

**SPEECH BY THE HON TUN DR MAHATHIR BIN MOHAMAD  
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**“Leadership in the age of Uncertainties – The effect of Global Events on Business”**

I feel greatly honoured that this Conference of Chief Executive Officers should ask me to speak on leadership. I never really had any experience in leading business companies. Most of my experience is in Government. Still I hope I can shed some light on leadership – in this case on leadership during periods of uncertainties. If at times I talk as if this is a medical conference of doctors I hope you will excuse me. As you know I was a medical doctor and my training influences my thinking greatly.

2. The human mind is extraordinarily agile, able to remember past experience, recognise the present situation, assess and evaluate, test the various options and arrive at a conclusion. With training and repeated experience the agility and speed can be quite astonishing.

3. I was trained as a doctor and the most important part of the training is the methodology of diagnosis. It is not unusual for a doctor to diagnose the disease of a patient as he approaches the doctor. Malaria, tuberculosis, Parkinson’s disease can be easily recognised. The examination that follows simply confirms the correctness of the diagnosis.

4. But in most cases the diagnosis is made after going through the process of history taking, physical examination, laboratory tests and certain special tests as indicated. After practising medicine for a number of years the procedures can be carried out almost automatically. The normal cases are hardly ever missed.

5. But once in a while there would be uncertainties. New diseases are not as infrequent as was once thought. Thus AIDS, SARS, mad cow disease may intrude and throw the routine out of gear. They may be missed and the consequence may be death not only for the patient but also the doctor.

6. How a doctor deals with uncertainties like these depends on his knowledge and experience in dealing with the humdrum everyday diseases and an awareness that there would be unusual diseases which may afflict his patients.

7. So much for doctoring. Is the experience of the medical profession relevant to the CEO and his management of his business?

8. I don’t know whether you would consider a Prime Minister a CEO but he does manage the business of governing a country, managing people, manage the usual problems of administering a country and also the uncertainties created by unusual problems within and from without. In any case whether a Prime Minister is CEO or not, I found my background and experience as a doctor extremely useful.

9. I had been trained to be methodical in medicine and when dealing with any problem, including in administration, development and problems of the nation. I naturally apply the methods I had learnt. I invariably go through the drill of getting briefed; examining the symptoms and the signs, testing with whatever analytical instruments that may be available, understanding and diagnosing the problem and the options for dealing with it.

10. If the problem is unusual or unexpected, the methodical examination will show this up. Mistakes may be made which show up very quickly in the results or responses. Consultations could be resorted to, if the solution yields no result.

11. In Malaysia crisis management is something we are familiar with. During the Communist insurgency the Government maintained a permanent committee, which collected and evaluated the information and decide sometimes on a daily basis the action that needed to be taken.

12. During the race riots of 1969 a National Action Council was set up. And during the financial crisis of 1997 – 1998 a National Economic Action Council was set up, the membership of which was quite big and was unable to handle day to day changes in the crisis which required immediate reaction.

13. A smaller committee was set up with about 10 members. This committee actually sat every day, sometimes taking up whole mornings, to discuss the latest information and statistics and to propose immediate solutions. Relevant personages would be called to brief or participate in the deliberation.

14. It is generally believed that Malaysia's successful handling of the currency crisis was due to the pegging of the Malaysian Ringgit and the blocking of the share trading by Singapore's CLOB (Central Limit Order Book). These measures undoubtedly contributed to the successful handling of the crisis but equally important were the daily monitoring and decisions taken by the small crisis management team. Every single data coming in would be examined closely and specific action taken to counter the negative effects.

15. Still the currency turmoil, after a time became no longer an uncertainty. We could tell exactly how it was happening, who was doing what, the effect of their action and the trend. Accordingly the counter-action could be instituted with reasonable expectation that damage would be minimal should the turmoil recur. An uncertainty has been reduced to a certainty. More than that other uncertainties can be dealt in the same way.

16. In today's business world the uncertainties come from various changes in the business environment. First came technological advances, for example the rapid and detailed dissemination of information. This requires equally rapid assessment and reaction. Failure to evaluate the information directly may result in disasters for the company and perhaps the country's economy. And all the time there would be the stress caused by urgency. Decisions have to be made and made quickly. And this of course increases the possibility of mistakes being made.

17. The good CEO quickly learns the different permutations of the problems caused by uncertainties. In the process the choices available would also be recognised. The particular natural strength of the institutions would influence the choice. Against this would be the threat of the situation outside.

18. One thing that I have always borne in mind is that there is no perfect solution, no perfect answer to any problem. All solutions will have positive and negative results. The skill required is to balance these pluses and minuses and to decide whether to take the risk or not.

19. Since every solution will have a downside, apart from the advantages from the upside, minimisation of the downside effect must be worked out ahead of the implementation of the solution.

20. It is said that two heads are better than one. Ten heads may be better than two. But too many heads may confuse everyone and may produce too many solutions. A new problem now arises – that of deciding which solution is best. Knowing that no solution is perfect, choosing between imperfect solutions is not an easy thing.

21. Other uncertainties arise from new businesses based on new technologies. We have not as yet exploited all the potentials of the Internet for example for our present businesses and for new businesses.
22. We have Microsoft, Yahoo and Google, but surely we can device other search engines or other applications of these search engines.
23. Globalisation can still spring many surprises to make doing business uncertain. Suddenly local businesses may be threatened by the international giants. The handling of these threats is a challenge. If you cannot fight them can you join them?
24. Some countries see only one solution. Sell out to foreign buyers. Some see multiple possibilities. Malaysia refused to sell out to the international giants. Banks are merged and consolidated, hoping to be strong enough to face the challenge.
25. Some Malaysian industries try to make use of globalisation to expand abroad. Some have actually bought over foreign companies and try to turn them around and expand.
26. Obviously there are many possibilities with every uncertainty faced by business. Retreat is not the only option. For the brave and the open-minded, new areas will open, and a challenge or a threat can be turned into an opportunity.
27. Some people think that size means strength. There is a mad scramble to acquire and to merge in order to become big instantly. This has led to there being only a few giant corporations in a particular industry.
28. But if we care to examine them, many of these giants have clay feet. When an organisation is big the centre becomes too far from the periphery. As a result control becomes difficult or impossible. Many of these giants who are supposed to dominate the world have collapsed. And when giants collapse they drag down minor companies with them.
29. Currently the business community likes to talk of independence and a free market. They believe that the market can regulate itself. If companies are inefficient then they should be allowed to go bankrupt and die. The fittest will survive.
20. The developed economies are convinced that they can do without Government interference. But the moment any of their businesses fails, they would be the first ones to ask to be rescued.
31. We see this quite often. Huge sums are pumped into these failed businesses by the Government of developed countries under the excuse of saving the finances or the economy of the country. This is of course a bailout. So when faced with the kind of uncertainty whatever the cause, getting bailed out by the Government or temporary stay of bankruptcy proceedings remain an option.
32. There was a time when one talks of being as safe as the Bank of England. The Bank of England is of course no longer safe. Under attack by currency traders the pound devalued. We now put our faith in the US Dollar because it is the standard currency for trade.
33. Then the currency traders started to devalue other currencies against the US Dollar. We try to overcome the uncertainties caused by the currency devaluation through hedging. But hedging cost money and is not foolproof.
34. Now the US Dollar has devalued against other currencies though not against the Ringgit. The uncertainties in the exchange rate of the US Dollar against other currencies need to be

handled. The usual hedging is no longer enough. Budgets and prices have to be reviewed frequently. And management of cash becomes an important part of business.

35. The question that will be asked is whether the value of the US Dollar will recover. It might but probably never to its old strength. Of course it might not, it may continue to slide, especially under the Bush Presidency which regards deficits as not worth reducing. After all the US Dollar is not backed by anything. In fact the backing, in the light of debts of over 7 trillion dollars is negative. Only fear, fear of a worldwide economic catastrophe if the dollar is rejected gives the dollar the value it now has. But the catastrophe will come one day because even the most powerful country in the world cannot repay loans amounting to 7 trillion dollars. The uncertainty is concerned with the timing and not whether or not it will collapse.

36. There are obviously many causes for uncertainties in the business world. The leadership of the CEOs will be measured by their ability to handle uncertainties. The skills at hedging must be developed; hedging not just against the fluctuations in the exchange rates of currencies, but hedging against globalisation and the collapse of the giant corporations, against shortages and high prices of raw materials, against the burgeoning industrial capacities of China and India, against the belligerent policies of the United States and wars or the threat of wars.

37. But then uncertainties also give rise to innumerable opportunities especially in foreign countries. Malaysian companies, especially construction companies are now very active abroad. If you want to go abroad, make sure you can really do what you promise to do. Operating in foreign countries exposes you to many uncertainties. Malaysian companies going abroad should form an association open to members who can really deliver. Membership of this association should assure foreigners that these are good companies capable of fulfilling their undertakings. Already a number of companies have reneged on their promises and given Malaysia a bad name. By all means go abroad to balance your performance at home, to overcome some of the domestic uncertainties. But be careful that your behaviour does not kill this alternative which can play a role in mitigating the uncertainties of today.

38. I am quite sure you don't need much advice on the handling of uncertainties in business. During the development of Malaysia you have gone through many uncertainties, political, economic, cultural, racial etc. But we have not only survived but have been able to actually develop and prosper. I think you have enough experience to handle the global and local changes affecting your business. Then again we can learn from each other. The Southeast Asian countries have a huge store of experience in handling uncertainties. We have largely survived. If we learn the lessons of our business history we can avoid repeating the mistakes. The uncertainties of the past can help mitigate the uncertainties of the present and the future.