Transformational Leadership: The Experience of Malaysia

Dato’ Sri Idris Jala
Transformational Leadership

• Leadership is about **dancing on the edge**

• It is about **building trust capital** (doing popular things the people wants)

• It is also doing something **outside their expectation** (unpopular things)

• Transformation is **broadening the scope**

“The Transformation Leadership is about disappointing people at the rate they will permit”

– Marty Linsky, Harvard Professor (Transformation Leadership)
In 2010 we were at crossroads. We were stuck in the Middle Income Trap with increasing debt and fiscal deficit.
Road most travelled

- **90% of high income countries take this road**

- **High income**

- **Wide income disparity**

- **But unsustainable fiscal position i.e. high govt debt and fiscal deficit**

<table>
<thead>
<tr>
<th>Country</th>
<th>Govt Debt to GDP</th>
<th>Fiscal deficit (% to GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>96%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Source: Trading Economics
Road less travelled

• **Only 10% of high income countries take this road**

• **High income but sustainable fiscal position (relatively low Govt debt and fiscal surplus/balance)**

• **Inclusive development (narrow income disparity)**

Source: Trading Economics
We promised to break free from the middle income trap, now we are on the road to **high income**

**GNI per capita (current USD)**

![Graph showing GNI per capita trends](image)

We are no longer stuck in the Middle Income Trap with worsening fiscal deficit.

- **2010**: USD 12,276 (33%)
  - Malaysia’s GNI per capita (USD 8,280)
  - World Bank’s High-income threshold (USD 12,276)

- **2016**: USD 12,235 (19%)
  - Malaysia’s GNI per capita (USD 9,850)
  - World Bank’s High-income threshold (USD 12,235)

Source: World Bank Atlas Methodology
2x growth in Private Investment

ETP Launch

2006 – 2010 CAGR 5.5%

2011 – 2016 CAGR 11%
We promised to create 3.3 million jobs in 10 years

To date, 2.26 mil jobs have been created
Malaysia has successfully brought poverty down to 0.6%
'Malaysia has in many ways become a success story in shared prosperity. Shared prosperity means that all households experience income growth, but growth is higher for those households at the bottom of the distribution, a pattern that leads to lower inequality. In the past 40 years, Malaysia drew on its natural resources to nearly eradicate absolute poverty, from 49 percent in 1970 to 1 percent in 2014.'
Key data on poverty eradication

- **Gini coefficient reduced** from 0.441 in 2009 surpassing the 2015 target of 0.420
- **Mean B40 household income, increased** from RM1,440 in 2009
- **Incidence of poverty** in 2014, from 3.8% in 2009
Bottom 40% Household Income Growth Outpacing Average Household Income Growth

Compounded Annual Growth Rate (CAGR) of Household Income 2009 - 2014

- Mean: 8.8% (B40 Household Income), 12.0% (Average Household Income)
- Median: 10.1% (B40 Household Income), 12.8% (Average Household Income)

Inflation CPI: 3%

Note: Data for 2014 Household Income Survey are based on interim report and inflation data for 2012 is based on CPI until August 2014
Source: 11th Malaysia Plan
We implemented inclusive measures for low income people

7 million
Low income households and individuals benefited from BR1M (cash transfer)

302,946
Individuals participate in the 1AZAM programme

2.9 million
Lifted out of poverty due to minimum wage policy

“I’m happy. The courses I took organised by AZAM Kerja’s Train and Place programme have really helped. I now see about a hundred customers every month who come for haircuts, hair styling and treatment. But I would still like to expand if I could.”

Clarisa Balicco
Beauty Salon Owner, Kota Kinabalu, Sabah
We built a record length of rural roads benefiting 3.5 million rural folks.

6,042 km rural roads completed

“Most roads built since independence”
1,681,330 people benefited from having new access to clean water

350,094 rural houses given access to clean water
720,125 rural people now have access to reliable electricity

153,821 rural houses have been electrified
We achieved almost 100% literacy rates in primary schools

Better literacy and numeracy rates among primary students

**NUMERACY RATE**

AVERAGE

99.0%

(YEAR 3 STUDENTS, 2016)

**LITERACY RATE**

(2016)

AVERAGE

97%

BM PROFICIENCY FOR YEAR 3 98.6%
ENGLISH PROFICIENCY FOR YEAR 3 94.8%
..and 108% improvement in Band 1 & Band 2 schools

36.8% schools in Band 1 and 2 in 2015 vs. 19.44% in 2010

0.95% schools in Band 6 and 7 in 2015 vs. 6.58% in 2010

Note: 2010 banding based on 2009 examinations; 2015 banding based on 2014 examinations
We have a law that imposes self discipline - a Govt debt ceiling of 55% of GDP

Govt debt 54.5% of GDP (2015) and 52.7% of GDP (2016)
The Government’s Fiscal Sustainability

6 years record government revenue

6 years of fiscal deficit reduction

53% Government debt below limit of 55% GDP
Other governments want to adopt Malaysia’s model of Transformation

Tanzania
- Water
- Crime & Safety
- Governance
- Education
- Energy
- Agriculture
- Healthcare
- Transport
- Public finance

Russia
- Road and Transport

Ethiopia
- Youth and Development

India
- Water
- Education
- Wholesale & Retail
- Governance
- Urban development

Malaysia
- Crime
- Governance
- Low income
- Rural development
- Cost of living
- Education
- Urban public transport
- Water
- E&E
- Business services
- Financial services
- OGE
- Palm oil & rubber
- Agriculture
- Creative content & communication
- Tourism
- Healthcare
- Wholesale & retail
- Human capital

S. Africa
- Healthcare
- Food security
- Oceans

Oman
- Tourism
- Logistics
- Manufacturing
- Finance
- Labour
- Fisheries
How did we do it?
Governments around the world have **beautiful plans** and promises....

However, the main difficulty we face is the **failure to deliver**....
8 implementation problems

- P1 Unclear direction, not focused
- P2 Lack of leadership commitment
- P3 High level plans not translated into practical 3-feet programme
- P4 Rigid Implementation
- P5 Silo mentality and work approach
- P6 Public demands and input not adequately heard / obtained
- P7 Poor accountability....
- P8 Lack of Transparency and Trust Deficit (Public does not trust the Government)
The Simple Logic

8 Problems

8 Step Process
(hard-wired) to deal with all the problem

“Cherry Picking the 8 Steps leads to small & slow results” (Not BFR)
New way of working:
The 8-Step BFR Methodology

Planning / Thinking (10%)
- Strategies, Key Activities & Responsibilities
- Organizing
- Communication & Engagement

Implementation / Doing (90%)
- Monitoring
- Recursive Problem Solving
- Assessment / Validation
- Reporting
Step #1: Leadership and Strategic Workshop

Facilitated multiple Cabinet retreats to ascertain the direction needed and to set the National Key Result Areas ("NKRAs") and National Key Economic Areas ("NKEAs")

Deals with

- P1: Unclear Direction
- P2: Lack of Leadership Commitment
NTP : GTP + ETP

7 National Key Result Areas (NKRAs)

- Reducing Crime
- Anti-Corruption
- Rural Development*
- Urban Public Transport
- Low Income Household
- Education
- Cost of Living

* Renamed from Rural Basic Infrastructure

Focus

12 National Key Economic Areas (NKEAs)

- Oil, Gas & Energy
- Palm Oil & Rubber
- Financial Services
- Agriculture
- Communications Content & Infra
- Healthcare
- Business Services
- Tourism
- Education
- Wholesale & Retail
- Electrical & Electronics
- Greater KL

Competitiveness

51 Strategic Reform Initiatives (SRIs)

- Competition, Standards & Liberalisation
- Human Capital Development
- Public Finance
- Public Service Delivery
- Government’s Role in Business
- Narrowing Disparities
Step #2: Facilitate Labs

Deals with

- P3: High Level Plans (30,000 ft) are not translated into detailed 3ft problem.
- P5: Silo mentality and work approach
- P7: Poor Accountability

Labs are working sessions attended by key stakeholders to establish implementation programmes to detail out what needs to be done – we call them “3feet programmes”
Under the ETP, we conducted 12 labs with 500 participants over 8 weeks.

Private Investments (2011-2020)

- EPPs: 131
- GNI: USD 250 bil (2020)
- Jobs: 3.3 mil (2011-2020)

• Idris Jala – Top 10 Most Influential Policy Makers in the World (Bloomberg Market 2014)
• PEMANDU – Top 20 Most Innovative Government Agencies in the World (Bloomberg Philantropies and Nesta 2014)

*US-Ringgit Conversion Rate at the time of the lab, 1 USD = RM3.2
ETP – Economic Transformation Programme
In Oman, we identified **121 projects** that would bring in **USD 42 billion** in private investments.

**Tanfeedh Programme**

Private Investments (2017-2020)

- **EPPs**: 121
- **GDP**: USD 24 bil (2020)
- **Jobs**: 119,853 (2017-2020)

*US-Omani Riyal Conversion Rate, 1 OMR = USD 2.6*
Step #3: Conduct Open Days

This is to share output from the lab and seek feedback.

Deals with

- P6: Public demands and input are not heard / obtained
- P8: Lack of Transparency and Trust Deficit (Public does not trust the Gov)

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<tr>
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<th>People</th>
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<tbody>
<tr>
<td>GTP</td>
<td>8,500</td>
</tr>
<tr>
<td>ETP</td>
<td>13,000</td>
</tr>
<tr>
<td>SRI</td>
<td>5,000</td>
</tr>
<tr>
<td>Subsidy</td>
<td>2,500</td>
</tr>
</tbody>
</table>
Step #4: Develop Roadmaps

Deals with

- P2: Lacking leadership commitment ("pregnancy")
- P7: Poor Accountability
- P8: Lack of Transparency and Trust Deficit (Public does not trust the Gov)

Detailed Version
ETP: 601 Pages
GTP: 261 pages

Summarised Version
ETP: 55 Pages
GTP: 37 pages

6 minute video
Step #5: Set KPIs and Targets

The roadmaps were then translated into detailed KPIs and targets for the whole cabinet.

Deals with

- P5: Silo mentality and work approach
- P7: Poor Accountability
The Minister has publicly committed to step down if he fails to meet his KPI for Sabah

“I will step down from my post if I fail to reduce Sabah’s SAIDI from 2,870 to 700 minutes by 31 Dec 2010”

“700 minutes for Sabah was the KPI set for me by the PM”

Datuk Peter Chin
Minister of Energy, Green Technology and Water
March 14, 2010

I don’t think he is going to make it!

Dato’ Sri Idris Jala
PEMANDU
To achieve this KPI, the ministry TRANSFORMED immediately – Sabah achieved **SAIDI of 687 mins** in Dec 2010, surpassing the target set of 700 mins.
Step #6: Implementation

This is where delivery takes place

An ongoing recursive process which is tracked, monitored and problem solved at weekly, monthly, quarterly, bi-annual and annual intervals.

Deals with

- P2: Lacking leadership commitment ("pregnancy")
- P4: Rigid Implementation ("Recursive")
- P5: Silo mentality and work approach
- P7: Poor Accountability
- P8: Lack of Transparency and Trust Deficit (Public does not trust the Gov)
Step #7: Obtain External Validation

Deals with

• P8: Lack of Transparency and Trust Deficit (Public does not trust the Gov)
Step #8: Launch Annual Reports

Deals with

- P2: Lack of Leadership Commitment
- P7: Poor Accountability
- P8: Lack of Transparency and Trust Deficit (Public does not trust the Gov)

Tell the Rakyat what we have/have not delivered
Thank You
Key Achievements of the National Transformation Programme

- Malaysia on track to become a high income economy (33% GNI gap reduced to 19%)
- 5 year successive record high in private investment (5.5% CAGR to 11% CAGR)
- 6 year successive record high in Government Revenue
- 6 year successive record high in fiscal deficit (-6.6% to -3.1% of GDP)
- Absolute / extreme poverty virtually eliminated
- Record rural infrastructure development (6.2 mil lives impacted)
- Record crime reduction (>45% from 2010-2015)
- Record improvement in literacy / numeracy rates in Primary School (Year 1-3)
- Record urban public transport ridership / modal share (13% → 20%)
- Made the highest stride in economic diversification (Services sector now 55%)