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**Title: "WHERE WE WANT TO SEE MALAYSIA GO" DINNER ADDRESS
TO KUALA LUMPUR BUSINESS CLUB**

I would like to register my appreciation to the Kuala Lumpur Business Club for your gracious invitation to have me address you this evening. I take great delight in noting just how much the KLBC has grown in stature since YAB Dato' Seri Abdullah Badawi graced your founding last year. Your numbers are small by design but I believe collectively you represent the finest of corporate Malaysia. This is indeed a gathering not only of the "haves", but also the "have mores". As Deputy Prime Minister, my business credentials may not be as formidable as some of you present here tonight, but I trust that what I hope to share with you this evening will be of interest and relevance.

I have been asked to speak on the topic "Where We Want To See Malaysia Go". I pondered over this for some time: and while the topic may appear to be deceptively simple, the answers to this rhetorical question are not immediately obvious. I would like to invite all of you present here tonight to join me in doing some "blue skies" thinking for the future.

Malaysia today is embarking on a high enterprise of titanic importance: to transform ourselves into a developed nation by the year 2020. We have a vision of where we want Malaysia to go. But having a vision is only the first step in nation-building. A vision unexecuted is meaningless. Our task is therefore to focus on the execution of this bold project to the best of our collective abilities. What I hope to do over the course of this evening is to give you some food for thought as to how we may go about achieving this vision.

We have come a long way since Merdeka. There can be no doubt that Malaysia has done well. The quality of life has improved: life expectancies have increased. Malaysians nowadays are better educated. We are enjoying greater wealth than we did a generation ago. Malaysians have acquired a more global outlook. While many did not give us much of a chance 47 years ago when we gained independence, Malaysia today has become a shining example of a modern,

stable and progressive nation.

National indicators speak volumes of what we have managed to achieve. Back in 1957, the life expectancy at birth was 55.8 years for Malaysian men - now it has risen to 73. In our early days of independence, 8 out of every 100 infants would fall victim to an early death. Today, infant mortality is on par with developed countries at less than one child out of every 100 born infants.

Together with health, education is seen as another prime responsibility of the state. There was a time when an entire kampong would celebrate a boy or girl being accepted into a university. Nowadays, university education is becoming more a norm than an exception. In 2003, access to tertiary education has improved to 29% for the relevant age cohort compared to only 3% in 1980. Primary education has now become universal in Malaysia. The happy reality is that education is no longer a privilege for the few but a fact of life for almost every Malaysian.

We are also seeing more and more Malaysians escaping the clutches of poverty, and enjoying a better standard of living. Back in 1970, the incidence of poverty among Malaysians was at an alarming 49.3%. We have made amazing progress to reduce this to 5.5% at the start of the new millennium. Our aim to eradicate hard core poverty completely by 2009 signals the Government's absolute commitment to giving all Malaysians a decent standard of living.

Malaysians are now beginning to have a more global outlook. Many of us follow global developments via CNN and the BBC. We travel overseas with increasing frequency. We are now better read. I am proud to say that some of us are now more cosmopolitan, more urbane, more sophisticated. We have made the first steps to becoming citizens of the world.

How have these dramatic improvements affected the Malaysian psyche? For many of us, the rising standards of living bring with it rising expectations: a blessing and a curse both at the same time. Improved quality of life brings with it the proliferation of choice. To paraphrase a past British Prime Minister (Harold Macmillan), clearly Malaysians have never had it so good.

But rising expectations also mean that Malaysians will

demand more out of public and private services. We are beginning to think differently. We cast a critical eye not at the hardware of Malaysia, but at the standard of software that accompanies it. Service providers, from telecommunications companies, Internet service providers, local government offices, all the way to hospitals and schools, must be prepared to meet ever increasing expectations. We must conquer the challenge of meeting the increasing expectations of the new Malaysian, and in the Prime Minister's own words overcome this combination of "first world infrastructure with a third world mentality".

Whether we like it or not, excellence cannot arise in a vacuum. Success can only be ours to take if we are willing to create a high performance culture that can stand up to the challenges of the future. Inculcating a high performance culture demands that we arm ourselves with the necessary skills and attitudes, in the form of positive traits that we must adopt. These traits, if properly imbued and developed, will form a unique competitive advantage for Malaysia.

The subject of positive traits, unfortunately, could easily degenerate into a monologue of apple pie goodness, without giving us any real insights into what may be of most impact for Malaysia. Let me therefore focus on three distinct positive traits that stand out in my mind as key to our success: a culture of precision; building to last; and personal integrity.

The culture of precision is about accuracy; it is about quality; it is about punctuality. Why is it that German cars are so well-regarded? How is it that Swiss watches continue to command a premium among watch connoisseurs? These countries have developed a reputation for reliability, design and quality. And this is something that we are sorely lacking; this reputation for precision. We need to eliminate the culture of "lebih kurang" and aspire to precision and quality in everything we do.

Malaysia harbours aspirations of becoming a global player in the field of high technology. 22 years of exemplary leadership by Tun Dr Mahathir has broken much new ground. We have initiated a fairly successful national car project. We have taken first steps in the field of aerospace. We have become a global hub for electronics assembly. More recently in the last decade, we have embarked on developing

ICT and biotechnology as the twin engines of a knowledge-based economy. In all of these endeavours, the culture of precision is of paramount importance. To be truly exceptional, we must reform our psyche and rid ourselves of mediocrity.

Islam has along a glorious tradition of precise scientific endeavour. Baghdad, during the time of Harun Ar-Rashid, had the distinction of being the foremost centre of science, art and culture during mediaeval times. Muslim Astronomers in particular were renowned for their precision and mathematics. In the late 10th century, Al-Biruni was the first to mathematically prove that the earth rotated on its own axis, and calculated the earth's circumference with great accuracy. He fixed scientifically the direction of Makkah from any point of the globe, thereby providing accurate direction for prayers for Muslims up to this day.

As a modern day example, in designing an aircraft wing, an error in the third decimal place for a calculation may well be fatal for hundreds of passengers each time the aeroplane takes to the skies. An ill-designed piece of software code in an automatic train navigation system could well lead to a collision which would cost the lives of hundreds of urban commuters. Clearly if we are to embark seriously up the value chain from user, to final assembler, to component manufacturer to R&D and design, we will not be able to succeed without deep knowledge and a fanatical appreciation of precision.

Punctuality is another dimension of precision. We often joke about "Malaysian time". I think we joke about this too much. Malaysians still take punctuality for granted. This is a disease: a malaise that costs us precious time and money. In contrast, trains and buses in Japan keep to their schedules zealously, so much so that you can set your watches by them.

Precision and punctuality is derived from discipline and forms the bedrock of any high performing society. In Surah Al-Asr of the Holy Quran, Muslims are enjoined to value time and seek to do good work based on truth and perseverance. There is no successful society or nation in the world today that does not display these vital traits in their social, economic and cultural endeavours. We must do the same if we aspire to achieve comparable success.

In 2002, Professors John Collins and Jerry Porras published what is now regarded as a landmark book in the realm of business management. It was called "Built to Last: Successful Habits of Visionary Companies". It spoke of companies such as Disney, Sony, and General Electric, and how these visionary companies have endured the times to carve out a legacy that was built to last.

What I found striking when I first read this book was a common sense of purpose among the different leaders of each organization. The book debunked the idea that visionary companies require charismatic and visionary leaders. Instead, it made the point that each leader, in his or her own way, set Big, Hairy, Audacious Goals or BHAGs ["bee-hags"] for their companies to aspire to, and followed them through to completion. They did not hunt down short-term profits or employ slash-and-burn tactics. These were leaders who always led with the long-term view in mind and held steadfast to these goals.

In Malaysia, I find that the reality is often strikingly different. We hear about property developers who take cash from house buyers and then fail to deliver. We hear about computer labs that collapse because they were built using low-quality building materials. We hear about "Ali Baba" entrepreneurs who procure licences from the authorities and immediately sell them on to others to make a quick buck. This is all very deplorable and very disappointing.

Malaysians must learn to think long term. We must recognise that long term success is built on a series of appropriate short term decisions that reinforce end goals that do not necessarily change with each new CEO or leader.

We need to foster a culture where we build things with an eye to the future. Shah Jahan, when he built the Taj Mahal 372 years ago in 1648, decided that the monument would be his testament to his undying love for his dear departed wife. Today, it remains a stunning architectural beauty and a landmark of human achievement. We should now ask ourselves: in the year 2369, would our children still look up the two towers of KLCC spiralling upward to the heavens and marvel at what our generation has bequeathed to them? This is a thought that we should ponder on carefully, and hopefully apply to our work. Building to last must be a trait for every Malaysian endeavour and every Malaysian enterprise.

Malaysians also need to adopt a culture of personal integrity. The reason is obvious: all successful nations are built on the bedrock of integrity and probity. Corruption and lack of transparency, coincidentally or otherwise, is most rampant in countries which politically-correct observers refer to as "prosperity-deficient". Indeed, integrity is a key differentiator in the competitive advantages of nations. The lack of integrity results in increased transaction costs, poor morale, and an overall mood of failure. We have seen, among even our nearest neighbours, how widespread corruption can easily erode the moral fibre of a nation and render it weak and demoralized. And even if the perpetrators are eventually punished, the damage wreaked upon the economy of a nation may take years if not generations to repair.

Fortunately, Malaysia can still be considered to be relatively free of corruption. Nevertheless, we must continue to combat this scourge, and aspire to ensure integrity in the way we live and work. Nothing less than constant vigilance can ensure that integrity permeates into our nation's sub-conscience. We have put into place a National Integrity Plan to ensure that integrity takes its rightful place in Malaysian life. This is a key agenda for this new Government.

How do precision, building to last and integrity all come together? Let me share with you the story of Michelangelo, possibly the greatest artist in Western civilization. In 1509, when 30 years old he was commissioned to paint a simple depiction of Christianity's twelve apostles on the ceiling of the Sistine Chapel. When he finished four years later, his masterpiece was of four hundred figures and nine separate scenes. For four grueling years he lay on his back painting the ceiling of the Sistine Chapel, a work that permanently damaged his eyesight and wore him down. One day while working on a dark corner that no one would ever see, he was asked why? Michelangelo's simple reply was, "God will see."

Identifying positive traits for Malaysians to contemplate upon is an interesting exercise in itself. But it remains an academic exercise unless we are prepared to go the extra mile towards incorporating it into our national consciousness, as part of a national value system that we adhere to. The question before us is how do we apply these

positive traits?

We are already on our way towards the creation of a high performance culture anchored on these values. Prime Minister Dato' Seri Abdullah Ahmad Badawi has kicked this off by asking Government-Linked Corporation to develop Key Performance Indicators that measure them against benchmarks and negotiated target. Crucially, these KPIs are linked to real consequences in terms of compensation, appointments advancement and dismissal of senior management of GLCs. To ensure that our MPs are truly dedicated towards serving the rakyat, Barisan Nasional MPs are also under scrutiny. Just as leaders of publicly listed companies are required to provide quarterly financial statements to Bursa Malaysia, BN MPs will now have to provide quarterly reports to the Prime Minister.

In a speech to the National Civil Service Conference last month, I expressed my disappointment at the decline in Malaysia's ranking in the Corruption Perception Index of Transparency International to 37th last year, and I reinforced the point that high moral character and integrity are important prerequisites for an efficient public service.

The public sector is moving in the right direction by taking steps to enhance efficiency, remove unnecessary bureaucracy, and tackle problems of corruption and abuse of power. We are seeing a new drive towards instilling a high performance culture and positive values. There are higher expectations now on service delivery mechanisms such as passport issuance and identity card registrations. What this amounts to is no less than the transformation of the public sector.

Ultimately, the public sector can only benefit from a more serious effort to instil positive traits and values. As taxpayers, Malaysians deserve better quality of service, and the Government is determined to ensure that this happens on a continuous basis.

It is not an easy task, by any measure, to transform the workings of the public sector. For the private sector, the challenge is equally great. The global business environment is growing ever more competitive. Markets that were once insulated from competition are now wide open - this includes our own. We are seeing an unprecedented shift

towards a truly global business environment. The expectations upon business never seemed so high.

In business, there is no substitute for precision and good service. In industries such as financial services, multinational corporations are now making headway into local markets. Maybank and RHB must now compete not just with each other, but with the deep pockets and skill sets of Citibank, HSBC, and Standard Chartered. In highly competitive sectors such as banking and telecommunications, attention service quality is critical to client satisfaction and sustainable performance.

Companies also have no choice but to plan for the long-term i.e. building to last. Jack Welch, during his time as CEO of General Electric (GE), set the golden standard that every business in GE must be #1 or #2 in its industry, or get out of that business. Petronas, which agonized over whether to expand overseas in the 1990s, now has operations in over 30 countries and derives more than 40% of its revenue from international operations. These are companies that have decided to build to last, and set themselves Big Hairy Audacious Goals.

Of course, it gives me immense pride that we now have home grown companies that are now competing on level footing with global giants, giving the multinationals a run for their money. But I am also concerned that there are a great many companies out there that have yet to seriously think about what it means to compete in a global environment of cut throat competition. With due respect, quality certifications such as ISO and SIRIM certifications should be seen as minimum requirements rather than crowning achievements worthy of press conferences and photo opportunities.

The need for integrity is also no less urgent for business than it is for government. Business thrives on efficiency and transparency. Malaysian businesses, when venturing overseas, must keep in mind that they are Malaysian, and as such, need to adhere to high ethical values and corporate social responsibility. The lessons of Enron and Worldcom are still fresh in our minds: we should not go down that road.

It is perhaps at the individual level that the challenge of instilling positive traits is most onerous. Changing the

nature of a fellow human being is the most difficult thing to do. As a politician dealing with people of all shapes and sizes and backgrounds, I know this to be true.

Perhaps, the reason why we mourn greatly the passing of personalities like the late Tan Sri Azizan, is because the qualities embodied in these leaders are fast becoming rare in our society.

We must encourage Malaysians to compete with the world's best. We must learn to celebrate our diaspora, instead of envying or worse still, criticising our talents for their willingness to take on the rest of the world in their own back yards. Malaysian luminaries such as Jimmy Choo, Michelle Yeoh, Megat Zaharuddin and countless others have taken this road less travelled. These are Malaysians whom we should admire and emulate.

In terms of people development, we must focus on encouraging individuals to develop a "spike" or "distinctive quality" in terms of professional competence and personal performance. More emphasis should be put on personal development in our national education curricula, and teachers must take the initiative to instil in their charges a vivid sense of personal actualization. Only by conquering themselves can Malaysians then move on to conquering the world.

On an individual level, instilling these positive traits should be the responsibility of every Malaysian. In this regard, the family unit and school community have a pivotal role to play. We must return to the days when good manners, social etiquette and civic behaviour were instilled in our young by parents, and reinforced by relatives, neighbours, teachers, and family friends. Our social fabric needs to be mended and made strong again, if we are to succeed in making this next leap towards excellence, glory and distinction.

If there is so much that we must do to improve, we should ask what is our competitive advantage that we can build on for the future? In this day and age when each nation must brand itself to order to create a compelling "story" in the global marketplace, positive traits are all the more important. If Germans are known for their engineering, the Japanese for their work ethic, the Americans for their entrepreneurialism, the French for their cuisine, the Italians for their design,

my question to you is this: what is Malaysia's compelling "story"? Are we hard-working? Earnest? Sincere? Capable? Where do we stand in the eyes of the world?

Before we hide behind the argument that we are a young nation and that the countries I have cited are established, old powers, take a look at our neighbour down south. Even as we may joke about the "kiasu-ness" of Singaporeans, we should acknowledge that it is their competitive zeal, their survival instincts, their need for orderliness and predictability, and the clinical quality behind this "kiasu-ness" that have made Singapore and Singaporeans stand out in the eyes of the world.

So what makes us distinctive? There may be many different views on this question, but allow me to offer one. I believe we are a nation where hospitality comes naturally to our people. The natural instinct to accommodate, to serve our guests and friends, is prevalent across all cultures. We see this in our rural communities and in villages and towns across the country. But when this natural ability is nurtured and honed through training and practice, our performance is world class. Earlier this month, over 2 million international air travellers voted the cabin crew of our national airline MAS as the best in the world for the third year running. One of the key attributes for the continued success of MAS was the "natural warmth and character" of its cabin staff.

While I take this opportunity to congratulate Malaysia Airlines for their success, let me also urge us to consider the potential of harnessing on this natural ability of ours in other fields, particularly in the growing services sector of our economy. I believe if we are able to emulate this exemplary level of customer service in a variety of businesses and industries, from tourism to healthcare to front line agencies of the Government, this would over time become a distinctive source of national pride and competitive advantage for Malaysia. Combined with greater commitment to a culture of precision, building to last and personal integrity, perhaps this is where Malaysia should ultimately be going. Food for thought.

Mahatma Gandhi once said:

First they ignore you, then they laugh at you, then they

fight you, then you win.

There was a time when the world ignored us. We were that ungainly appendage just north of a booming city state. Then they laughed at our dreams to build a national car. And when they realized that Malaysia was a tiger waiting to pounce, they fought us, and tried to bring us to our knees. We fought back and have since recovered. In the end, I have little doubt that Malaysia will succeed and claim our place in the council of nations, where we will lead through our example and our courage.

The journey of a thousand miles begins with a single step. I hope I have given you enough to imagine how to take these early steps with a clear vision of the future. Of where we want to see Malaysia go.

Office of the Deputy Prime Minister of Malaysia