

Making Governance Work

A doctor turned banker, Abdul Khalid is passionate about Corporate Governance

By Prathaban V

It is unusual for a chairman of a well-known company to drive a Perodua Kelisa to work. But that is exactly what Tan Sri Dr Abdul Khalid Sahan does everyday. And no, he definitely does not use a chauffeur either.

That was rather a startling revelation as I expected this bureaucrat turned corporate player to be driven around in a Mercedes or a BMW. But it doesn't bother him one bit. In fact, he seemed happy about it. 'No, this is good enough,' he says pointing proudly at the Kelisa.

That fact immediately impressed upon me that Abdul Khalid is indeed an interesting personality. A medical doctor by profession, Abdul Khalid moved up the ranks in government before finally ending up as the Director-General of the Ministry of Health in 1983. He held the post until his retirement in 1989. Abdul Khalid is also a past President of the influential Malaysian Medical Council.

During his time as the DG of the Ministry of Health, he is credited with developing the National Heart Institute. The institute at Jalan Tun Razak, Kuala Lumpur, is now a reputable heart centre in this region.

After his retirement, Abdul Khalid moved forward rapidly to become a well-known personality in Corporate Malaysia. He became a director of Malaysia Mining Corporation Bhd in 1989, a post he held

until May this year. Abdul Khalid also clocked his stint in the local finance industry. He is a former chairman of Bank Bumiputra Malaysia Bhd and a director of Commerce Asset-Holding Bhd.

Now as chairman of Rating Agency Malaysia Bhd (RAM), Abdul Khalid's pace does not appear to have slowed down. He is passionate about issues of Corporate Governance.

He also claims to be a book-lover and likens people who read as thinking professionals. He speaks highly of his schoolteachers who instilled in him the desire to study and seek knowledge. 'Those days, teachers were very dedicated, and they took a personal interest in their students,' he says recalling how one of his teachers gave him RM5 a month after noticing that he was undernourished. 'I came from a poor family and RM5 then was a lot of money. It didn't matter that I was a Malay and my teachers were Indians,' says Abdul Khalid.

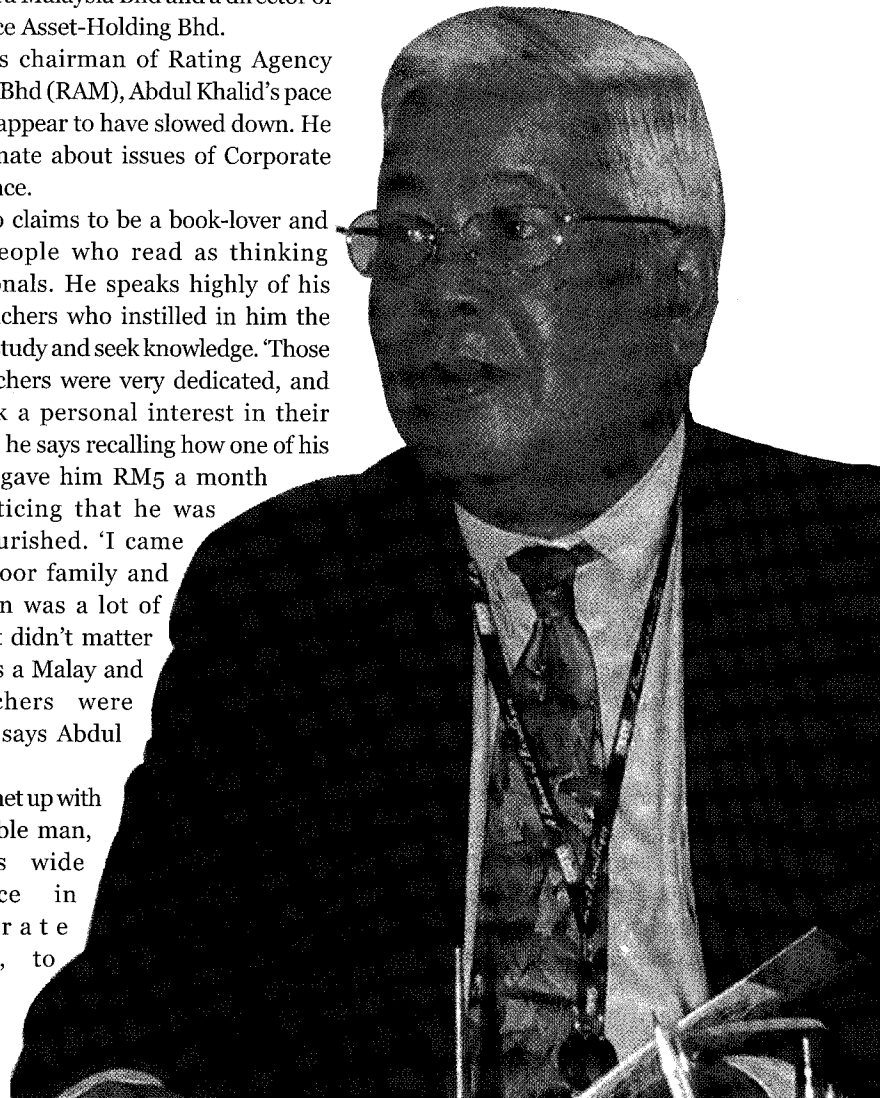
mb-e met up with this humble man, who has wide experience in Corporate Malaysia, to

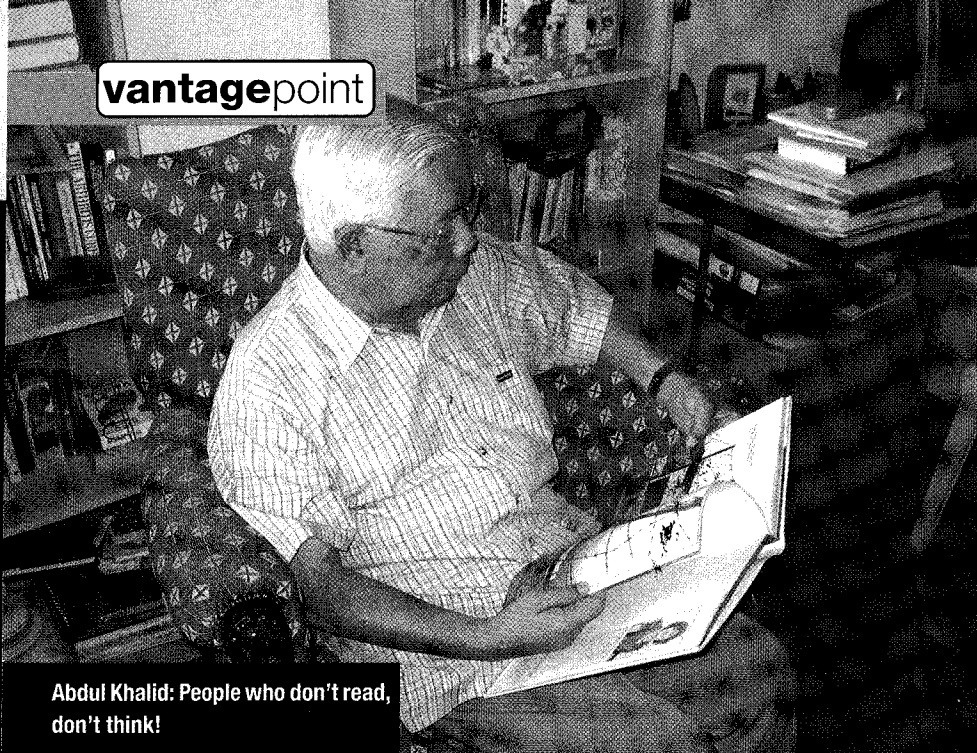
hear his views on how listed companies can move forward with good Corporate Governance policies, which Mesdaq companies can do well to implement.

What is your take on the level of Corporate Governance in the country?

Corporate Governance is still relatively new locally. As far as I am concerned, like a car's dashboard, we are still developing the Corporate Governance 'dashboard'. When I drive a car, three things on the dashboard are crucial to me: the speedometer, fuel level and temperature. Am I driving too fast? Do I have sufficient fuel? What is the temperature of the engine? Likewise by implementing Corporate Governance policies, one would need suitable indicators (on the performance of the company).

Companies exist in a socio-economic environment in the country. My main concern is the actual practice of Corporate Governance. Most companies appear to be paying lip service to corporate governance.





Abdul Khalid: People who don't read, don't think!

The Prime Minister, Datuk Seri Abdullah Ahmad Badawi, announced the plan for a National Integrity Institute (NII) recently. It is a very good idea, but it has to go beyond the rhetorics. The Government needs to really pursue it.

How can the Government lead the charge towards better governance?

It takes too long to gain approval for a project (or for any other issue). There is just too much bureaucracy. The more the bureaucracy, business people will always find a way to get around it and this leads to corruption.

There are three key issues when we talk about Corporate Governance:

Firstly, it is about accountability to the private sector shareholders, Government and the citizens. Secondly, it is about probity, trust and honesty. Thirdly, it is about transparency in decision-making. It is important to know the information and the assumptions made before arriving at a decision.

I would like these issues to be applied to the (formation of) NII as a framework for Corporate Governance.

Will these be sufficient?

Well appearances can be deceptive (especially when people pay lip service to Corporate Governance). The Government itself, as an example, is accountable to the people via the Parliament. Issues can be

raised for clarification in the Parliament.

But for the NII to work, perhaps the first step will be to establish internal control more effectively through the introduction of audit control. I am not suggesting that the Government creates a huge Audit Control Department, but these control mechanisms can be outsourced.

What about the private sector? What can they do?

The private sector tends to overreact when it comes to Corporate Governance. Just a single mosquito in a net can be one heck of a nuisance. But companies should not view Corporate Governance as a mosquito in the net. Organisations should strive to move towards better Governance.

Business organisations are now becoming more and more concerned about Corporate Governance issues. But this is mainly because of reprimands and threat of legal action. One good policy that the regulatory bodies have implemented is the mandatory requirement for company directors to go for training programmes.

So you think the training programmes are very useful?

Certainly! I myself have attended them. When I went for the training, I was able to recognise my limitations in terms of knowledge. I just did not have sufficient

knowledge in reading financial statements. But how many of the company directors today are able to do this? Sometimes we just need to force people to learn.

We learn continuously. At RAM, we have developed the culture of being thorough in our work. We ask questions (about everything), even when sometimes the answers are not forthcoming.

What is the biggest hurdle towards the implementation of Corporate Governance policies?

Fish rots from the head. Unless we get the Board and senior management of the company to be involved it would be next to impossible to implement Corporate Governance policies.

Just look at the way company Annual Reports are written. Corporate Governance Statement and information on internal control mechanism are not clearly stated. Let's not pay lip service to Corporate Governance. Corporations need to be committed to it. The chairman of the Board of Directors needs to be committed to it as it he who will set the tone for the implementation of Corporate Governance policies.

Tan Sri, what are your thoughts on decision making?

I am a rational thinker. But I admit that it is not possible to be 100% rational in thinking during a decision making process. Our decisions are very much influenced by our experience and environment.

To me, the Americans and others from the West tend to be rational thinkers. They are always looking for evidence and pursue knowledge (tenaciously). The Americans are able to mobilise their resources to targeted areas to develop themselves.

With the increase in education, people are made capable of independent judgment. Educating people liberalises thinking. Reading is important. People who don't read, don't think and they take everything as a given fact. (Perhaps that's why the world is in such a chaotic situation now). I am a sceptic. As a sceptic, I consider all possible biases and various factors before making my own judgment. **mb**