

Lessons from SUN JUL 2001 corporate flops

By P.Y. Chin

THE LONG VIEW

IN the early 1980s, well-known spy-thriller novelist Frederick Forsyth (*The Day of the Jackal* and *The Fourth Protocol*) wrote *The Devil's Alternative*. The story was about the Soviet wheat crop that failed, and the prospects of the Russians facing mass starvation unless they could persuade the US to sell them grain. The US was willing, but for a price: Arms concessions.

A deal must be struck fast; for the unthinkable alternative, known as the devil's alternative, was going to war against the US to get the grain.

Since then, the title of the book has come to have the meaning that the alternative course of action out of a dilemma would be unthinkable, something worse than being caught between the devil and the deep blue sea.

Some in the local corporate sector have commented recently that Prime Minister Datuk Seri Dr Mahathir Mohamad could have been faced with *The Devil's Alternative* with regards to rescuing the Renong-United Engineers (Malaysia) group and Malaysia Airlines System (MAS), as well as any other groups facing massive debt problems.

As everyone knows, if the Renong-UEM group and MAS are not rescued, part of the local economy could disintegrate, given that Renong-UEM is no ordinary conglomerate; it has a finger in almost every sector of the economy.

MAS, on the other hand, is a national pride, whose closure would be unthinkable.

But to "rescue" the Renong-UEM group and MAS would definitely invite the unpleasant and biased criticisms that the exercises would be another bailout of mega enterprises whose operations have gone sour, and fingers would again be pointed at the government, rightly or wrongly, that public funds were to be used to help these failed enterprises.

One can see Mahathir has a thankless job. With the restructuring of the Renong-UEM group and reorganising of MAS underway, it would appear that Mahathir had taken the political decision - a decision no doubt with the larger interests and

objectives of the nation in mind, instead of succumbing to the narrow interests of individuals.

The Umno elections next year and the country's general elections in 2003 or 2004 may well have prompted the urgency for such a political decision.

There was no doubt in everyone's mind that should there be no rescue, the Renong-UEM group and MAS could eventually end up in a corporate graveyard.

While some have argued that this would affect thousands of workers, others have also argued that the assets including the staff could be transferred lock, stock and barrel to another corporate entity before the Renong-UEM

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group and MAS are entombed.

The issue is not the staff. Neither is it about rescuing assets belonging to Umno. The issue, on a wider perspective, is really the substantial and devastating effects that not helping the Renong-UEM group and MAS (or any other similar groups) would have on the overall long-term national plan to build a class of bumiputra entrepreneurs.

Many have argued that it would dent considerably the 30 years of bumiputra economic progress made under the New Economic Policy.

For Mahathir, the choice is rather limited. Either way, the finger could be pointed at him, rightly or wrongly, for the Renong-UEM and MAS's failures. Already, last week a Singapore newspaper was quick to say that the Renong case was "an admission of Mahathir's failed experiment".

It is obvious that Mahathir has now taken upon himself the task

of cleaning up all the "sensitive" enterprises. In doing so, it shows the mind of a strategist in Mahathir - one who can turn a crisis into an opportunity, very similar to those who understand the full meaning of the Chinese word for "crisis". (In Chinese, the word "crisis" is written as a combination of two words, "crisis" and "opportunity"). The crisis is the mess in these enterprises; the opportunity is the political mileage from the clean-up.

If Mahathir plans on leaving the political scene, it is unlikely that he would leave behind a corporate mess for history to judge him as a failure in developing bumiputra economic power.

So as some may have commented, rightly, it would have been more likely that former Finance Minister Tun Daim Zainuddin was asked to move aside to give Mahathir a free hand in cleaning the house.

Many have said many times that the ideas, concepts and objectives of privatisation and of carrying out mega-projects are very noble. Indeed they are.

But the fault lies with the implementation, and those responsible for implementing the projects. Really, three lessons could be learned from the Renong-UEM group and MAS episodes:

Managing in bad times

Managerial skills and experiences of managing businesses not just in good times but also in bad times are pre-requisites of the man at the helm. It is always said that even an idiot could manage a company in good times. Produce anything and it will sell. Do any business and it will succeed. But not in bad times. It takes more than textbook knowledge to steer a company through the bad times.

Tan Sri Halim Saad (of the Renong-UEM group) and Tan Sri Tajuddin Ramli (of MAS) are not entrepreneurs, who build up the respective organisations they head (though it may be fair to say that they could have added value to the respective organisations).

They are merely qualified professionals, appointed by political masters who want them to run the organisation in as commercial a way as possible.

So in the end, the two became

corporate players – pawns of the stock market to which their personal fortunes are inextricably linked.

Interests of self above corporate interests

It is a natural human behaviour that when a person is placed in a high position of corporate power in an organisation in which he is just a

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caretaker, he or she would seek to have the full benefits of a corporate captain, whether he earned those benefits or not (though not all corporate captains in such organisations behave like this).

He or she may feel that what he or she is doing is just another job. After all, he or she may be replaced anytime by the political masters. So it is not uncommon to read reports of Halim or Tajuddin each having a private jet or a private yacht or a top-end luxury car.

The issue is not whether these luxuries are necessary (it can always be argued that they are), but whether there was

any early realisation on the part of these corporate captains that something within the organisation could have gone amiss and thus needed urgent attention.

If any probe is to be made into the former management of these two organisations, the probe must also centre on why the management did not heed the early ringing of alarm bells, if any.

New set of checks and balances

While it is understandable that the line between political decisions and corporate objectives has always been very blur in a brew of politics and business, there needs to an even clearer definition of the limits of power of political appointees as corporate captains. The present mess found in some politico-economic entities certainly requires a new set of checks and balances to be formulated, that is stricter than before.

The rationale behind the new checks and balances should not be prompted by a fear that political appointees at the helm of corporate entities would always abuse their positions, but by the underlying perception that maybe the present set of checks and balances is inadequate for effective monitoring.

The question, the answer to which may be frightening is: Had these two organisations not run into the debt quagmire, would the weaknesses within have shown up and placed them in the limelight like now?