

Frankly Speaking ...

At the recent 'Malaysian Business Corporate Governance Award 2005', former Prime Minister Tun Dr Mahathir Mohamad was the guest of honour. True to form, he spoke off the cuff, showing that he has lost none of his wit and candour.

I AM QUITE intrigued to be asked to speak on corporate governance. This is a new term to me. I used to think of running companies as just managing companies.

I suppose corporate governance includes the management of companies. Maybe we have to change the title of the people who run companies to his excellency 'the governor'. Before, it was only 'the manager'.

Managing, I think, is quite an important function. It's very, very important. So much so we have decided to set up a university specially for teaching management. Maybe we have to change the name of this university to talk about corporate governance instead of management. But whatever the name might be, we still have to manage.

Management is so important. In this country, it is something that everyone must learn.

You have to manage not just companies, not just businesses, but also yourself. If you don't manage yourself well, I think you will also become a failure and you may even lose money. You have a need to manage your time, you have a need to manage your finances, your school money for example.

Management involves every aspect of life. We think of managers usually as being concerned about business. But the government is also in need of good managers. If governments don't have good managers, then you can be sure that the government will not be well managed.

So, when you train managers in the university, you should do so also for the purpose of managing governments. You know, there was a time when our national budget was about RM10 billion. Now, we talk about a national development plan of RM200 billion over five years. And that requires management.

I remember when I was the Prime Minister, we used to allocate funds for each university, each department for one whole year. Almost indelibly, they would fail to spend the money. At the end of the year, they would find

themselves loaded with money, which they had to spend before the end of the year or risk the Treasury taking it back.

So, they do what is called 'Christmas shopping'. And they try to go and spend all the money that they have in order to show that they have been very efficient in managing the funds. But I don't believe it's very efficient to indulge in Christmas shopping.

In the government, they have to manage funds, personnel and manage the resources that they have. The government has to manage the resources of the country in order to make the country successful.

In the same way, I believe, you have to manage your business in a way that will at least allow it to survive, if not make profits for yourself and also the shareholders.

Before, we did not have many listed companies with shareholders from among the public. Most of the Chinese companies in those days were family companies. And in family companies, how you manage is actually your business. It is common to keep three books; one for yourself, one for the government and one for whoever else who wants to see the books. Today, I believe, you don't keep three books, you have to keep one book for everybody.

Corporate governance now requires you to be more open, transparent and truthful in putting up your figures and reports. Of course, many people can cheat. Look at Enron, even a huge company can cheat, and it's an accounting firm. Actually, there are eight companies which cheated, and they were assisted by their accountants to cheat.

It has become very important that we have good corporate governance. There must be a criterion for corporate governance or else how would we know whether there are good corporate governance practices or not? Certain criteria must be met, and some of these criteria might be set by the government.

We have, of course, agencies which oversee the management of companies, so that the companies do not cheat and their shareholders do not lose money. For the agencies to ascertain whether there is or isn't good corporate governance, they must come up with a certain criterion.

Maybe the board of directors, then the management itself, which also has some kind of board representation. Normally, there will be reports from one minor functionary to a higher functionary and on to the board, which assists the manager. And the manager has to report back to the board of directors. But all this, I think, would be scrutinised by the agency appointed by the government to oversee that all these boards are doing well. Now, we have independent directors. Of course, how these independent directors behave we don't know. Some independent directors are not so independent. Just like some countries think they are independent but are really not that independent. This must be taken into account. But the criteria is important.

For example, how much money can a company deliberately lose without infringing any of the criteria that has been set? There was a case where I received a little shock from the government supervisory authority. The shock is that if the amount that the company deliberately loses is less than 10% of its market value or market capitalisation, then it is all right.

The management need not answer why it had deliberately lost RM500 million. It's all right because RM500 million is less than one-tenth of the market value of the company. So, the manager and his board can deliberately lose this money, this RM500 million. It's a pittance for a company that has a market capitalisation of RM5 billion.

Of course, market capitalisation is a very volatile thing. Sometimes it is up, sometimes it is down. When people have the wrong perception of a company, the market value goes down. Of course, at one time, it may be one-tenth of market capitalisation, but at other times, it might be one-eighth or one-fifth.

So, at which stage do you question the board for making the decision to deliberately lose money? But of course, if it is permitted, if it's all within range, that's fine. Because the board need not answer such questions.

We have, in this country, minority shareholders. They do not ask too many questions. Some outsiders poke their noses into these matters and ask questions. It's very embarrassing, but sometimes, people would just like to know. Of course, if it's within their right to know. And I was told that there was nothing wrong with the decision to lose money. Hence, there will be no action taken. So, no action was taken.

I think there is some fault here, something, some fact in the kind of criteria used in order to scrutinise the running of a company. Supposing the Malaysian Government has a budget of roughly RM120 billion. Now, if you were to lose RM8 billion on Perwaja, this is a very small sum. People shouldn't talk about it.

The people who were responsible for losing the RM8 billion provided shouldn't be questioned. But unfortunately, people questioned. They questioned the Prime Minister. He was not responsible. You know, somebody else allocated the money. The Prime Minister cannot be looking over the shoulders of everyone to find out if he has added one zero or taken off one zero.

You see, zero is a very important figure, more important than all the other figures that are printed either in your ledger or your account book, even in the notes that you call money.

I have with me a currency note which is worth 500 billion dinar. It's Yugoslav currency. Now, what's the figure there? The most important figure is five. But you keep on adding nothing, and suddenly it becomes very big. Nothing because it's zero. You add more zeroes, it becomes very big. This is a phenomenon which until now I have failed to understand.

Recently, Turkey did a very wise thing. In Turkey, they deal with millions of lira. The biggest note was 30 million lira. The Turkish use the lira too, not only the Italians. The Turkish Government decided to take away six zeroes. What has the Turkish Government taken away? Basically nothing. Because they were taking away zeroes. And yet, the value of the currency suddenly improved and people began to have faith in the currency. It's a little bit difficult when you have to deal in millions, billions and trillions. But take away six zeroes and you have a reasonable figure.

I was in Paris when the French did the same. They decided to take away three zeroes from the French franc.

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After that, the French franc became a very good currency. So you fiddle around with zeroes, and you get fantastic results. By doing basically nothing. Removing nothing must be like removing nothing. So, that's the situation that we have with regards to the management of money.

Today, money is not really money, it's just a lot of figures. Not just in the ledgers and account books, but also on TV screens. You know, when we were attacked by currency raiders, they didn't have a sen. Yet, by moving ownership of a lot of zeroes from one person to another, they could devalue our currency.

Of course, governance is not just about managing money, it's also about managing people.

There are different ways of managing people. In some countries, like Britain for example, you cannot sack your employees. You cannot move them out at all. Once they are in, they're in, and there's no way you can get rid of them.

But in America, the first thing you do if your company is not doing well is to sack people. That is a good system in America because they have unemployment benefits. In this country, we don't have unemployment benefits. So if you lose your job, you lose your source of income.

So if you manage a company and your company is not doing too well, to recover the company, the simple way, of course, is to sell property, close down things, sell off assets and also get rid of your employees. Then you will become very efficient.

Management is still an important element in good governance. Now you have added social responsibility. I'm sure companies would not like to tell people how much money they have given away. Of course, if you do that, you're going to create trouble. When you are known for giving away funds, for charity and all that, they come in great numbers to make demands.

And among the people who keep on going to these companies to ask for donations is this ex-Prime Minister of yours. And they come to me and ask me, 'Could you kindly sign a letter and

Dr Mahathir: *The government also deserves to have some awards because some of them really manage things well*

send it to certain companies?' Unfortunately, there are not many companies that respond to this signature of mine. So, I keep on writing to the same people.

I'm quite sure when they see the logo — the logo of the Perdana Leadership Foundation — the one where I'm supposed to be honorary president, their hearts go pitter-patter because they know that 'it's this man again'. In the post-war years, we had the word 'ITMA - It's That Man Again'. When they see a letter from me, they say 'It's That Man Again' asking for money. I'm so sorry, I have to apologise. But some people think I still have influence.

I must say that I have no influence now except to beg for money from people, which I do pretty efficiently. Some people do give out quite a lot of money. But then, of course, you give out money for various reasons, some of the reasons you can explain to the public.

But if **Malaysian Business** asks people to tell everything about the money they have been giving away, they're not likely to tell you. Because it's embarrassing to tell people where the money has gone. So I think you should not take that as a very important criterion, even though it may imply some lack of social responsibility.

Apart from that, I think it is a good idea to have this corporate governance award. It should contribute towards improving the quality of management in the country.

I notice that you have not given any awards to the government. The government also deserves to have some awards because some of them really manage things well. It's not easy because they manage bigger sums of money than the small little companies that have been given these awards.

I think the judges should also send the same questions to the government. And I'm quite sure that they would be able to win some of the prizes that you are giving.

Of course, this is a very important occasion. I'm quite sure that **Malaysian Business** will publish the news. Maybe nowadays, we are very open, we're very free and we publish all the news that is fit to print. Of course, if it's not printed, it is not fit to print.

I once made this remark in New York and *The New York Times* didn't quite like me.

I asked them who makes the decision that it is fit to print. Unfortunately, this did not go down well with *The New York Times*.

But I'm quite sure in this country if news comes out, it must be news that is fit to print. What is not fit to print, will not come out.

We're living in a very open society where everything is transparent and where good governance is something that we value and I'm quite sure these awards given by **Malaysian Business** will help to improve corporate governance in this country in the commercial field.

Thank you. **mb**

