

# Malaysian management practices

*The last word on how we may live or die Rests today with such quiet Men, working too hard in rooms that are too big, Reducing to figures What is the matter, what is to be done. — The Managers, W H Auden, 1948*

**M** *The Edge of Chaos* management issues have been in the news a lot. There is the ongoing re-organisation in Proton. Malaysia Airlines had a change of managing director and there is controversy over whether a foreign chief executive officer is acceptable. The managements of government-linked companies are in a flux. Even public concern over the performance of the Royal Malaysian Police has much to do with management aspects. To sum it up, management is a topical issue indeed.

Scholars have emphasised various aspects of management. Some look at organisation structures, while others emphasise objectives, policies or practices. One important aspect involves managers, the individuals selected to lead, motivate and supervise lower executives and workers. Accountants, on the other hand, tend to emphasise resource allocation, risks and financial controls.

What is important for the Malaysian public — to quote the original management guru, Peter Drucker — is that "...it is managers and management that make institutions perform". Top managers are entrusted with money, physical as-



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## Radzuan's reasons

sets, workers and power so they can achieve the objectives set for them. Such objectives vary according to the type of institution. For the usual company, it would be profits and growth. For the police force, it would be reduction in crime and enhancement of security.

Structures are extremely important in modern management. Much effort and skill go towards designing organisation charts, setting up committees, determining reporting lines, setting performance measures and monitoring performance.

No less important is the selection of top management and key personnel. An institution, after all, is at the mercy of the people selected to run it.

Having got into the "manage-

ment analysis" mode of thinking, I will now proceed to examine some current management issues. Hopefully, we can make use of management concepts and analytical tools in analysing these issues.

### Adviser

In management, one word can assume numerous different meanings. The term "secretary" can refer to the bimbo on the boss' knee, the indispensable company secretary and the foreign minister with a Boeing 747 at her disposal.

So it is with the term "adviser". A British Adviser (earlier termed Resident) is one, "whose advice must be asked and acted upon all questions other than those touching on Malay Religion and custom". Tun Dr Mahathir Mohamad took great pains to remind Malaysians that his position as Proton adviser is not modelled on the British formula. In fact, Mahathir detests the British stratagem. In *The Malay Dilemma*, he wrote, "This [British Adviser] device enabled the British to do just what they liked. And what they liked knew no limit. It included the removal of Sultans and tampering with the laws of succession."

Mahathir's assessment of his role as adviser is borne out by events. The board of directors' views on management and business policy prevailed over that of the adviser. Such outcome is consistent with the view taken by the common law, as adopted in the Companies Act Table A, Article 73, which provides: "The business of the company shall

be managed by the directors... [who] may exercise all such powers of the company [except as excluded by the Act or by resolutions of the company in general meeting]. Furthermore, the Act imposes all kinds of civil and criminal liabilities on directors that it is only logical that corporate powers had to be placed upon them.

The point to note is that in formal organisations (companies, societies, ministries), powers and duties are laid down in black and white and these have to be legally observed. Datuk Seri Kerk Choo Ting, when offered the post of Gerakan adviser, promptly refused, observing aptly that such a position was not provided for in the party's constitution.

### Prime Minister, Internal Security Minister and Finance Minister

Prime Minister Datuk Seri Abdullah Ahmad Badawi doubles as the Internal Security and Finance Minister. This practice started during Mahathir's premiership. There are two aspects to this practice — constitutional/legal and management/governance. The positions of prime minister and ministers are provided for in the federal constitution. There are no constitutional/legal provisions to prevent a prime minister from holding one or more ministerial positions.

However, there are disadvantages associated with it from the management/governance angle. First, there is no separation between

minister and prime minister, as a result of which there is no objective oversight of the ministry. Second, the distinct technical-philosophical worldview associated with a particular ministry might suffer in the process. For example, an internal security minister in the course of his duties performs certain "judicial functions" involving decisions to detain individuals, extraditions, asylums and personal restrictions.

Having such "judicial functions" renders the internal security minister's position somewhat distinct from his other purely "executive" colleagues. Where the prime minister is also the internal security minister, he has to assume such "judicial functions" as well. Third, where the prime minister is also the finance minister, there is no separation between operations and finance. This is a major governance weakness. In any sizeable institution, one would not expect to find the chief executive officer taking on the finance (chief financial officer's) function as well. The operations and finance functions are kept strictly separate in order to foster objectivity, sanctity of records, accountability and controls.

Given the disadvantages described, it is little wonder that virtually all Cabinet-style governments do not have a prime minister doubling as internal security (or home affairs) or finance ministers. Malaysia's current practice came about as a result of its recent political experience. Whatever the reasons which resulted in the present practice, the disadvantages

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# Achieving objectives

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inherent therein should be borne in mind. Adherence to “best practices” in governance would require that the current practice be accorded only temporary status and not allowed to harden into permanence.

## Decision-making for approved permits

Many observers were surprised, even shocked at the decisions reached in respect of approved permits (APs). Not many, however, realise the role which management structure played in influencing events. By examining the decision-making structure and approval process in place, we can identify the weaknesses and recommend appropriate changes. Bad decisions are not produced out of thin air. Bad decisions arise as products of poor management structures.

The enormous power wielded by the Ministry of International Trade and Industry has its roots in the post-World War II and Emergency (1948-60) predicaments. Goods were scarce and necessities such as rice and sugar were of strategic importance. Virtually absolute powers were bestowed upon officials designated as “controllers” of important commodities. When car imports grew rapidly as a result of economic growth and popularity of cars, the AP regime similarly came under the “absolute control” of the designated controller.

At the same time, another trend was taking shape in the 1980s. At ministry, even departmental levels, political power and influence were in ascendance. Senior civil servants became comfortable with following orders from “upstairs”. Previously, the “Sir Humphries” were running the show, even lording over the lesser-educated politicians of the 1960s.

The net effect of powerful control-

lers combined with political ascendance is that decision-making on APs become highly centralised and politicised. At the same time, similar trends were taking place in other “high-powered” ministries.

Just compare ministerial decision-making with a body such as the Securities Commission which also wields considerable economic power. The SC is a statutory body under the direction of its board of commissioners. The chairman, who is also the CEO, is appointed on a fixed-term contract and is responsible to the board of commissioners. Under such a structure, it is natural for the SC to exercise its enormous approving authority over corporate and financial proposals in a collegial, accountable and transparent manner.

We need to consider applying the SC or similar decision-making structures to situations such as APs or large contracts where enormous economic authority are being exercised.

## Conclusion

I have only examined a few “public” management issues so far. No doubt there exist similar issues involving other institutions: companies, charities, local councils and others.

We cannot ignore the management aspects of organisations, be it the Cabinet, judiciary, ministry, department, corporation or cooperative. The management structure adopted must be able to achieve the objectives and tasks set for each institution. The challenge for Malaysian decision-makers is how to install management structures that promote efficiency, reduce abuses and which are consonant with the country’s aspirations, culture and history. // **E**

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