

This is My “Story” on GLC Transformation



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1. The Prelude to GLC Transformation

As an accountant, I achieved my ultimate ambition to be a Chief Financial Officer (CFO) when I was appointed as CFO of Telekom Malaysia Berhad (TM) on 1 March 2001. At 37, I was very excited and driven. Apart from dealing with the day-to-day finance matters, I immediately worked on the funding plan for TM, followed through on some of the mergers and acquisitions (M&A) initiatives including the initial public offering (IPO) of Telkom South Africa and initiated Project Homecoming - the return of Celcom into TM's fold. I was in the midst of chairing a meeting at Level 1 of TM's previous headquarters, Wisma Telekom when I received an urgent phone call from Tan Sri Nor Mohamed Yakcop (TS Nor), the then Adviser to Prime Minister Tun Dr. Mahathir. I excused myself from the meeting and answered the call. Khazanah Nasional Berhad (Khazanah) through Syarikat Danasaham Sdn. Bhd. (Danasaham) had just undertaken a takeover of United Engineers (M) Berhad (UEM) for RM5 billion as part of the effort to remove a major corporate governance overhang which has been affecting market sentiments since UEM's controversial acquisition of Renong Berhad shares in September 1999. That acquisition caused the Kuala Lumpur Composite Index (KLCI) to decline by some 20% within 3 days. Tan Sri Nor was looking for someone to spearhead the turnaround of UEM Group. "How would you like to be considered as a candidate for CEO of UEM Group?" asked Tan Sri Nor. I was a bit dumbfounded while my brain started to process the totally unexpected question. "Wahid, are you still there?" I replied, "Yes Tan Sri." In that 15 seconds silence, I figured out 3 reasons why I should say yes. First, I was very familiar with the UEM/Renong Group as they were my client when I was at Bumiputera Merchant Bankers Berhad. Second, I am experienced in corporate transactions, restructuring and M&As which I regard as one of my core competencies. And third, I was only 37 and felt that if I were to fail as a CEO, I could always fall back to being a CFO of another organisation. So I said yes! Tan Sri

Nor arranged for me to be interviewed by the UEM Board a few days later and after an intense interview, I was offered the job. After getting the necessary blessing from the then TM CEO Dato' Dr. Khir Rahman and Chairman Tan Sri Radzi Mansor, I joined UEM Group as its MD/CEO in October 2001.

2. Turning around UEM Group

Being my first CEO job, I still remember the nervousness and awkward feeling of having to chair the first UEM Group management meeting. After all UEM/Renong Group is a large conglomerate with some 11 listed companies under its wings. Imagine a 37 year old “freshie” being the boss to many much senior Datuk CEOs of subsidiaries and associated companies. But I was fortunate. My fellow management colleagues were professional and respected the chair. Plus they were also hoping that I would be able to steer the Group out of troubled waters.

Khazanah's decision to takeover UEM received mixed reactions. Some were very quick to call it a bailout. But there were many good reasons why the Government of the day had to initiate such a bold move. First, the UEM Group owned a number of strategic national infrastructure concessions and assets such as North South Expressway/Projek Lebuhraya Utara Selatan (PLUS), Malaysia-Singapore Second Link (Linkedua) and Light Rail Transit (LRT) systems. Second, the UEM Group had a total group debt of some RM30 billion and some banks had very large exposure to the Group. Should the Group fail, some of the banks would suffer considerable losses. And third, the UEM Group had some 24,000 employees and a collapse of the Group would result in significant job losses. Notwithstanding some opposition, the market certainly welcomed the UEM takeover.

The first step towards addressing the predicaments of the UEM Group was to unlock the value of its highway concessions led by PLUS. So, with the support of the management team, the shareholder Khazanah, the Government, the bankers and the investing community, we reviewed the toll concession to lower the toll rate increase (from 5% pa to 3.2% pa) but made the increase automatic every 3 years, restructured the debts of PLUS and thereafter undertook its IPO listing on Bursa Malaysia in July 2002. This was followed by disposal of non-core assets in order to reduce the Group's debt to a more manageable level. While I focused my efforts on corporate matters, my fellow management colleagues continued their efforts to improve operational efficiency and profitability. So after two and a half years, we managed to halve the Group's debt to a more sustainable level of RM16 billion with the bulk of them in the form of project financing. The UEM Group was back on profitable track with annual profit of RM500 million and revalued net assets of RM10 billion. So Khazanah not only achieved its main objectives but also doubled the value of its investments within three years.

3. Return to TM

Having completed my task at UEM Group, I returned to TM in a larger capacity as CEO on 1 July 2004 as part of the larger transformation of GLCs. The mandate given to me was to transform TM into a regional telecommunications company with a particular emphasis on mobile communications. The experience of turning around UEM Group and having been the CFO of TM before made me feel relatively comfortable to take on the TM CEO task. The mandate was clear, the people and the business were familiar to me. TM had its origin as a Government department Jabatan Telekom Malaysia that was corporatised and subsequently listed on the then Kuala Lumpur Stock Exchange (KLSE) in 1990. Although TM had been listed for more than 14 years then, its corporate culture was still not as competitive as one would expect of a large public listed telecommunications company. An all-round transformation was needed.

Organisationally, we streamlined management structure, brought in new talents to complement existing technical staff and strengthen the performance management system/balanced scorecard. Culturally, we removed the traditional morning and afternoon tea breaks normally associated with public sector and implemented 5-day weeks with extended working hours normally associated with the private sector. Many people thought removing tea breaks was an impossible task back then but the staff and Union officials were very receptive as they appreciated the need for cultural change and the benefits it will bring to TM and its people. We improved customer service and revamped our Kedai Telekom outlets into a more customer-centric TM Points backed by better trained staff, more efficient processes, upgraded IT systems, competitive products and a more pleasant environment. Business wise, we expanded our mobile operations into Singapore and Indonesia and strengthened our presence in Cambodia and Sri Lanka. After 18 months, we realised that while we have made significant progress overall with improved financial performance and higher contribution from our international operations, our domestic operations were not doing that great. The traditional fixed line business was growing much slower than anticipated due to migration to mobile communications. At the same time, Celcom the domestic mobile communications subsidiary of TM, despite registering higher revenue and profit, was losing market share to rivals Maxis and DiGi. Realising this worrying trend, the TM Board and management formulated and executed a holistic performance improvement programme that enabled TM to grow its data business and Celcom to regain market share. The fundamental improvements in customer service, distribution channels, network quality, business expansion and financial performance were reinforced by a global rebranding of TM into a competitive, private sector driven regional communications company.

Having addressed the fundamentals of the business and as part of the efforts to enhance shareholder value, it was decided that the TM Group would be better off being demerged into two separate listed entities. TM International (now known as Axiata Group) with Celcom and

other regional mobile communications business under its wings were successfully demerged and listed on Bursa Malaysia in April 2008. That leaves TM being repositioned as the National High Speed Broadband (HSBB) Champion spearheading the national HSBB deployment in Public Private Partnership with the Government of Malaysia. The demerger “unleashed” Axiata Group to grow further across Asia.

4. Back to “First Love”

I was in the midst of planning for the TM demerger exercise in May 2007 when I received an “awkward” proposition from the then Chairman of Maxis Communications, Tan Sri Megat Zaharuddin who was also a board member of Maybank. We were seated next to each other at a corporate function when he popped the unexpected question “What do you think of going back to banking?” Coming from the Chairman of a competitor, it was rather odd and I wasn’t sure whether I heard him right. So I asked him “What do you mean?” He then clarified that Maybank board members thought I would be an ideal candidate to succeed Tan Sri Amirsham who was planning to retire as Maybank CEO. Tan Sri Megat then arranged for lunch with him, the then Maybank Chairman, the late Tan Sri Mohamed Basir, and Tan Sri Amirsham. When asked about the qualities they were looking for in the new CEO, there were three, among others. First, they were looking for someone with sound banking/credit experience. Second, someone who had run a large organisation and third, someone who had the experience of growing a company regionally. Although I didn’t have any intention to leave TM, the thought of transforming Maybank into a regional banking group was quite appealing. Plus, I will be going back to my “first love” - banking.

I then consulted Tan Sri Azman Hj. Mokhtar, the MD of Khazanah, on the intended move to Maybank. The lengthy discussion at Starbucks Pantai Hospital ended beyond 2am with one clear resolution. I would only be allowed to leave TM Group if we can convince Dato’ Sri Jamaluddin Ibrahim (who had just retired from Maxis) to take over as CEO of TM International. After months of “courting”, we succeeded. Dato’ Sri Jamaludin joined TM International in March 2008 just in time for its IPO in April 2008. The plan was for me to join Maybank on 1 June 2008 with a one month break and one month handover from Tan Sri Amirsham. As it turned out later, Tan Sri Amirsham was appointed as a Minister in the Prime Minister’s Department in charge of the Economic Planning Unit (EPU) in March 2008 after the 12th General Election. That necessitated me to join Maybank one month earlier than scheduled on 1 May 2008.

In the three months prior to my arrival, Maybank finalised three major acquisitions’, An Binh Bank in Vietnam, Bank International Indonesia (BII) and MCB Bank in Pakistan. Many investors did not appreciate the valuation and decided to sell their Maybank shares. I had three major challenges in the first few months at Maybank. First, to follow through on the three major acquisitions costing some RM11 billion and to raise the necessary equity and debt capital required to fund the acquisitions. Second, to deal with the Global Financial Crisis that was unfolding with

the collapse of Lehman Brothers, among others, in September 2008. And third, to improve the financial performance of Maybank. Although Maybank was the largest bank in Malaysia, it was growing by only 5% pa between 2003 and 2008 when its competitors such as Public Bank, CIMB and RHB were growing by some 20% pa in terms of assets and profits. If nothing was done and if the trend were to continue, Maybank could have been overtaken by both CIMB and Public Bank in terms of profit within a matter of two years (i.e. by 2010). In fact, the investment and media community had already anticipated that happening when they sold down Maybank shares such that Maybank's market capitalisation dropped below Public Bank's and CIMB's by March 2009.

The acquisition of BII was particularly complex with many twists and turns. I recall that Maybank Board met twenty four times in my first year, mostly to deal with the BII acquisition issues. After much controversy, Maybank managed to complete the BII acquisition at RM1 billion lower than the original price. BII is now an integral part of Maybank's regional presence and strategy. While the corporate finance team was busy completing the three acquisitions, the rest of management and staff members were busy implementing the performance improvement programme called LEAP30 - a series of 30 initiatives identified to improve Maybank's performance and restore its market leadership. After all, after being put on a "burning platform", Maybankers collectively resolved not to allow Maybank to be relegated to number three in the market. The team worked very hard and after 18 months, the results were proven. Assets and deposits grew faster, customer service enhanced, asset quality improved and profit after tax bounced back to a record RM3.8 billion for financial year 2010. Maybank was back as the number one bank in Malaysia and the most valuable company listed on Bursa Malaysia.

Whilst the team, the Board and shareholders were happy with the outcome, we were worried about its sustainability. Maybankers were working very long hours due to the need to work around the existing processes and organisation structure. For me personally, more than half of the time I would still be in the office beyond midnight. Some were already experiencing professional fatigue and we knew this was not sustainable without addressing the organisational structure and revisiting the mission. We then gathered the top 1,000 managers and leaders of Maybank at a "Tiger Summit" in Putrajaya and agreed to adopt a new mission for Maybank of Humanising Financial Services. This means: To provide people with convenient access to financing; On fair terms and pricing; Advising customers based on their needs and; Being at the heart of the community. This was not just a rallying call but a reason for being for the 40,000 Maybankers in Malaysia and across Asia. Organisationally, we created a new "House of Maybank" with three business pillars of Community Financial Services, Global Wholesale Banking and Insurance & Takaful with Islamic Financial Services and International Operations straddling across the three business pillars. With the new mission and new "house", Maybank continued to extend its leadership not only as the number one bank in Malaysia but also as one of the top regional banking groups with presence across all ten ASEAN countries.

5. Lessons learnt

I was beginning to enjoy the fruits of our labour and had no intention to leave Maybank. That was until I was unexpectedly invited by the Prime Minister to join the Malaysian Cabinet in June 2013. I must say that I was privileged to have been given the opportunity to lead three large high performing GLCs over a span of twelve years. There are many lessons learnt but let me just focus on three areas:

First, on corporate leadership and management. Be clear on your mandate. Perform a full diagnosis of the company. Establish the strengths, weaknesses, opportunities and threats. Match the tasks required with the management talent internally before bringing in reinforcements to fill the gap. Revisit the vision and mission to ensure relevance. Formulate strategies and action plans together with the management team and syndicate them with all stakeholders including the Board, shareholders, employees, regulators and business partners where relevant. Communicate your plans and update them regularly with all levels of employees. Set clear and measurable short term and long term targets with clear timeline and accountability. Implement balanced scorecard/performance management system. Align the interest of management with that of shareholders. Share the rewards not just with management colleagues but with all performing employees.

Second, on management principles; always focus on the fundamentals. Address the core issue of customer service, product innovation, competitive/optimal pricing, effective delivery channel and profitable market share. Be clear on the costs and benefits of every venture, product, initiative or plan. Beyond the four quadrants of Corporate Responsibility and Sustainability, for listed companies, bottom line is about shareholder value creation (i.e. more profit, higher dividends and better share price in the medium to long term). Don't worry about short term market fluctuation. Don't over spin. Once you have achieved fundamental improvements, then you can complement it with branding or rebranding as the case may be. Form without substance will not get you anywhere. But when you combine substance with form, you will go a long way. This applies to personal branding too.

Third, on personal leadership skills and attributes. A good leader must be a visionary, articulate, authentic, engaging and have unquestionable integrity. You don't have to be the typical "loud" corporate leader to be effective. In fact, it can be counterproductive. Gone are the days when the CEO just needs to tell people what to do. In large organisations, CEOs are also expected to be more hands on and provide appropriate guidance on how things can be done. Be professional, honest, sincere and truthful to your Board, management colleagues and employees. Do not hesitate to say sorry and admit your mistakes, and learn from them. We are human beings after all. Focus on the job at hand and don't worry about your next career move. Your reputation will precede you.

6. Appreciation

Coming from a poor household, I was fortunate to have been given good education at MRSM Seremban and awarded a scholarship by MARA to pursue a professional accountancy qualification (ACCA). My only ambition was to be the CFO of a large organisation. But I ended up with more than what I asked for; being CEO of three large companies. I am grateful to *Allah* SWT for His blessings. I am grateful to the Government for the opportunity made possible by the New Economic Policy; a policy with twin objectives of eradicating poverty irrespective of race and eliminating the identification of race with any particular economic activity. Leading the three GLCs can be considered semi national service if you like. But being in the Government now is true national service. Thank you Prime Minister Dato' Sri Mohd. Najib bin Tun Abdul Razak for the honour and privilege to serve the nation.