Uncertain</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

Source: Developed from Survey Data

A Cross-tabulation of the Responses to Statement 7, shown in Table 4.14, indicates that only 6% of the Government Representative objected to the Statement with 62.5% expressing agreement. The situation was broadly similar with the Case Study Representatives since almost two thirds of them disagreed with the Statement. The Knowledgeable Persons and the Academics took contrary positions with only 37% of the latter and 31% of the former supporting the Statement.
Table 4.14: Statement 7 Cross Tabulation of Survey Responses by Group

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Group A</td>
<td>Count</td>
<td>6.3%</td>
<td>6.3%</td>
<td>12.5%</td>
<td>56.3%</td>
<td>18.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>33.3%</td>
<td>7.7%</td>
<td>13.3%</td>
<td>32.1%</td>
<td>60.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>1.6%</td>
<td>1.6%</td>
<td>3.1%</td>
<td>14.1%</td>
<td>4.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>16</td>
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<tr>
<td></td>
<td></td>
<td>12.5%</td>
<td>31.3%</td>
<td>18.8%</td>
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<td></td>
<td></td>
<td>66.7%</td>
<td>38.5%</td>
<td>20.0%</td>
<td>17.9%</td>
<td>20.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>3.1%</td>
<td>7.8%</td>
<td>4.7%</td>
<td>7.8%</td>
<td>1.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>Count</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>10</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.0%</td>
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<td>62.5%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.0%</td>
<td>7.7%</td>
<td>33.3%</td>
<td>35.7%</td>
<td>.0%</td>
<td>25.0%</td>
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<td>% of Total</td>
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<td>7.8%</td>
<td>15.8%</td>
<td>.0%</td>
<td>25.0%</td>
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<td>Group D</td>
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<td>5</td>
<td>4</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.0%</td>
<td>37.5%</td>
<td>31.3%</td>
<td>25.0%</td>
<td>6.3%</td>
<td>100.0%</td>
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<td></td>
<td>.0%</td>
<td>46.2%</td>
<td>33.3%</td>
<td>14.3%</td>
<td>20.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>9.4%</td>
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<td>5</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4.7%</td>
<td>20.3%</td>
<td>23.4%</td>
<td>43.8%</td>
<td>7.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>4.7%</td>
<td>20.3%</td>
<td>23.4%</td>
<td>43.8%</td>
<td>7.8%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from Survey Data

Figure 4.12 depicts the Combined Responses to the Statement in terms of 'disagree', 'uncertain' and 'agree.' Since 52% of the survey participants supported the Statement, the researcher concluded that the Survey Respondents had accepted this Statement.

Figure 4.12: Combined Responses to Statement 7

Source: Developed from Survey Data
4.4.2.2 **Statement 8:** The KPIs used by Malaysian GLCs should be frequently reviewed and revised to keep pace with the changing business environment.

Table 4.15 shows the Case Summary of the Responses to this Statement. The overall Mean rating of 3.44 indicates modest support for the Statement. A high Standard Deviation of 1.082 implies that the Groups were divided on whether Malaysian GLCs were regularly reviewing their KPIs. The Case Studies representatives, with the highest Mean rating of 3.75 and the lower Standard Deviations of 0.846 and 0.775 respectively, were more supportive of the Statement. The Knowledgeable Persons, with a Mean rating of 2.63, did not support it. However, this Group was divided on the issues as reflected by the high Standard Deviation of 1.408.

**Table 4.15: Case Summary for Statement 8**

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>3.75</td>
<td>4.00</td>
<td>.856</td>
<td>27.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>2.63</td>
<td>2.50</td>
<td>1.408</td>
<td>19.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>3.75</td>
<td>4.00</td>
<td>.775</td>
<td>27.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>3.63</td>
<td>4.00</td>
<td>.806</td>
<td>26.4%</td>
<td>25.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>64</td>
<td>3.44</td>
<td>4.00</td>
<td>1.082</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

**A:** Case Studies, **B:** Knowledgeable Persons, **C:** Government, **D:** Academia

1 Strongly Disagree, 2 Disagree, 3 Uncertain, 4 Agree, 5 Strongly Agree

Source: Developed from Survey Data

A Cross-tabulation of the Responses to Statement 8, as shown in Table 4.16, reveals that more than two thirds of the participants within all Groups strongly supported the Statement with only 9.4% strongly disagreeing. The strongest support was from the Government Representatives in Group C with 81.3% agreeing with the Statement. They were followed by members of the Academia with 75% of them expressing agreement. The lowest level of agreement was Group B comprising the Knowledgeable Persons.
Table 4.16: Statement 8 Cross Tabulation of Survey Responses

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group A</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>10</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>0%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>25.0%</td>
<td>12.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement 8</td>
<td>0%</td>
<td>28.6%</td>
<td>25.0%</td>
<td>25.0%</td>
<td>15.6%</td>
<td>3.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>7.8%</td>
<td>4.7%</td>
<td>3.1%</td>
<td>7.8%</td>
<td>3.1%</td>
<td>7.8%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>31.3%</td>
<td>18.8%</td>
<td>12.5%</td>
<td>31.3%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement 8</td>
<td>83.3%</td>
<td>42.9%</td>
<td>25.0%</td>
<td>25.0%</td>
<td>12.8%</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>7.8%</td>
<td>4.7%</td>
<td>3.1%</td>
<td>7.8%</td>
<td>1.6%</td>
<td>1.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>Count</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>12</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>0%</td>
<td>12.5%</td>
<td>6.3%</td>
<td>75.0%</td>
<td>6.3%</td>
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<td>100.0%</td>
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<tr>
<td>% within Statement 8</td>
<td>0%</td>
<td>28.6%</td>
<td>12.5%</td>
<td>30.8%</td>
<td>18.8%</td>
<td>1.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>7.8%</td>
<td>4.7%</td>
<td>3.1%</td>
<td>18.8%</td>
<td>1.6%</td>
<td>1.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>Count</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>12</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>6.7%</td>
<td>.0%</td>
<td>18.8%</td>
<td>75.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement 8</td>
<td>16.7%</td>
<td>.0%</td>
<td>37.5%</td>
<td>30.8%</td>
<td>.0%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>1.6%</td>
<td>.0%</td>
<td>4.7%</td>
<td>18.8%</td>
<td>.0%</td>
<td>.0%</td>
<td>25.0%</td>
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<td>Count</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>39</td>
<td>4</td>
<td>64</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>9.4%</td>
<td>10.9%</td>
<td>12.5%</td>
<td>60.9%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>% within Statement 8</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
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<td>12.5%</td>
<td>60.9%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from Survey Data

Figure 4.15 depicts the Combined Responses to the Statement in terms of „disagree, uncertain and agree.” It shows that 67% of the Survey participants supported the Statement, another 20% disagreed and the remaining 13% being uncertain. The research therefore concluded that the respondents accepted this Statement.

Figure 4.13: Combined Responses to Statement 8

Source: Developed from Survey Data
4.4.2.3 Statement 9: Malaysian GLCs should give emphasis to staff training to enable them to effectively use KPIs as a performance measure

Table 4.17 shows the Case Summary of the Responses to this Statement. The overall Mean rating of 3.53 indicates general support for the Statement. A high Standard Deviation of 0.942 implies that the Groups were divided on the emphasis given by Malaysian GLCs to training staff on the use of KPIs. The Government Representatives and Case Studies Representatives registered the highest Mean ratings of 4.06 and 4.00 respectively. These clearly indicated strong support for the Statement. The Academics in Group D were also supportive of the Statement although there was a wide divergence of views by members of this Group as reflected by the high Standard Deviation of 1.153. However, the Knowledgeable Persons with a Mean rating of 2.63 took a contrary position.

Table 4.17: Case Summary for Statement 9

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>4.00</td>
<td>4.00</td>
<td>0.365</td>
<td>28.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>2.63</td>
<td>2.00</td>
<td>0.885</td>
<td>18.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>4.06</td>
<td>2.00</td>
<td>0.250</td>
<td>28.8%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>3.44</td>
<td>4.00</td>
<td>1.153</td>
<td>24.3%</td>
<td>25.0%</td>
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<td>3.53</td>
<td>4.00</td>
<td>0.942</td>
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<td>100.0%</td>
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</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Developed from Survey Data

A Cross-tabulation of the Responses to Statement 9, shown in Table 4.18, indicates that almost two-thirds of the participants within all Groups supported the Statement with only 9.4% strongly disagreeing. The strongest support was from the Government Representatives in Group C with all of them supporting the Statement. The only Group that objected was Group B, comprising the Knowledgeable Persons since only 12.6% of them expressed support.
Table 4.18: Statement 9 Cross Tabulation of Survey Responses

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Statement 9</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Disagree</td>
<td>Uncertain</td>
</tr>
<tr>
<td>Group A</td>
<td>Count</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 9</td>
<td>.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>56.3%</td>
<td>31.3%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 9</td>
<td>64.3%</td>
<td>62.5%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>14.1%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Group C</td>
<td>Count</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 9</td>
<td>.0%</td>
<td>.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>Count</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>31.3%</td>
<td>12.5%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 9</td>
<td>35.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>7.8%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>14</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>21.9%</td>
<td>12.5%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 9</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>21.9%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from Survey Data

Figure 4.14 depicts the Combined Responses to the Statement in terms of ‘disagree, uncertain and agree.’ It shows that two thirds of the Survey participants supported the Statement, 22% disagreed while the remaining 13% were uncertain. The researcher therefore concluded that the respondents accepted this Statement.

Figure 4.14: Combined Responses for Statement 9
4.4.2.4 Analysis of the Combined Survey Responses to Research Proposition 3

Figure 4.15 shows the Combined Survey Responses in relation to each of the three Statements comprising Research Proposition 3. It indicates that 62% of the survey participants agreed with Proposition 3. It is significant however that a quarter of the survey respondents or 25% were uncertain as to whether the staff of Malaysian GLCs are familiar with the use of KPIs as a performance measure.

**Figure 4.15: Combined and Recoded Responses to Proposition 3**

![Pie chart showing responses]

Source: Developed from Survey Data

The Coded Combined and Recoded Survey Responses to Proposition 3 by Groups are shown in Figure 4.16. They indicate overall support for the Proposition by all Groups.
4.4.3 Testing of Research Proposition 3

As discussed in Section 4.4.1, the Focus Group considered all the three Statements that were related to this Proposition which states that „Malaysian GLCs are experiencing difficulties in using KPIs to measure performance“. Although they recognised the importance of KPIs in performance management, they were of the view that Malaysian GLCs experience difficulties in using them and therefore supported this Proposition.

The Questionnaire Survey participants adopted a broadly similar position. They supported all the three Statements and their support for this Proposition is reflected in Figure 4.16.

Taking full account of the findings of both the Focus Group meeting and the Questionnaire Survey the researcher concluded that this Proposition was accepted.
4.5 Data Analysis for Research Proposition 4: Malaysian GLCs are strengthening their governance and leadership capabilities to enhance their business performance

As discussed in Chapter 3, three Statements formed the basis for the collection of data by the Focus Group and Questionnaire Survey for this Proposition. These were:

Statement 10: The operations of Malaysian GLCs are characterised by a bureaucratic culture that is not conducive to good corporate governance practices.

Statement 11: Malaysian GLCs place emphasis on human capital and knowledge workers by hiring the best talent through a transparent and open recruitment system.

Statement 12: Malaysian GLCs benefit from empowered CEO’s with strong academic, professional and leadership attributes.

4.5.1 Analysis of the Focus Group Meeting

All the three Statements related to Proposition 4 were addressed by members of the Focus Group. Its diverse membership comprising the Case Studies, Knowledgeable Persons, representatives from the Malaysian Government and the Academia, generated a wide range of perspectives and views. Although there were varied opinions, the Group reached a consensus on the following issues:

i) Since Malaysian GLCs were created and are generally owned by the Government, they tend to have traditional bureaucratic values. However, these do not readily provide for corporate transparency and accountability. This situation requires GLCs to benefit from board members with a corporate culture background who can serve as effective stewards and introduce sound CG practices. The group members were of the view that new guidelines were required on the appointment of board members. These should clearly state the candidates for board membership should have
lengthy high level corporate exposure and a demonstrated capability to carry out their stewardship functions. Furthermore, the Audit Committees of the GLCs should be chaired by independent directors with strong professional qualifications. Government ministers and ministries should exclude themselves from the appointment processes.

ii) The development of human capital and the recruitment of knowledge workers are critical for enhancing the planning and operational capabilities of Malaysian GLCs. The Government’s large allocations for the development of human capital in the 9th Malaysia Plan and in the Stimulus Package are reflective of the need for the country and the GLCs to move into the knowledge-driven era.

iii) Malaysian GLCs require CEOs with strong academic, professional and leadership attributes to drive performance. Accordingly, GLCs must benefit from CEOs who possess the capability to transform values into actions, vision into realities, obstacles into innovations and risks into rewards. The appointment of such CEOs must also be merit-based and not influenced by political affiliations.

Some members highlighted the need for Malaysian GLCs to:

i. Give emphasis to knowledge management. This requires the leadership to create the climate in which people share, integrate, leverage and exploit the knowledge to enable the GLCs develop the capabilities for turning challenging opportunities into successes. This also requires the establishment of appropriate knowledge management system in the GLCs to support the process.

ii. Adopt good CG and CSR practices as GLCs now operate in an international environment which gives emphasis to such practices. GLCs must therefore take full account of CSR issues and integrate them in their corporate strategies. This includes engaging a diversified workforce in terms of ethnicity and gender and a commitment to long term corporate sustainability.
iii. The Government could help instill good leadership by eliminating cronyism in GLCs and refrain from appointing leaders who were perceived to be corrupt. Cronyism and corruption contribute to major revenue losses which could lead to loss of public confidence and diminishing public support for GLCs.

**Findings**: Taking all the views into account, the Focus Group was divided on the Proposition that „Malaysian GLCs are strengthening their governance and leadership capabilities to enhance their business performance”.

### 4.5.2 Analysis of Questionnaire Survey Responses

#### 4.5.2.1 Statement 10: The operations of Malaysian GLCs are characterised by a bureaucratic culture that is not conducive to good corporate governance practices.

Table 4.19 shows the Case Summary of the responses to this Statement. The overall Mean rating of 3.11 indicates modest support for the Statement. However, a high Standard Deviation of 1.261 reflects diverse views among the Groups. The Case Studies representatives and the Knowledgeable Persons shared a common Mean rating of 3.94 showing strong support for the Statement.

**Table 4.19: Case Summary for Statement 10**

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>3.94</td>
<td>4.00</td>
<td>.998</td>
<td>31.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>3.94</td>
<td>4.00</td>
<td>1.063</td>
<td>31.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>2.25</td>
<td>2.00</td>
<td>.447</td>
<td>18.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>2.31</td>
<td>2.00</td>
<td>1.195</td>
<td>18.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>3.11</td>
<td>3.00</td>
<td>1.261</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

1. Strongly Disagree
2. Disagree
3. Uncertain
4. Agree
5. Strongly Agree

Source: Developed from Survey Data
The Government representatives however disagreed with the Statement as evidenced by the low Mean rating of 2.25 and the low Standard Deviation of 0.447. Their views were shared by the Academics who registered a Mean of 2.31. However, they were divided on the issue as reflected by the high Standard Deviation of 1.195.

A Cross-tabulation of the Responses to Statement 10 as shown in Table 4.20 reveals that only 46.9% within all four Groups supported the Statement with another 40.7% disagreeing. The strongest support was from the Knowledgeable Persons with 87.5% of them supporting the Statement. However, the Statement was totally rejected by the Government Representatives and the majority of the Academics in Group D.

Table 4.20: Statement 10 Cross Tabulation of Survey Responses

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>43.8%</td>
<td>31.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 10</td>
<td>.0%</td>
<td>10.0%</td>
<td>25.0%</td>
<td>33.3%</td>
<td>55.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>10.9%</td>
<td>7.8%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>10</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>6.3%</td>
<td>6.3%</td>
<td>62.5%</td>
<td>25.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within Statement 10</td>
<td>16.7%</td>
<td>5.0%</td>
<td>47.6%</td>
<td>44.4%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>1.6%</td>
<td>1.6%</td>
<td>15.6%</td>
<td>6.3%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Group C</td>
<td>Count</td>
<td>0</td>
<td>12</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>.0%</td>
<td>75.0%</td>
<td>25.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 10</td>
<td>.0%</td>
<td>60.0%</td>
<td>50.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>.0%</td>
<td>18.8%</td>
<td>6.3%</td>
<td>.0%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>Count</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>31.3%</td>
<td>31.3%</td>
<td>12.5%</td>
<td>25.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 10</td>
<td>83.3%</td>
<td>25.0%</td>
<td>25.0%</td>
<td>19.0%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>7.8%</td>
<td>7.8%</td>
<td>3.1%</td>
<td>6.3%</td>
<td>.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>6</td>
<td>20</td>
<td>8</td>
<td>21</td>
<td>9</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>9.4%</td>
<td>31.3%</td>
<td>12.5%</td>
<td>32.8%</td>
<td>14.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 10</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>9.4%</td>
<td>31.3%</td>
<td>12.5%</td>
<td>32.8%</td>
<td>14.1%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from Survey Data

Figure 4.17 depicts the Combined Responses to the Statement in terms of the scale „disagree‟, „uncertain‟ and „agree.‟ It shows that only 46% of the Survey participants supported the Statement with a large number of 41% disagreeing. Since only 13% of the respondents were uncertain, it can therefore be concluded that the Survey participants rejected this Statement.
Figure 4.17: Combined Responses to Statement 10

Source: Developed from Survey Data

4.5.2.2 Statement 11: Malaysian GLCs place emphasis on human capital and knowledge workers by hiring the best talent through a transparent and open recruitment system.

Table 4.21 shows the Case Summary of the Responses to this Statement.

Table 4.21: Case Summary for Statement 11

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>3.56</td>
<td>4.00</td>
<td>.964</td>
<td>28.2%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>2.56</td>
<td>2.00</td>
<td>1.153</td>
<td>20.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>3.81</td>
<td>4.00</td>
<td>.403</td>
<td>30.2%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>2.69</td>
<td>2.50</td>
<td>1.014</td>
<td>21.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>3.16</td>
<td>3.00</td>
<td>1.057</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from Survey Data

The overall Mean rating of 3.16 reflects very modest support for the Statement. However, a high Standard Deviation of 1.057 indicates varied opinions on the Statement. The Government representatives and the Case Studies participants were
the strongest supporters with Mean ratings of 3.81 and 3.56 respectively. Both the other Groups did not support the Statement that Malaysian GLCs have a transparent and open recruitment system for hiring the best talents.

A Cross-tabulation of the Responses to Statement 11, as shown in Table 4.22, reveals that only 48.5% within all four Groups supported the Statement with another 31.3% disagreeing.

**Table 4.22: Statement 11 Cross Tabulation of Survey Responses**

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>Count</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>10</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>6.3%</td>
<td>6.3%</td>
<td>18.8%</td>
<td>62.5%</td>
<td>6.3%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 11</td>
<td>25.0%</td>
<td>6.3%</td>
<td>23.1%</td>
<td>35.7%</td>
<td>33.3%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>1.6%</td>
<td>1.6%</td>
<td>4.7%</td>
<td>15.6%</td>
<td>1.6%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
<td>2</td>
<td>8</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>12.5%</td>
<td>50.0%</td>
<td>12.5%</td>
<td>18.8%</td>
<td>6.3%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 11</td>
<td>50.0%</td>
<td>50.0%</td>
<td>15.4%</td>
<td>10.7%</td>
<td>33.3%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>3.1%</td>
<td>12.5%</td>
<td>3.1%</td>
<td>4.7%</td>
<td>1.6%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Group C</td>
<td>Count</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>13</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>.0%</td>
<td>.0%</td>
<td>18.8%</td>
<td>81.3%</td>
<td>.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 11</td>
<td>.0%</td>
<td>.0%</td>
<td>23.1%</td>
<td>46.4%</td>
<td>.0%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>.0%</td>
<td>.0%</td>
<td>4.7%</td>
<td>20.3%</td>
<td>.0%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Group D</td>
<td>Count</td>
<td>1</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>% within Group Type</td>
<td>6.3%</td>
<td>43.8%</td>
<td>31.3%</td>
<td>12.5%</td>
<td>6.3%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 11</td>
<td>25.0%</td>
<td>43.8%</td>
<td>38.5%</td>
<td>7.1%</td>
<td>33.3%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>1.6%</td>
<td>10.9%</td>
<td>7.8%</td>
<td>3.1%</td>
<td>1.6%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>4</td>
<td>16</td>
<td>13</td>
<td>28</td>
<td>3</td>
<td>64</td>
</tr>
<tr>
<td>% within Group Type</td>
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<td>25.0%</td>
<td>20.3%</td>
<td>43.8%</td>
<td>4.7%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% within Statement 11</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>6.3%</td>
<td>25.0%</td>
<td>20.3%</td>
<td>43.8%</td>
<td>4.7%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from Survey Data

The strongest support was from the Government Representatives with 81.3% and the Case Studies representatives with 68.8%. However, members of the Academia in Group D and the Knowledgeable Persons did not support the Statement.

Figure 4.18 depicts the Combined Responses to the Statement in terms of 'disagree, uncertain and agree.’ It shows that only 48% of the Survey participants supported the Statement with another 31% disagreeing. A significant number or 20% of the
respondents were uncertain. It can therefore be concluded that the Survey participants rejected this Statement.

Figure 4.18: Combined Responses to Statement 11

Source: Developed from Survey Data

4.5.2.3 Statement 12: Malaysian GLCs benefit from empowered CEO’s with strong academic, professional and leadership attributes.

Table 4.23 shows the Case Summary of the Responses to this Statement. The overall Mean rating of 3.53 indicates modest support for the Statement. Significantly, there was a wide range of Mean ratings with the Government Representatives registering 4.13 to a low of 2.81 by the Academia.

Table 4.23: Case Summaries for Statement 12

<table>
<thead>
<tr>
<th>Group Type</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
<th>% of Total Sum</th>
<th>% of Total N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>16</td>
<td>4.00</td>
<td>4.00</td>
<td>.730</td>
<td>28.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>16</td>
<td>3.19</td>
<td>3.00</td>
<td>1.223</td>
<td>22.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>16</td>
<td>4.13</td>
<td>4.00</td>
<td>.342</td>
<td>29.2%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>16</td>
<td>2.81</td>
<td>3.00</td>
<td>1.377</td>
<td>19.9%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>3.53</td>
<td>4.00</td>
<td>1.126</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from Survey Data
The high Standard Deviation of 1.126 indicates a high level of disagreement among the Survey Respondents particularly the Academia in Group D and the Knowledgeable Persons in Group A. Significantly, the Academia expressed disagreement with the Statement that GLCs have strong and well qualified CEOs.

A Cross-tabulation of the Responses to Statement 12, as shown in Table 4.24, reveals that 64.1% within all four Groups supported the Statement with another 23% disagreeing.

Table 4.24: Statement 12 Cross Tabulation of Survey Responses

<table>
<thead>
<tr>
<th>Group Type</th>
<th>Statistics</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>Count</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>11</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>0%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>68.8%</td>
<td>18.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 12</td>
<td>0%</td>
<td>8.3%</td>
<td>12.5%</td>
<td>36.7%</td>
<td>27.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>0%</td>
<td>1.6%</td>
<td>1.6%</td>
<td>17.2%</td>
<td>4.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group B</td>
<td>Count</td>
<td>0</td>
<td>7</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>0%</td>
<td>43.8%</td>
<td>12.5%</td>
<td>25.0%</td>
<td>18.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 12</td>
<td>0%</td>
<td>58.3%</td>
<td>25.0%</td>
<td>13.3%</td>
<td>27.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>0%</td>
<td>10.9%</td>
<td>3.1%</td>
<td>6.3%</td>
<td>4.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group C</td>
<td>Count</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>97.5%</td>
<td>12.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 12</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>46.7%</td>
<td>18.2%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>21.9%</td>
<td>3.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Group D</td>
<td>Count</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>18.8%</td>
<td>25.0%</td>
<td>31.3%</td>
<td>6.3%</td>
<td>18.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 12</td>
<td>100.0%</td>
<td>33.3%</td>
<td>62.5%</td>
<td>3.3%</td>
<td>27.3%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>4.7%</td>
<td>6.3%</td>
<td>7.8%</td>
<td>1.6%</td>
<td>4.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>3</td>
<td>12</td>
<td>8</td>
<td>30</td>
<td>11</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>% within Group Type</td>
<td>4.7%</td>
<td>18.8%</td>
<td>12.5%</td>
<td>46.9%</td>
<td>17.2%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% within Statement 12</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of Total</td>
<td>4.7%</td>
<td>18.8%</td>
<td>12.5%</td>
<td>46.9%</td>
<td>17.2%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from Survey Data

The strongest support was from the Government representatives with 81.3% and the Case Studies representatives with 68.8%. However, members of the Academia in Group D and the Knowledgeable Persons were not supportive of the Statement.

Figure 4.19 depicts the Combined Responses to the Statement in terms of ‘disagree, uncertain and agree.’ Since 64% of the survey respondents disagreed with the Statement, it can be concluded that the Survey participants rejected this Statement.
4.5.2.4 Analysis of the Combined Survey Responses to Research Proposition 4

Figure 4.20, which shows the Combined Survey Responses to Research Proposition 4, indicates that only 33% of the Survey Participants agreed with Proposition 4.

Source: Developed from Survey Data
The Coded Combined and Recoded Survey responses to Proposition 4 by Groups are shown in Figure 4.20. They indicate overall rejection for the Proposition by all Groups.

**Figure 4.21: Combined and Recoded Responses to Proposition 4 by Group**

<table>
<thead>
<tr>
<th></th>
<th>Group A</th>
<th>Group B</th>
<th>Group C</th>
<th>Group D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>15</td>
<td>69</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Uncertain</td>
<td>33</td>
<td>17</td>
<td>7</td>
<td>43</td>
</tr>
<tr>
<td>Agree</td>
<td>19</td>
<td>10</td>
<td>67</td>
<td>5</td>
</tr>
</tbody>
</table>

A: Case Studies, B: Knowledgeable Persons, C: Government, D: Academia

Source: Developed from Survey Data

### 4.5.3 Testing of Research Proposition 4

As discussed in Section 4.5.1, the Focus Group considered all the three Statements that were related to this Proposition which states that „Malaysian GLCs are strengthening their governance and leadership capabilities to enhance their business performance‟. They acknowledged the importance of human capital, knowledge workers and effective CEOs to enhance the planning and operational capabilities of the GLCs. They also viewed cronyism and corruption as contributors to major revenue losses. Taking all this factors into account, the Focus Group was therefore divided on this Proposition.

The Questionnaire Survey participants however were not supportive of any of the Statements related to this Proposition. Accordingly, they rejected it as reflected in Figure 4.20.
Taking full account of the findings of both the Focus Group meeting and the Questionnaire Survey the researcher concluded that this Proposition was rejected.

4.6 Analysis of Unplanned Data

The survey Questionnaire and the Discussion Agenda for the Focus Group meeting took full account of the issues that emerged from the completion of the literature review in March 2009. Subsequent to the completion of the literature review, certain important announcements pertaining to the NEP and the GLCs were made by the Government in June 2009. While Chapter 2 was amended to reflect these announcements, the implications of these were not considered by the Questionnaire Survey and the Focus Group meeting.

Another announcement was made in July 2009 prior to the finalisation of the draft thesis and this is presented in this Section as ‘unplanned data’. This related to the governance structure of the recently established Trengganu Investment Authority (TIA). This GLC falls into an unusual category as it was previously wholly-owned by the Menteri Besar of Trengganu (MB Incorporated) and now wholly-owned by the Ministry of Finance. Renamed the 1Malaysia Development Fund (1MDB), which is a Federal Government based sovereign wealth fund, it reports directly to the Prime Minister.

The establishment of 1MDB raises several questions when compared to Khazanah Nasional Bhd. Khazanah describes itself as a “trustee of the nation’s commercial assets” with the main objective of contributing to the nation’s long-term economic interests. On the other hand, 1MDB aims to “drive sustainable, long-term economic development for Malaysia by forging strategic global partnerships and promoting foreign direct investment (FDI) (Anita Gabriel, The Star, 25 July 2009).

This situation raises issues of accountability and transparency as it is unclear whether the 1MDB is a State Government or Federal Government GLC. Furthermore by having similar objectives as Khazanah it creates a situation of two
“sovereign” vehicles competing for multiple opportunities. It could also create an overlap of functions and reduce the effectiveness of both entities.

Additionally, members of the Focus Group raised two other pertinent issues which fell outside the theoretical framework for this research.

First, for the Government to consider disposing all its investments in the GLCs as the justification for their creation and roles in the national economic and social agenda were no longer applicable. Citing Friedman (1963) that a GLC being a corporation must act solely on economic motives, any involvement by the Government either directly or indirectly, would be against the interests of all Malaysians.

Second, the changing political situation which resulted in Barisan Nasional (BN), the ruling coalition, losing political control of four States following the last General Election in March 2008. These raised the question of whether these Opposition controlled States would honour the earlier projects awarded to GLCs by the BN prior to the Elections. The member gave the example of the „Second Bridge” linking Penang to the mainland, awarded to a GLC, which is now experiencing difficulties in its negotiations with the Opposition controlled State Government of Penang.

4.7 Conclusion

This Chapter analysed the collected primary data to test the four Research Propositions. Content analysis procedures were used for the views expressed by members of the Focus Group meeting. The Questionnaire Survey yielded useful quantitative data. These were analysed through the use of the SPPS software package. Focus Group members raised additional pertinent issues and these were treated as unplanned data.

The next Chapter presents the conclusion and the impact of this research.
Chapter 5 Conclusion and Impact

5.1 Introduction

This research investigated the performance of Government linked companies (GLCs). It reviewed the scholarship on GLCs, corporate and social governance. It then examined the research problem theories related to the Malaysian GLCs, their characteristic, the challenges they face, their performance and the Transformation Programme.

Chapter 1 presented the scene for the research. Starting with the research background, it stated the research problem as well as the research questions and Propositions. The justification for the research, its contributions to the existing body of knowledge, the methodology, limitations and the definitions adopted for the study were briefly examined.

Chapter 2 started with an overview of the Malaysian economy. It then developed a theoretical framework for the study by reviewing the relevant literature on the parent theories and the research problem theories, namely the scholarship on GLCs and corporate and social governance. The literature on the Malaysian GLCs, the challenges they face and their reform policies were then discussed. The Research Questions and Propositions were developed based on the gaps in the existing body of knowledge.

Chapter 3 detailed the methodology for the study. It justified the choice of a combined research approach and the use of Case Studies, a Focus Group and Questionnaire Survey as data collection instruments. It then detailed the data analysis processes and the issues of reliability and validity.

Chapter 4 presented the analysis of the collected primary data for each of the four Research Propositions. These included the views of the Focus Group meeting and the Questionnaire Survey responses on the significant research issues. The Chapter also presented the unplanned data that emerged from the Focus Group meeting.
This final Chapter summarises the conclusions, based on the research findings, for each Research Proposition and the research problem. It then discusses the impact of the findings and their contributions to policy formulation, new theory development and further research. Accordingly, this Chapter has 8 Sections as shown in Figure 5.1.

Figure 5.1: Structure of Chapter 5

- **5.1 Introduction**
- **5.2 Conclusions About Each Research Proposition**
- **5.3 Conclusions About the Research Problem**
- **5.4 Theory Development**
- **5.5 Impact of the Research on the Government’s Policies and GLCs Practices**
- **5.6 Limitations**
- **5.7 Implications for Further Research**
- **5.8 Conclusion**

Source: Developed for this research
5.2 Conclusions About Each Research Proposition

This Section presents the conclusions about each Research Proposition as the first step for addressing the research problem which is discussed in Section 5.3. The conclusions about each Research Proposition were largely drawn from the analysis of the data presented in Chapter 4 together with the findings of the literature review detailed in Chapter 2.

5.2.1 Conclusions About Research Proposition 1: Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government

The literature revealed that it is necessary for GLCs as firms to craft appropriate strategies for effectively using resources, developing new markets, retaining favourable market positions, defending their market positions, and achieving long term sustainability (Conner 1991; Foss & Eriksen, 1995). They must also have the strategic capability to perform at the level which is required for competitive advantage.

Furthermore, they must treat social responsibility as part of their normal business obligations to all their stakeholders (Idowu & Walter, 2009). GLCs can make effective social contributions when they identify an important, long-standing policy challenge and address it over the long term (Alsop, 2004). GLCs can maximise their corporate contributions to society when CSR is part of the firms’ strategies.

Generally GLCs worldwide face several problems. These include weak management, multiple reporting lines, poor CG practices and inefficiency with corruption, cronyism and nepotism being contributory factors. Since they rely on public funds, loss making GLCs impose financial burdens on the Government (Alukoju, 2004; Berument., 2003; Endean 1991; Kennedy & Jones, 2003; Phillips & Kunrong, 2005; Rondinelli, 2008; Shirley & Walsh, 2000).
Malaysian GLCs are also generally underperforming (Ahmad 2008; Ching, Jomo & Fay, 2005; Doraisami, 2004; Yakcop, 2004). There are several examples of well managed GLCs providing the services needed for development. However, several behave like bureaucracies and incur losses due to inefficiency, ineffectiveness, corruption and incompetence (Basu, 2005). The underperforming GLCs carry heavy social burdens and suffer from bureaucratic meddling, conflicting objectives, over-centralisation of decision making and inadequate capitalisation. The lack of managerial skills is also an important problem faced by GLCs (Shirley & Walsh, 2000). They are often convenient organisations for locating surplus labour and providing a wide array of social benefits for workers (Kennedy & Jones, 2003). Directorships and senior managerial positions in GLCs are usually political patronage positions for retired military and high level civil servants or for relatives and friends of powerful political leaders (Megginson, Nash & Randenborgh, 1994; Vining & Boardman, 1992). Consequently, they incur losses and are a drain on public resources (Rondinelli, 2008).

Recognising this, the Malaysian Government’s Transformation Programme is directed at making GLCs more ‘performance driven, more efficiently managed, more commercially focused and more customer service oriented’ (Badawi, 2004). The Programme highlights the importance of effective boards, strengthening directors’ capabilities and improving GLC monitoring and management functions. It also calls for improvements in the regulatory environment, reviewing and revamping procurement process. Other equally important aims are achieving value through CSR, optimising capital management practices and recruiting talented staff for enhancing operational efficiency and effectiveness (PCG, 2006).

However, the literature was relatively silent on several key issues pertinent to this Research Proposition. These issues, reflected in Statements 1-3 of the Survey Questionnaire and in the Discussions Guide for the Focus Group meeting are summarised in Table 5.1:

The earlier Section 4.2.3 presented the findings emerging from the testing of Research Proposition 1 by the Focus Group and the Questionnaire Survey. The resulting response patterns, also shown in Table 5.1, shows that the Focus Group
were of the view that, in general, the organisational culture of Malaysian GLCs is not orientated towards meeting both the goals of profitability and addressing CSR obligations. They agreed that GLCs can remedy the situation by adopting strategic CSR practices. They were also of the view that Malaysian GLCs are politically rather than commercially motivated.

The findings of the Questionnaire survey were generally in tandem with the views of the Focus Group on the three research issues related to this Proposition. The only exception was that they were divided on whether Malaysian GLCs have a culture that is orientated towards profit and the meeting of CSR obligations.

Table 5.1: Response Patterns to Proposition 1

**PROPOSITION 1:**

Malaysian GLCs effectively operate as profit-making entities and discharge their CSR obligations as required by the Government

<table>
<thead>
<tr>
<th>Issues</th>
<th>Literature Review</th>
<th>Focus Group</th>
<th>Questionnaire Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysian GLCs operate as effective private sector firms with a corporate culture that maximises profits and meets CSR obligations</td>
<td>Unknown</td>
<td>Disagreed</td>
<td>Divided</td>
</tr>
<tr>
<td>Malaysian GLCs should emphasise on strategic CSR for increasing their competitiveness by integrating social impact into their overall corporate strategies.</td>
<td>Unknown</td>
<td>Agreed</td>
<td>Agreed</td>
</tr>
<tr>
<td>Malaysian GLCs are politically, rather than commercially, motivated</td>
<td>Unknown</td>
<td>Agreed</td>
<td>Agreed</td>
</tr>
</tbody>
</table>

Source: Developed for this research
Based on the response patterns, the researcher concludes that:

i. Malaysian GLCs generally perform poorly as compared to their rival private sector firms. Although an important aim of the Transformation Programme is to make GLCs top performing companies, this requires them to adopt a profit orientated corporate culture rather than retain bureaucratic practices.

ii. Malaysian GLCs generally experience difficulties in meeting their twin goals of becoming world class companies and at the same time delivering a social agenda. This problem could be addressed by GLCs adopting strategic CSR practices. This requires appropriate corporate strategies that are directed at long term sustainability by integrating CSR into corporate strategies.

iii. Malaysian GLCs, given their genesis, are open to political interferences. These also stem from the existing practice of the Government in appointing board members and the CEOs. The situation therefore warrants the boards of GLCs to be free of political nominees. Such a step could also enable GLCs to fend off allegations of cronyism and political bias.

5.2.2 Conclusions About Research Proposition 2: The Government’s Transformation Programme emphasises on improving the business performance of Malaysian GLC.

The literature revealed that Malaysian GLCs have to continually create competitive advantage for sustaining market dominance and superior performance in both the international and domestic markets (Grant, 1998). They must achieve favorable positions to take advantage of the new markets emerging from the liberalisation of world trade (Salleh & Ndubsi, 2006). At the same time, they must fulfill their social responsibility (Silver Book, 2004).

GLCs must be transformed to effectively become world class corporate entities and at the same time successfully discharge their social obligations. This requires effective leadership, adoption of knowledge management practices and a strategic
global outlook to identify new products and markets. They also have to hire knowledge workers, create an appropriate organisational culture and introduce professional management structures (Tan, 2008).

The literature review also highlighted the importance of GLCs creating and managing knowledge. This is necessary as the knowledge society treats knowledge as the ultimate replacement of other resources (Toffler, 1990). Since knowledge is also a source of competitive advantage (Ichijo, 2002), GLCs should link knowledge to strategies for business reengineering. For this purpose, they should conduct strategic evaluations of their knowledge-based resources and determine which knowledge should be developed or acquired in order to meet its needs for change management (Zack, 1999).

Mindful of the challenges that GLCs face, the Government’s GLC Transformation Programme is a comprehensive one. It is directed at improving the effectiveness of the GLCs board with members having the skills and capabilities needed by each GLC (PCG, 2006). Another aim is to have in place procedures that permit GLCs to recruit the best leadership talents and effective CEOs who understand and have the skills to identify the competitive landscape and new business opportunities (Tan, 2008).

Sections 4.3.3 presented the findings emerging from the testing of Research Proposition 2 by the Focus Group and the Questionnaire Survey. The resulting response patterns are shown in Table 5.2.
Table 5.2: Response Patterns to Research Proposition 2

PROPOSITION 2:

The Government’s Transformation Programme emphasises on improving the business performance of the Malaysian GLC.

<table>
<thead>
<tr>
<th>Issues</th>
<th>Literature Review</th>
<th>Focus Group</th>
<th>Questionnaire Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Government’s Transformation Programme is appropriate and adequate for improving the business performance of Malaysian GLCs.</td>
<td>Unknown</td>
<td>Divided</td>
<td>Divided</td>
</tr>
<tr>
<td>Government does not interfere with and intervene the staff hiring procedures and decision making process of Malaysian GLCs.</td>
<td>Unknown</td>
<td>Disagreed</td>
<td>Divided</td>
</tr>
<tr>
<td>The Malaysian GLCs conduct their operations in a transparent and professionally accountable manner.</td>
<td>Unknown</td>
<td>Disagreed</td>
<td>Divided</td>
</tr>
</tbody>
</table>

Source: Developed for this research

The Table shows that the Focus Group members were divided on the comprehensiveness of the Transformation Programme. They were also of the view that the Government interference acted against open recruitment policies and as such, the recruitment criteria were not solely based on merit. Finally, they were unable to adopt the position that Malaysian GLCs conduct their operations in an open and transparent manner.

Table 5.2 also shows that the Questionnaire Survey respondents had mixed views on all the three issues related to this Proposition. Unlike the Focus Group, they were divided on the issue of open recruitment. They were also divided on whether the business operations of Malaysian GLCs are characterised by transparency and accountability.
Based on the response patterns, the researcher concludes that:-

i. Malaysian GLCs can improve their CG practices by having effective boards with the authority and the power to discharge their stewardship responsibilities. Malaysian GLCs should also adopt international standards of reporting to enhance their reputation in global markets. The top management of the GLCs must be accountable to all the stakeholders by presenting their accounts in terms of expectations and achievements.

ii. Some GLCs are unable to meet their profit targets because of their parallel need to address social concerns. This could also be attributable to weak management structures and possibly undue political interference in the decision making processes.

iii. The Transformation Programme is timely. The successful implementation of the targeted reforms would result in GLCs adopting sound capital management structures with boards that are effective and committed to transparency and accountability.

iv. The Government, through its nominees on the boards, could interfere in the staff hiring processes. This practice may result in GLCs not being able to assess managers with multiple strategic capabilities for delivering results on a global basis (David, 2005). The requirement therefore is for Malaysian GLCs to have professional management structures with knowledgeable staff who have a global strategic outlook.

5.2.3 Conclusions About Research Proposition 3: Malaysian GLCs are experiencing difficulties in using KPIs to measure performance.

The literature revealed much scholarship on KPIs as a performance measure (Brown, 2007; Parmenter, 2007). Despite its merits, the Asia Development Bank (ADB, 2006) recommends the use of the Balanced Scorecard to complement KPI to measure and manage the performance of GLCs. A Balanced Scorecard is useful to
translate strategy into realisable goals with KPIs measuring performance (Bourne & Bourne, 2007).

In Malaysia, the use of KPIs is gaining emphasis in line with the global push towards performance management systems as a means for accelerating growth and attaining organisational focus and discipline. It is a necessity especially for larger organisations which may have outgrown more informal means of managing goals and resource allocation. The challenge is in the implementation (*The Star*, 17 July 2009). The CSFs and the KRAs should be realistic. All levels of staff should also be familiar with the use of KPIs.

The literature also revealed that the use of the BSC as a performance measurement tool had several benefits. Matched with a set of meaningful performance indicators related to benchmarks of best performance, BSC combines both qualitative and quantitative measures. They can meet the expectations of different stakeholders and link performance to choice of strategy (Johnson & Scholes, 1997).

However, the literature was silent on several key issues pertinent to this Research Proposition. The earlier Section 4.3 presented the findings from the testing of this Research Proposition by the Focus Group and the Questionnaire Survey. These issues, reflected in Statements 7-9 of the Survey Questionnaire and in the Discussion Guide for the Focus Group meeting, are summarised in Table 5.3.

The Table shows that the members of the Focus Group agreed that the senior staff of GLCs were not fully familiar with the use of KPIs. Accordingly, they may have set performance targets that are out of reach. The lack of knowledge on the use of KPIs could result in the staff not being aware of how their goals would be measured or how the individual jobs are linked to the KPIs. The Focus Group members were also of the view that Malaysian GLCs are not reviewing the critical success factors (CSF) on a regular basis to take account of the changing business environment. Finally, they were also unable to accept that the staff of the GLCs are benefitting from pertinent training on the use of the KPIs. The respondents of the Questionnaire survey took similar position on all three issues.
**Table 5.3: Response Patterns to Research Proposition 3**

**PROPOSITION 3:**
Malaysian GLCs are experiencing difficulties in using KPIs to measure performance

<table>
<thead>
<tr>
<th>Issues</th>
<th>Literature Review</th>
<th>Focus Group</th>
<th>Questionnaire Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior and management staff of Malaysian GLCs are not fully familiar with the use of KPIs as a performance measure.</td>
<td>Unknown</td>
<td>Agreed</td>
<td>Agreed</td>
</tr>
<tr>
<td>The KPIs used by Malaysia GLCs should be frequently reviewed to reflect the changing business environment.</td>
<td>Unknown</td>
<td>Agreed</td>
<td>Agreed</td>
</tr>
<tr>
<td>Malaysian GLCs should give emphasis to staff training to enable them to more effectively use KPIs as a performance measure.</td>
<td>Unknown</td>
<td>Agreed</td>
<td>Agreed</td>
</tr>
</tbody>
</table>

Source: Developed for this research

Based on the response patterns, the researcher concludes that:

i. The business environment is changing rapidly. This affects the critical success factors that impact on the performance of Malaysian GLCs. Accordingly, KPIs must be reviewed to maintain their relevance and effectiveness.

ii. There are difficulties in introducing KPIs in organisations like the GLCs where staff are accustomed to subjective systems of evaluation. Some are also used to systems that emphasise patronage or longevity over performance. The introduction of KPIs will therefore meet resistance from some staff. The situation also requires staff to be trained on the use of KPIs as a performance measure.
iii. Some staff members are not aware of how goals will be measured or their KRAs. If staff are unaware of their KRAs, it would be difficult to calibrate their performance.

iv. GLCs should also consider using the Balanced Scorecard to complement the KPIs to measure and manage their performance. A Balance Scorecard can be used to translate strategy into realistic and achievable goals and targets with KPIs measuring performance.

5.2.4 Conclusions About Research Proposition 4: Malaysian GLCs are strengthening their corporate governance and leadership capabilities to enhance their business performance.

The literature review revealed that the Asia Financial Crisis in the 1990s was largely due to the poor CG practices of Malaysian companies including GLCs (Singam, 2003). This was also the cause of the recent collapse of giant firms like Enron in the United State and Satyam in India (Goh, 2009; Zinkin, 2009). Another pertinent example of poor governance is the case of the multi-billion Port Klang Free Zone involving accounting issues and transparency (The Star, 11 April 2009).

Several GLCs did not give much emphasis to transparency and timely disclosure practices required by the Principles of the Malaysian Code of Corporate Governance. Furthermore, the current practice of appointing the independent directors of GLCs, by the controlling GLICs, could result in them being merely proxies of the controlling GLICs. The regulatory authorities are also selective in dealing with PLCs that do not comply with statutory requirements (Goh, 2009).

The review also revealed that effective GLC business performance requires a corporate culture directed at the goal of profitability (Basu, 2005; Rondinelli, 2008). Equally important is an operating environment unaffected by political and bureaucratic restrictions. GLCs should be led by highly competent CEOs with a global strategic outlook equipped with strong leadership capabilities. They should be permitted to establish professional management structures to enable their organisations to compete and grow in the new economy (Tan, 2008).
Good leaders are only effective if they are supported by knowledge workers with the competencies and skills required to manage the changing business processes in the new economy (Kanapathi, 2003). Malaysia’s severe skills shortage particularly in Business English and Communications impedes the country from becoming a successful R&D nation. This problem is impacting on Malaysian GLCs. They experience skills shortages in the areas of system development, engineering, operations, management, marketing intelligence and R&D (Chew, 2007).

However, the literature was silent on several key issues pertinent to this Research Proposition. These issues, reflected in Statements 10-12 of the Survey Questionnaire and in the Discussion Guide for the Focus Group meeting, are summarised in Table 5.4.

The earlier Section 4.5.3 presented the findings from the testing of this Research Proposition by the Focus Group and the Questionnaire Survey. Table 5.4, which summarises the findings, shows that members of the Focus Group held the view that Malaysian GLCs have a bureaucratic culture which can be a constraint to good CG practices. This view was not shared by the respondents of the Questionnaire Survey. However, they agreed that GLCs would benefit from empowered CEOs and the hiring of knowledge workers through a transparent and open system. Based on the response patterns, the researcher concludes that:

i. Malaysian GLCs can improve their CG practices by having effective boards with the authority and the power to discharge their stewardship responsibilities. Malaysian GLCs should also adopt international standards of reporting to enhance their reputation in the global market. The top management of the GLCs must be accountable to all the stakeholders by presenting their accounts in terms of expectations and achievements.

ii. Some GLCs have been unable to meet their profit targets due to their parallel need to address social concerns. This could also be due to weak management structures and undue political interference in the decision making processes.
iii. The successful implementation of the targeted reforms is dependent on the GLCs adopting sound capital management structures with boards that are effective and committed to transparency and accountability.

iv. The Government through its nominees on the boards could interfere in the staff hiring processes. This practice would result in GLCs not being able to hire professional managers with multiple strategic capabilities. The requirement therefore is for Malaysian GLCs to have professional management structures with staff that are knowledgeable and with a global strategic outlook.

**Table 5.4: Response Patterns to Research Proposition 4**

**PROPOSITION 4:**

Malaysian GLCs are strengthening their corporate governance and leadership capabilities to enhance their business performance.

<table>
<thead>
<tr>
<th>Issues</th>
<th>Literature Review</th>
<th>Focus Group</th>
<th>Questionnaire Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>The operations of Malaysian GLCs are characterised by a bureaucratic culture that is not conducive to good corporate governance practices.</td>
<td>Unknown</td>
<td>Agreed</td>
<td>Disagreed</td>
</tr>
<tr>
<td>Malaysian GLCs place emphasis on human capital and knowledge workers by hiring the best talent through a transparent and open recruitment system.</td>
<td>Unknown</td>
<td>Disagreed</td>
<td>Disagreed</td>
</tr>
<tr>
<td>Malaysian GLCs benefit from empowered CEOs with strong academic, professional and leadership attributes.</td>
<td>Unknown</td>
<td>Disagreed</td>
<td>Disagreed</td>
</tr>
</tbody>
</table>

Source: Developed for this research
5.3 Conclusions About the Research Problem

This Section discusses the findings of this research in order to offer conclusions about the research problem ‘What are the critical factors for the effective performance of Malaysian Government-linked companies?’

The research reviewed the scholarship and literature pertinent to the research problem. The review permitted the development of the theoretical framework for the research, the identification of the research gaps and the development of four Research Questions which formed the basis for the four Research Propositions. The key findings of the literature review are summarised below:

i. GLCs may have public policy objectives although they operate as corporate bodies. Engaging in a vast range of activities in diverse fields, they can be fully owned or partially owned by Government (Mazzolini, 1979; Powell, 1987).

ii. GLCs are important organisations in both developed and developing economics. In Malaysia, they play a lead role in achieving the objectives of the affirmative NEP which is aimed at increasing Bumiputera participation in the economy. Controlled by GLICs, the Malaysian GLCs account for 5% of the national work force and are the main service providers in key strategic services and utilities.

iii. Malaysian GLCs face several challenges. These largely relate to leadership, corporate governance, social responsibility, management structure, knowledge workers and organisation culture. Due to the problems they face, their performance has been uneven and some are a financial burden to the Government (Doraisami, 2005). This compelled the Government to introduce the Transformation Programme with the aim of driving shareholder value creation, efficiency gains and enhance corporate governance in GLCs (PCG, 2006).
iv. There was limited information to answer the question ‘has the Transformation Programme improved the performance of the GLCs in terms of meeting their financial targets and the parallel goal of discharging their social obligations as required by the Government?’ Although there were some Government reports on the progress made by the GLCs, there were knowledge gaps on whether GLCs have made progress on improving CG, increasing operational efficiency, hiring talented staff, empowering CEOs and ensure that the staffs are fully familiar with the use of KPIs as the performance measures.

The collection and analysis of the primary data collected from the Focus Group meeting and the Questionnaire Survey provided additional insights on the research gaps as outlined in the preceding sub-Section. These revealed that;

- Malaysian GLCs are faced with the challenge of striking a balance between the two conflicting goals of profitability and meeting the social development agenda of the nation. This problem is compounded by the prevalence of a bureaucratic culture, over dependence on Government support and political interference. Accordingly, they need to develop their professional competencies to cope up with these challenges.

- While the Transformation Programme emphasises on improving the business performance of the Malaysian GLCs, its effectiveness is dependent on capable leadership with highly qualified CEOs reporting to competent and transparent boards which give importance to their stewardship functions. Programme success also hinges on proper and timely implementation by staff with the commitment, drive and skills.

- Malaysian GLCs are experiencing difficulties in using KPIs to measure performance. They should be trained on the meaning of KPIs, how they are developed, the critical success factors that constitute KPIs, the KRAs and how to link them to the organisation’s strategy. There is also a need to develop an appropriate framework for the reporting and acting on the KPIs.
The KPIs should also be reviewed and revised on a periodic basis to keep pace with the changing business environment.

These additional insights emerging from the Focus Group meeting and the Questionnaire Survey, served to bridge the research gaps which are set out in Table 5.5. They also reaffirmed the relevance of the research problem.

Table 5.5: Summary Comparison of the Findings of the Literature Review and This Research

<table>
<thead>
<tr>
<th>Research Issues</th>
<th>Literature Review Findings</th>
<th>Gaps in the Literature</th>
<th>Research Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Malaysian Economy</td>
<td>Adequate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Linked Companies</td>
<td>Adequate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate and Social Governance</td>
<td>Adequate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysian GLCs Characteristics</td>
<td>Twin goals of profitability and implementing the national social agenda</td>
<td>Balancing the two conflicting goals</td>
<td>YES</td>
</tr>
<tr>
<td>Strategies</td>
<td>Internationalisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>Limited information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GLC Transformation Programme</td>
<td>Comprehensive; Five key thrusts; Ten specific initiatives</td>
<td>The adequacy of the Transformation Programme</td>
<td>YES</td>
</tr>
<tr>
<td>Coverage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of KPIs as Performance Measure</td>
<td>Limited Information</td>
<td>Difficulties of using KPIs</td>
<td>YES</td>
</tr>
<tr>
<td>CSR Practices</td>
<td>The Silver Book</td>
<td>Progress on implementing the Silver Book</td>
<td>YES</td>
</tr>
<tr>
<td>GLC Challenges</td>
<td>Limited Information</td>
<td>Challenges faced by GLCs and the desired strategies.</td>
<td>YES</td>
</tr>
</tbody>
</table>

Source: Developed from this Research
5.4 Theory Development

This research as discussed in Sections 3.2.3 and 3.3.2 was largely exploratory. It also adopted a qualitative approach which lent itself to new theory development. Several theories pertinent to the research problem emerged during the literature review and these, as discussed in Section 2.2.2, were:

(i) the ‘ownership-led theory’ which emphasises ownership change as a means to address GLC problem. This would require the Government to divest or privatise its interests in GLCs.

(ii) the ‘competition-led theory’ which advocates that market liberalisation and deregulation would yield more substantial gains as compared to privatisation.

(iii) the ‘management-led theory’ which calls for the reform of management without the need for mass privatisation to improve efficiency and performance.

(iv) the ‘resource based view’ of the firm, which contends that the firm’s resources and capabilities provide the basis for strategy. Since GLCs are firms, their strategic choices and decisions on how they procure resources and use them are critical for long term sustainability.

(v) The ‘knowledge based view’ which pinpoints knowledge as an irreplaceable and most important strategic resource. It emphasises on knowledge management as a source of sustainable competitive advantage.

Each of these theories has strengths and constituted an important component of the theoretical framework for the study. However, they also had weaknesses and these were addressed by Rondinelli’s performance management model (Rondinelli 2008). This model, as discussed in Section 2.2.2.4 combined aspects of ownership and competition-led theories. It suggested that reforms or measures to improve the performance of GLCs should start with a comprehensive review. This should form
the basis for the formulation of appropriate Government strategies to give the required strategic directions to GLCs. These must also set out the criteria for performance.

The researcher considered Rondinelli’s Model appropriate for the Malaysian Government’s commitment to enhance the performance of GLCs through the Transformation Programme. However, based on the findings of this research, there are other important factors for achieving organisational and managerial performance improvement. These are:-

i. Adopting knowledge management practices. As this is now a critical condition of success for GLCs entering the highly competitive knowledge economy, GLCs must give emphasis to the knowledge management process. This involves the generation of knowledge, the representation of knowledge, the access to knowledge and the transfer of knowledge. Knowledge management practices would enable GLCs to innovate and gain competitive advantage.

ii. Emphasis on strong leadership. Poor leadership can result in GLCs being mismanaged and squandering Government’s assets and resources. Management should be led by an empowered CEO with the capacity to indentify new business opportunities and take strategic initiatives to enable GLCs to move ahead in the new economy.

iii. The need for GLCs to move away from a bureaucratic to a corporate culture that is driven by profitability, entrepreneurship, innovation, performance and knowledge workers. This will enable GLCs to effectively compete in both the domestic and the international markets.

iv. Long term sustainability by invoking the triple bottom line of economic, social and environmental performance. GLCs can create long term shareholder value by integrating strategic CSR into the overall strategies.
v. Reputational Advantage which is a function of credibility, trustworthiness, reliability and responsibility. A superior reputation can provide a reputational advantage which may result in pricing concessions, better morale, reduced risk, increased strategic flexibility, improved financial performance and enhanced marketing opportunities (Johansson & Larsson 2000).

vi. Emphasising performance measurement as a means for accelerating growth and attaining business target and goals. This could be achieved through the use of KPIs complemented by the BSC. For this purpose, staff should be trained to measure performance of achievable targets and goals.

Accordingly, Rondinelli’s model has been modified by the researcher to reflect the importance of other critical factors for the effective and efficient performance of Malaysian GLCs.

**Figure 5.2: A Modified Rondinelli’s Performance Management Model**

Source: Adapted from Rondinelli (2008)
5.5 Impact of the Research on the Government’s Policies and GLCs Practices

The conduct of this research was guided by four objectives as discussed in Section 1.4 and restated below for ease of reference.

i) To identify the measures taken by Malaysian GLCs to effectively operate as profit-making entities and discharge their CSR obligations as required by the Government.

ii) To determine the adequacy of the Transformation Programme for enhancing the performance of Malaysian GLCs.

iii) To examine the difficulties experienced by the Malaysian GLCs for using KPIs to measure their performance.

iv) To formulate the desired approaches for strengthening the governance and leadership capabilities of Malaysian GLCs for improving their business performance.

Based on the conclusions emerging from the analysis of the Research Propositions, as discussed in Section 5.2, this Section examines the impact of the research on relevant Government policies as well as the operational practices of GLCs. In this regard, policy recommendations are offered for consideration by the relevant parties.

The research findings reaffirmed the Government’s commitment to improve the business performances of the GLCs through the Transformation Programme. The research also identified additional policy considerations that the Government must take into account in view of the rapidly changing domestic and international business landscape. These policy considerations, as listed below, merit elaboration:

i. Reviewing policies on GLCs

ii. Strong and effective leadership
iii. Knowledge based professional management structure

iv. Improving corporate governance

v. Adopting strategic CSR practices and developing reputational advantage

vi. Strategic alliances and internationalisation strategies

vii. Addressing challenges of the new economy

viii. Changing organisation culture

ix. Financial discipline culture

x. Using the Balanced Scorecard (BSC) to complement KPIs for performance measurement.

xi. A Framework for performance monitoring

5.5.1 Reviewing policies on GLCs

GLCs are a major part of the nation’s economic structure. The demands of the rapidly changing global marketplace require them to have an international outlook in terms of market penetration and international competitiveness for achieving superior performance. However, the requirements of the NEP hinder the progress of the transformation initiatives (Ang & Ding, 2006). The social obligations of GLCs and political interference act against the GLCs being able to function in a fully commercial manner. This situation requires the Government to move away from the practice of providing assistance to GLCs by virtue of its shareholding to the detriment of private sector competition (The New Straits Time, 1 July, 2009). They should be empowered to make their own business plans, raise their own finances and set their own prices for non-essential services (Krishnan, 2006).
Recommendations

i) GLCs should not benefit from preferential treatment from the Government and only be permitted to operate in sectors in which they can be competitive.

ii) They must focus on core activities and dispose non-core activities which are best undertaken by private entrepreneurs.

iii) GLCs which are underperforming and neglecting high standards of governance should be critically reviewed. Those which lack evidence of achieving long-term sustainability should be wound down to avoid them becoming public financial burdens.

5.5.2 Strong and Effective Leadership

‘Leaders are those who are able to influence others and who possess managerial authority’ (Robbins et al., 2000, p.364). The leaders or CEOs of GLCs must have the skills and attributes for creating vision, inspiring commitment, and effectively using all available resources to achieve objectives and plan targets. A good leader also determines and communicates strategic directions, oversees formulation and implementation of strategies, and establishes balanced controls (Hoskisson et al. 2008). The opportunities for GLCs to register good business and corporate performance are therefore dependent on strong and effective leadership by CEOs with powers to initiate and manage change.

As discussed in Section 2.7.1 the poor performance of some Malaysian GLCs could be due to poor leadership. Recognising this, the Transformation Programme calls for the establishment of a ‘Directors Academy’ to develop CEOs and leaders at the board level. This is timely as a good GLC must have the opportunity to produce its own leaders since this would be a great moral booster for staff and attract new talent.

Recommendations
i. The GLCs should appoint CEOs with the necessary professional and personal attributes to lead large corporations. Such appointments must be on the basis of merit through an open recruitment system devoid of political influence and nepotism.

ii. All GLCs should have succession plans to provide for continuity when the CEO leaves.

5.5.3 Knowledge Based Professional Management Structure

CEOs must be supported by knowledge based professional management structures staffed by managers with multiple strategic capabilities for delivering results. Knowledge can profoundly change the way an organization positions itself in its industry and in so doing can radically change the organisation itself (Zack, 1999). Knowledge is the ultimate replacement of other resources (Nonaka & Takeuchi, 1995). Furthermore, knowledge is a source of competitive advantage (Ichijo, 2002). Implementing a sound knowledge management strategy is therefore a mandatory condition of success for GLCs as they enter the era of the knowledge economy (Binney, 2001).

Accordingly, it is necessary for GLCs to design and establish organisational management structures which are aimed at developing the knowledge creating capabilities of individual staff members. The structure should also be geared for finding, acquiring and sharing knowledge across business units in different products and markets. The simultaneous alignment of strategy and knowledge must be a crucial element of a GLC’s knowledge strategy.

In order to increase the intellectual capital of the GLC, top management should recognise and focus on strategic roles and values of the knowledge worker who is the biggest single asset (Drucker, 1993).

Recommendations
i. GLCs should design and establish organisational management structures which are aimed at developing the knowledge creating capabilities of individual staff member for competing in the new economy.

ii. GLCs should map their knowledge resources and capabilities against their strategic opportunities and threats. They should also identify knowledge gaps and use them as a basis to determine which knowledge should be developed or acquired.

iii. GLCs should be creative in designing compensation packages in order to attract, retain, and motivate knowledge based staff. The emphasis has to be on rewards that are based on performance. The remuneration and salary structures should be on par with those in comparable private sector firms and could include incentives like stock options and performance based benefits.

5.5.4 Improving Corporate Governance

Good CG is dependent on the boards of GLCs acting appropriately in the interests of business and their stakeholders. They should therefore effectively discharge their three key functions of leadership, stewardship and control. The board members have to be a well balanced team with independent directors to serve as checks and balances. No single individual should have excess powers in the running of a corporation (Zinkin, 2009).

The prevailing political and bureaucratic cultures influence the board composition of Malaysian GLCs and their organisational outcomes. The presence of the Prime Minister’s special officers as board members in some Malaysian GLCs may also create an agency problem since they may seek to maximise political interests rather than that of the GLC (The Star, 28 May, 2008).

The Green Book of the Transformation Programme stresses the need for strong boards that act in the interests of businesses and shareholders. The policy guidelines call for GLC boards to move away from the attitude of merely ‘conforming’ to one
of performing. However, the Green Book does not address the critical issue of the
manner in which directors are appointed and the criteria for their appointments.

_Recommendations_

i) The current practice of appointing directors with political connections should
be discontinued. All appointments must be on the basis of merit and devoid
of political interference by Government leaders.

ii) The practice of appointing retired civil servants or military personnel with
limited first-hand experience of the commercial world should be
discontinued.

iii) At least one third of the board members of GLCs should consist of
independent ‘non-executive directors’. These independent directors should
not be appointed representatives of a Governmental agency, a political
appointee, nominees of a minister or hold executive position in a licensee or
subsidiary of the GLCs.

iv) Strengthen the role of the internal audit department of the GLCs with an
audit committee accountable to the boards and not the CEOs.

v) Establish a supervisory committee on ethics and integrity, chaired by an
independent director to build and strengthen good governance culture at all
levels in the GLCs.

5.5.5 _Adopting Strategic CSR Practices and Developing Reputational
Advantage_

GLCs are required to strike an appropriate balance between the twin goals of
creating values for their shareholders and the obligation to proactively contribute to
the larger social good. A few GLCs, like Sime Darby, are emphasising on the triple
bottom-line of economic, social and environmental performance for sustainability
(Sime Darby Annual Report, 2008). Others, as evidenced from their Annual Reports
have fixed allocations to fund their social responsibility strategies. Since such
contributions, guided by moral considerations are largely for philanthropic and charitable causes, these can be viewed as a regular and ongoing cost of doing business (Thompson, Strickland & Gamble, 2007).

However, the moral appeal does not generate dividends to investors. Furthermore, the common GLC practice of spending shareholders’ money for social causes on ad hoc basis could dilute the business mission of the GLCs. The requirement is for well-conceived social responsibility strategies that contribute to long term corporate sustainability. Therefore in line with Porter and Kramer (2006), GLCs must integrate CSR into value chain activities that benefit society while reinforcing strategy. These will not only work to the advantage of the GLCs but also benefit shareholders, reduce risk exposure, and encourage loyalty through reputational advantage.

CSR activities are important component in building reputational advantage which is a function of credibility, trustworthiness, reliability and responsibility. A superior reputation can result in pricing concessions, better morale, reduces risk, increased strategic flexibility, improved financial performance and enhanced marketing opportunities (Johansson & Larsson, 2000).

Building reputational advantage requires the GLCs to establish strong relationships, through network building, with all its internal domestic and foreign partners. This must be matched by producing superior quality products, acting in a socially and environmentally responsible manner and a history of fulfilling their obligations to all stakeholders (Covin & Miles, 2000).

Recommendations

i) The GLICs and the GLCs that they control should give emphasis to strategic CSR by integrating social impact into their overall strategies for creating unique value propositions that cannot be matched by competitors.
ii) GLCs should institute the required measures for them to create reputational advantage as it is a source of sustainable competitive advantage and an important factor for successful penetration into international markets.

### 5.5.6 Strategic Alliances and Internationalisation Strategies

The increasing pace of trade liberalisation compels GLCs to formulate appropriate internationalisation strategies for taking advantage of the opportunities and fending off the challenges that emerge from a globalising world. GLCs must therefore give more attention to forming strategic alliances and partnerships for entering foreign markets or strengthening their competitiveness in world markets. Such alliances permit GLCs to gain better access to attractive country markets. It will also enable them to gain the expertise and the technology necessary for remaining competitive in a rapidly changing business landscape (Johnson & Scholes, 1997; Thompson, Strickland & Gamble, 2007).

Some Malaysian GLCs have entered into joint venture agreements with overseas partners. They have also adopted internationalisation strategies for moving into overseas markets through extension, penetration and integration (The Edge Daily, 27 Oct., 2008).

### Recommendations

i) Since GLCs are under pressure to formulate strategies for competing successfully in the domestic market, they must accelerate the pace of strategic tie-ups with transnational cooperatives and with regional firms to reap the new market opportunities emerging from globalisation.

ii) GLCs must emphasise on change management by strengthening their management planning and international marketing capabilities through the hiring of staff with a strategic global outlook.
5.5.7 Addressing Challenges of the New Economy

The literature revealed that the new economy is changing the way business is conducted. The challenges included increased competition, use of knowledge for complex technology, resource constraints and relationship management (Neck, 1995). However, the new economy also widens business and investment opportunities with the emergence of new markets. The new economy is an economy involving widespread use of the internet and e-commerce (ICSR Canberra, 2001). The changing situation therefore requires Malaysian GLCs to adopt new mindsets, new business approaches and new business process platform (Kanapathy, 2003).

In a changing economy ‘the only certainty is uncertainty and the one sure source of lasting competitive advantage is knowledge’ (Nonaka & Takeuchi, 1995, p. 96). Successful knowledge-creating GLCs create new knowledge, disseminate it widely and embody it in new products and technologies.

Recommendations

- Adopt mind-sets that value change and innovation to address the challenges evolving from the dynamic domestic and international business landscape.

- Adopt knowledge management models to acquire or create knowledge to enhance continuous learning for creativity and innovation.

- Malaysian GLCs need to build electronic networks that link them to customers, employees, vendors and suppliers since eBusiness is the platform for businesses in the new economy.

5.5.8 Changing Organisational Culture

Malaysian GLCs being the creation of the Government, tend to be influenced by bureaucratic culture. Directorial and managerial level positions are given to retired military officers, high level civil servants and political friends. Such practices as well as cronyism and nepotism could hurt leadership.
A bureaucratic culture often discourages the pursuit of entrepreneurial opportunities, especially in large GLCs. Entrepreneurial opportunities are an important source of growth and innovation (Brown & Eisenhardt, 1998) and must be pursued at all costs. The research findings suggest that Malaysian GLCs should move towards a corporate culture that encourages an entrepreneurial orientation that is characterised by innovativeness, risk-taking, proactiveness and competitiveness.

**Recommendation**

GLCs should encourage all staff to offer new ideas and reward them for their contributions towards new products, services or technological processes.

### 5.5.9 Developing a Financial Discipline Culture

The Purple Book of the Transformation Programme requires Malaysian GLCs to adopt sound capital management practice through capital structure optimisation and capital efficiency improvement. This implies that there are shortcomings in the financial discipline culture of GLCs as reflected by the continuing losses incurred by several GLCs.

**Recommendations**

- Provide practical training to all senior management and financial staff on good financial capital management practices. Such training should be complemented with the use of ‘Simulation’ models as these would be a useful addition to the manuals and the guidelines provided in the Purple Book.

- Use the Balanced Scorecard to capture key components of project costs to track cashflow and present them in a dashboard which permits a real-time display of critical information for monitoring purposes.
5.5.10 Using the Balanced Scorecard (BSC) to complement KPIs

The Transformation Programme emphasises on performance measurement through the use of KPIs. However, the changing business environment affects the critical success factors (CSF) that impact on the performance of Malaysian GLCs. Accordingly, KPIs must be regularly reviewed to maintain their relevance and effectiveness. The research findings indicate that there are difficulties in using KPIs in GLCs since staff are accustomed to subjective systems of evaluation. Furthermore, some staff members are not aware of the KRAs or how their individual jobs are linked to the departmental KPIs.

Since Malaysian GLCs have commercial and social goals, their performance measurement system should take full account of financial and social parameters. The BSC was considered to be better suited for managing enterprise performance to achieve improved strategic results.

Recommendations

i. GLCs staff have different levels of abilities and learning. Taking these into account, the KRAs and KPIs must be reasonable and achievable. GLCs should have two levels of targets, namely basic targets and stretched targets which are higher. Staff should be rewarded when they meet their basic targets and even more when they meet their stretched targets.

ii. When GLCs introduce performance management system they should start with the hard targets which are easier to quantify. After the first few cycles, soft targets can be introduced together with mentoring to support the line managers responsible for implementation.

iii. GLCs should consider using the BSC to complement the KPIs to manage and measure their performance. A Balanced Scorecard can be used to translate strategy into realistic and achievable goals and targets with KPIs measuring performance.
iv. A skilled-based training programme on the BSC and the use of KPIs should be conducted for staff at all levels of the GLCs by competent professional trainers who have global experience in these areas.

5.5.11 A Framework for Monitoring the Performance of Malaysian GLCs

The research findings revealed that successful implementation of the Transformation Programme requires a transformation in culture, strategic orientation and business outlook. This implies that there are shortcomings in monitoring progress and levels of compliance.

Recommendations

i) Conduct regular review of the Transformation Programme to ensure that it remains relevant in a changing business environment.

ii) Establish a central agency to monitor the progress of the Transformation Programme. This agency should be led by a competent CEO with global experience in managing large business organisations and be empowered to act independently without referral to the Government.

5.6 Limitations

Some limitations associated with this research were identified in Chapter 1. There were also limitations embedded in the research methodology, as discussed in Section 3.2 which also highlighted the tactics used to overcome these limitations. This Section discusses other limitations that became apparent during the progress of the research.

First, this research is specific to the large Malaysian GLCs controlled by the Federal Government. There are several other GLCs of varying sizes owned or controlled by the State Governments. This research gave limited consideration to the measures
being taken by the State Government to improve the business performance of the GLCs that they controlled.

Second, the staff of the GLCs participating in the research occupied senior management positions. However, their views must be seen as representative and not necessarily fully reflective of their organisations.

Third, several of the Government officials who agreed to participate in the research were subject to Government regulations pertaining to the release of official information. This could have constrained them from giving their candid views on issues that they deemed to be sensitive.

Finally, draft thesis was completed on 1st July 2009. It was therefore not possible for the researcher to take full account of the new secondary data that emerged after the completion date.

5.7 Implications for Further Research

This research was aimed at identifying the critical factors for the effective and efficient performance of Malaysian Government-Link Companies. The research findings clarified and defined the research problem. They also pointed to the need for further research on some issues and these are examined in this Section.

This research was largely qualitative in nature with a small number of participants in the single Focus Group Meeting. Furthermore, the survey sample for the collection of quantifiable data was relatively small. Accordingly, the findings of this study would benefit from a positivist study with a larger sample to generalise the findings.

This study focused on large GLCs which were listed on Bursa Malaysia. Another research exercise could be undertaken on the smaller GLCs under the purview of the State Governments.
The research findings permitted the modification of Rondinelli’s GLC performance model as discussed in Section 5.4. A quantitative research could be undertaken to test the relevance of the model.

5.8 Conclusion

This final Chapter summarised the conclusions based on the research findings for each Research Proposition and the research problem. It then discussed the impact of the findings and their contributions to new theory development and offered recommendations for consideration by policy makers. Finally, it covered the limitations that emerged during the research process and provided a summary of the opportunities for further research.
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My name is Abang Nawawi Dahlan and I am a Doctor of Business Administration candidate at Southern Cross University, Australia. As part of my doctoral studies, I am conducting research on ‘The Performance of Malaysian Government-Linked Companies’. The supervisor of this research is Professor Dr A Selvanathan of the Graduate College of Management at Southern Cross University (see below for contact details).

GLCs contribute significantly to Malaysia’s economic development especially in the critical sectors of transportation, communications, power, banking, and commodities like rubber and palm oil. In 2007, it was reported that 47 GLC’s listed in Bursa Malaysia accounted for 34.9% of market capitalisation. The ‘G-15’ GLC’s represented 65% of market capitalisation. However, in the last 15 years GLCs have been laggards in almost all key financial and operational indicators. These have prompted the government to initiate programmes to transform GLCs to become high performance companies and meet the expectation of the shareholders, particularly the government. GLCs have in effect been required to use Key Performance Indicators (KPIs) to measure their performance and adopt a world-class performance management and reporting system that would reflect good governance.

The findings of the research should provide a basis for the Government to review existing policies and the delivery mechanisms with the aim of providing a more effective support to all Malaysian GLCs. This would contribute to the sustained economic growth of the nation.

The research involves collecting data through the use of Focus Group, the details of which are provided below.

**Focus Group procedures**

The Focus Group meeting will mainly consist of open questions and will focus on four key topics.

- **The effectiveness of Malaysian GLC’s as profit-making entities and in discharging the CSR obligations as required by the Government.**

- **The adequacy of the Government’s Transformation Programme in enhancing the performance of Malaysian GLC’s.**

- **The difficulties experienced by Malaysian GLCs using KPIs to measure their performance.**

- **Approaches for strengthening the corporate governance and leadership capabilities of Malaysian GLC’s for improving their business performance.**
The meeting will take approximately 60 - 90 minutes of your time should you agree to participate, and will take place at a venue to be decided on what is most suitable for you. Participation is purely voluntary and no financial remuneration or incentive will be offered for taking part in this research. There are no travel expenses, nor are there any costs associated with participation in this research apart from your valuable time.

Responsibilities of the Researcher

To ensure the confidentiality of the information provided by you during the meeting, your name and other identifying information will not be attached to data collected. Your name will only be used to enable an appointment to be made for the meeting. Your participation in this study is on a voluntary basis.

As a participant, you will be asked to sign an Informed Consent Form, in which you give your permission that the information collected during the meeting may be used in this study, without identifying your or your organization’s name. All signed consent forms will be held in safe storage at the University for a period of five years before being destroyed. You are free to withdraw your consent and to discontinue participation at any time.

The research findings may be submitted for publication. Unless agreed on otherwise, all data collected is anonymous and confidential. Other than your role or position within the organization, no personal data will be used in this research. All information collected will be presented as overall data. In the final research report, the participating organizations will only be referred to as cases with numbers. The results of the research will be made available to interested parties in final thesis format through Southern Cross University’s library.

Responsibilities of the Participant and Possible Risks

The only requirement of you as part of this research, should you agree to participate, is a commitment of time and willingness to share your opinions and experience about the research topic. There are no foreseeable risks or discomforts involved for you in this research.

Inquiries

This form is yours to keep for future reference. If you have any questions, please feel free to contact us any time:

**Researcher**

Candidate
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**Supervisor**

Prof. Dr. A Selvanathan
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The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The Approval Number is ECN-08-100. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer, Ms Sue Kelly, (telephone (02) 6626-9139, or fax (02) 6626-9145, email: sue.kelly@scu.edu.au)

Any complaint you make will be treated in confidence and you will be informed of the outcome.
FOCUS GROUP
INFORMED CONSENT

Informed Consent to participate in the following research project

This consent form is based on Guidelines from the National Statement on Ethical Conduct Involving Human Participants as issued by the NHMRC.

Name of Project: Performance of Malaysian Government-Linked Companies

Researchers: Supervisor:
Prof. Dr A Selvanathan
Senior DBA Director
Unity College International
Telephone: +6 012 2231664
E-Mail: selvanathan@unity.edu.my

Researcher:
Abang Nawawi Dahlan
c/o Unity College International
Telephone: +6 012 2077058
E-Mail: abangnd@gmail.com

I have been provided with information at my level of comprehension about the purpose, methods, demands, risks, inconveniences, and possible outcomes of this research (including any likelihood and form of publication of results).

I agree to participate in the above research project. I have read and understand the details contained in the Information Sheet. I have had the opportunity to ask questions about the study and I am satisfied with the answers received.

I agree to participate in the Focus Group meeting and to meeting being recorded on audiotape.

OR

I do not agree to participate in the Focus Group meeting being audio-taped and prefer the researcher to take handwritten notes.

I understand that if I withdraw from participation in this research, that any tapes or handwritten notes about my contribution will be destroyed.
I understand that any personal information which may identify me will be de-identified at the time of analysis of any data. Therefore, I, or information I have provided, cannot be linked to my person/or company. (Privacy Act 1988)

I understand that neither my name nor any identifying information will be disclosed or published, except with my permission.

I understand that all information gathered in this research is confidential. It is kept securely and confidentially for 5 years, at the University.

I understand that I am free to discontinue participation at any time. I have been informed that prior to data analysis, any data that has been gathered before withdrawal of this consent will be destroyed.

I am aware that I can contact the Supervisor or other researchers at any time with further inquiries, if necessary.

I would like to receive a summarised copy of the research results when the project is finalised. Please send a copy to me via the following email address: ____________________________________

The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The Approval Number is ECN-08-100. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer, Ms Sue Kelly, (telephone (02) 6626-9139, or fax (02) 6626-9145, email: sue.kelly@scu.edu.au)

Any complaint you make will be treated in confidence and you will be informed of the outcome.

I understand that I will be given a copy of this consent form for my records. The researcher will also keep a copy in safe storage at the University.

I have read the information above and agree to participate in this study. I am over the age of 18 years.

Name of Participant: ...........................................................................................................

Signature of Participant: .................................................................................................

Date........................................

I certify that the terms of the Consent Form have been verbally explained to the participant and that the participant appears to understand the terms prior to signing the form. Proper arrangements have been made for an interpreter where English is not the participant’s first language.

Name & Contact Detail of Witness:..................................................................................

Signature of Witness:........................................................................................................

Date:........................................

NOTE: The witness should be independent of the research, where possible. If this is not possible at the place of consent, please inform the researcher and state a reason below.

Reason:............................................................................................................................

Name and signature of the researcher:...........................................................................

Date:...............................................................................................................................
My name is Abang Nawawi Dahlan and I am a Doctor of Business Administration candidate at Southern Cross University, Australia. As part of my doctoral studies, I am conducting research on the ‘Performance of Malaysian Government-Linked Companies’. The supervisor of this research is Professor Dr A Selvanathan of the Graduate College of Management at Southern Cross University (see below for contact details).

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The findings of the research should provide a basis for the Government to review existing policies and the delivery mechanisms with the aim of providing a more effective support to all Malaysian GLCs. This would contribute to the sustained economic growth of the nation.

The research involves collecting data through Questionnaire survey, the details of which are provided below.

Survey procedures

The Questionnaire Survey will mainly consist of questions on four key topics.

- The effectiveness of Malaysian GLC’s as profit-making entities and in discharging the CSR obligations as required by the Government.
- The adequacy of the Government’s Transformation Programme in enhancing the performance of Malaysian GLC’s.
- The difficulties experienced by Malaysian GLCs using KPIs to measure their performance.
Approaches for strengthening the corporate governance and leadership capabilities of Malaysian GLC’s for improving their business performance.

It will take approximately 10 - 20 minutes of your time should you agree to participate. Participation is purely voluntary and no financial remuneration or incentive will be offered for taking part in this research. There are no other costs associated with participation in this research apart from your valuable time.

Responsibilities of the Researcher

To ensure the confidentiality of the information provided by you, your name and other identifying information will not be attached to data collected. Your participation in this study is on a voluntary basis.

This Information Sheet and the covering letter accompanying the survey questionnaire should adequately address the concern of Informed Consent. Consent will be implied when a person returns a completed survey response.

All completed questionnaires will be held in safe storage at the researcher’s premise. You are free to withdraw your consent and to discontinue participation at any time.

The research findings may be submitted for publication. Unless agreed on otherwise, all data collected is anonymous and confidential. Other than your role or position within the organization, no personal data will be used in this research. All information collected will be presented as overall data. In the final research report, the participating organizations will only be referred to as cases with numbers. The results of the research will be made available to interested parties in final thesis format through Southern Cross University’s library.

Responsibilities of the Participant and Possible Risks

The only requirement of you as part of this research, should you agree to participate, is a commitment of time and willingness to share your opinions and experience about the research topic. There are no foreseeable risks or discomforts involved for you in this research.

Inquiries

This completed questionnaire must be returned to the researcher. If you have any questions, please feel free to contact us any time:

**Researcher**

Abang Nawawi Dahlan  
c/o Unity College International  
Phone: +6 012 2077058  
E-Mail: abangnd@gmail.com

**Supervisor**

Prof. Dr. A Selvanathan  
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Unity College International  
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E-Mail: selvanathan@unity.edu.my

The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The Approval Number is ECN-08-100. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer, Ms Sue Kelly, (telephone (02) 6626-9139, or fax (02) 6626-9145, email: sue.kelly@scu.edu.au)

Any complaint you make will be treated in confidence and you will be informed of the outcome.
QUESTIONNAIRE SURVEY

Please tick one box only for each Statement.

**Research Proposition 1:** Malaysian GLC’s effectively operate as profit-making entities and discharge their CSR obligations as required by the Government.

**Statement 1:** Malaysian GLC’s operate as effective private sector firms with a corporate culture that maximises profits and meets CSR obligations.

Statement 1: Malaysian GLC’s operate as effective private sector firms with a corporate culture that maximises profits and meets CSR obligations.

Statement 2: Malaysian GLC’s should emphasise on strategic CSR for increasing their competitiveness by integrating social impact into their overall corporate strategies.

Statement 3: Malaysian GLC’s are politically, rather than commercially, motivated.

**Research Proposition 2:** The Government’s Transformation Programme emphasises on improving the business performance of Malaysian GLC’s.

**Statement 4:** The Government’s Transformation Programme is appropriate and adequate to improve the business performance of Malaysian GLC’s.
Statement 5: The Government does not interfere and intervene with staff hiring procedure and decision making process of Malaysian GLC’s.

- Strongly Disagree
- Disagree
- Uncertain
- Agree
- Strongly Agree

Statement 6: Malaysian GLC’s conduct their operations in a transparent and professionally accountable manner.

- Strongly Disagree
- Disagree
- Uncertain
- Agree
- Strongly Agree

Research Proposition 3: Malaysian GLC’s are experiencing difficulties in using KPIs to measure performance.

Statement 7: The senior and management staff of Malaysian GLC’s are not fully familiar with the use of KPI’s as a performance measure.

- Strongly Disagree
- Disagree
- Uncertain
- Agree
- Strongly Agree

Statement 8: The KPI’s used by Malaysian GLC’s should be frequently reviewed and revised to keep pace with the changing business environment.

- Strongly Disagree
- Disagree
- Uncertain
- Agree
- Strongly Agree

Statement 9: Malaysian GLC’s should give emphasis to staff training to enable them to more effectively use KPI’s as a performance measure.

- Strongly Disagree
- Disagree
- Uncertain
- Agree
- Strongly Agree

Research Proposition 4: Malaysian GLC’s are strengthening their governance and leadership capabilities to enhance their business performance

Statement 10: The operations of Malaysian GLC’s are characterised by a bureaucratic culture that is not conducive to good corporate governance practices.

- Strongly Disagree
- Disagree
- Uncertain
- Agree
- Strongly Agree
**Statement 11**: Malaysian GLC’s place emphasis on human capital and knowledge workers by hiring the best talent through a transparent and open recruitment system.

- [ ] 1 Strongly Disagree
- [ ] 2 Disagree
- [ ] 3 Uncertain
- [ ] 4 Agree
- [ ] 5 Strongly Agree

**Statement 12**: Malaysian GLC’s benefit from empowered CEO’s with strong academic, professional and leadership attributes.

- [ ] 1 Strongly Disagree
- [ ] 2 Disagree
- [ ] 3 Uncertain
- [ ] 4 Agree
- [ ] 5 Strongly Agree