

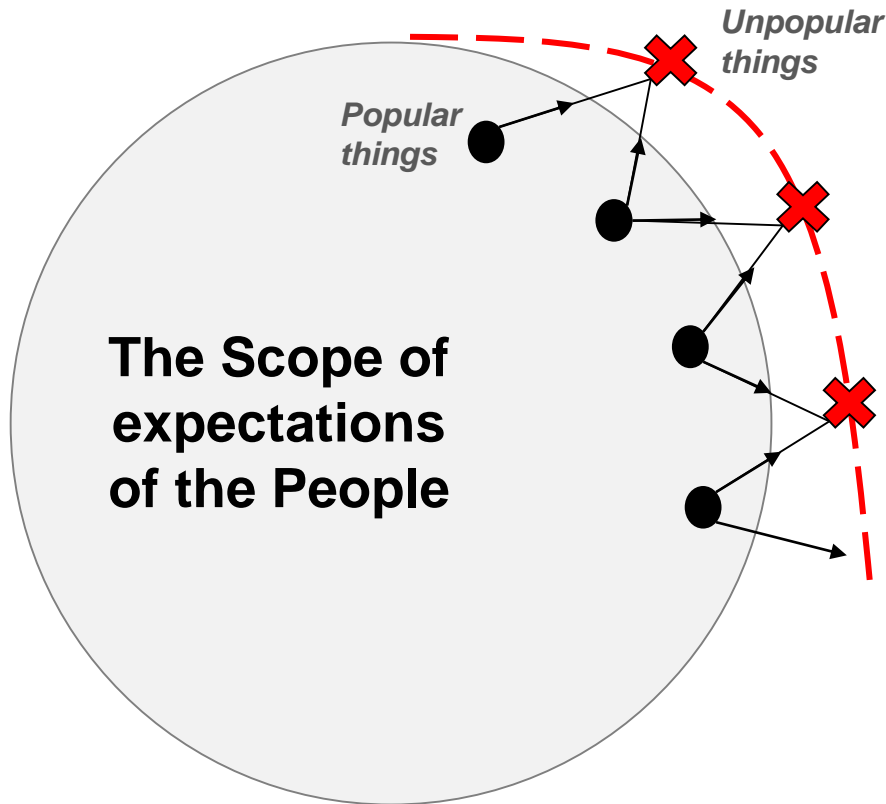
Transformational Leadership: The Experience of Malaysia

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**

***“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




The Road Most Travelled

The Road Less Travelled

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**

	
	France
Govt Debt to GDP	96%
Fiscal deficit (% to GDP)	- 3.6%

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)**



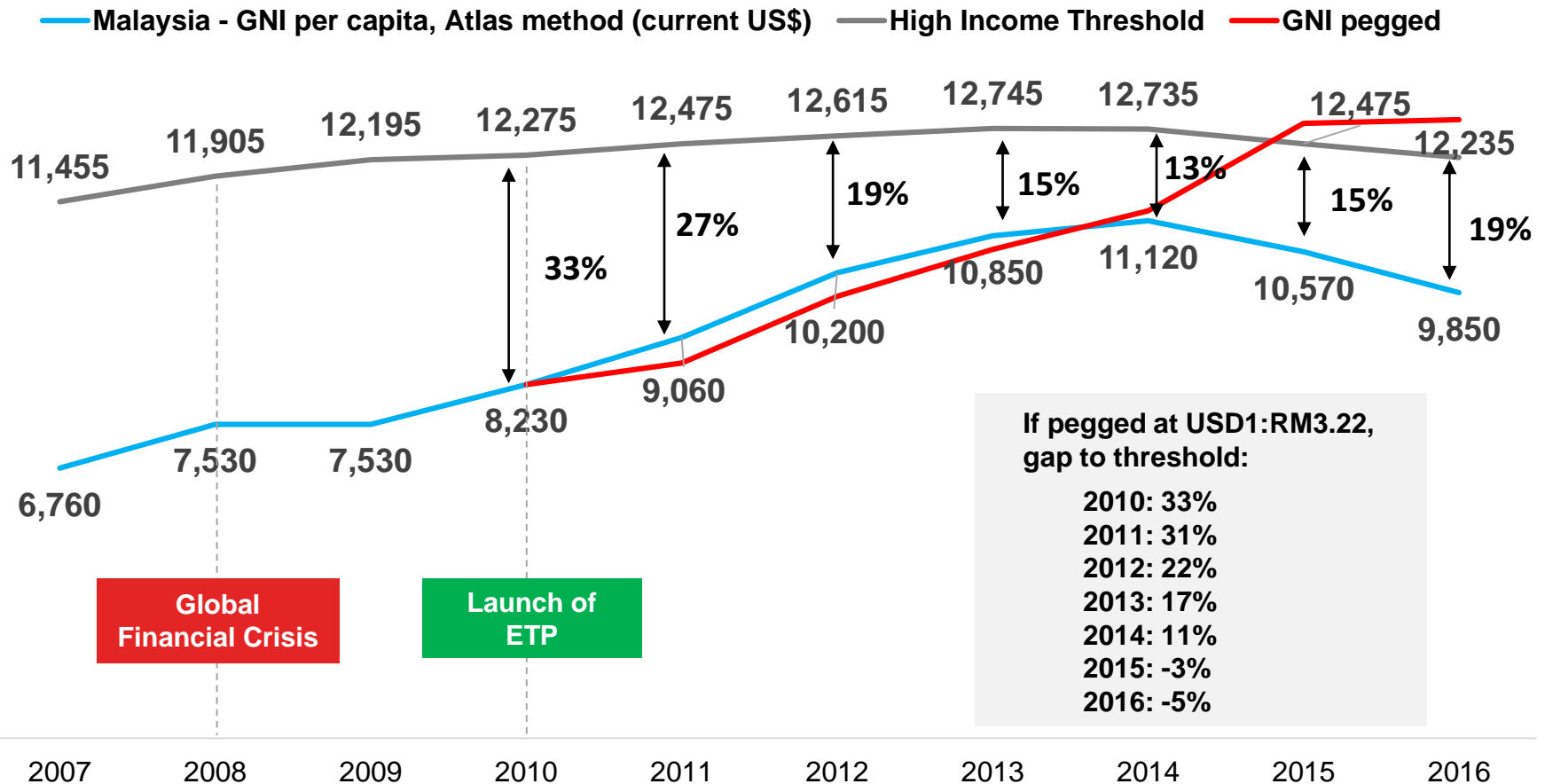
New
Zealand

Govt Debt
to GDP **24.6**
%

Fiscal
deficit (%
to GDP) **0.3%**

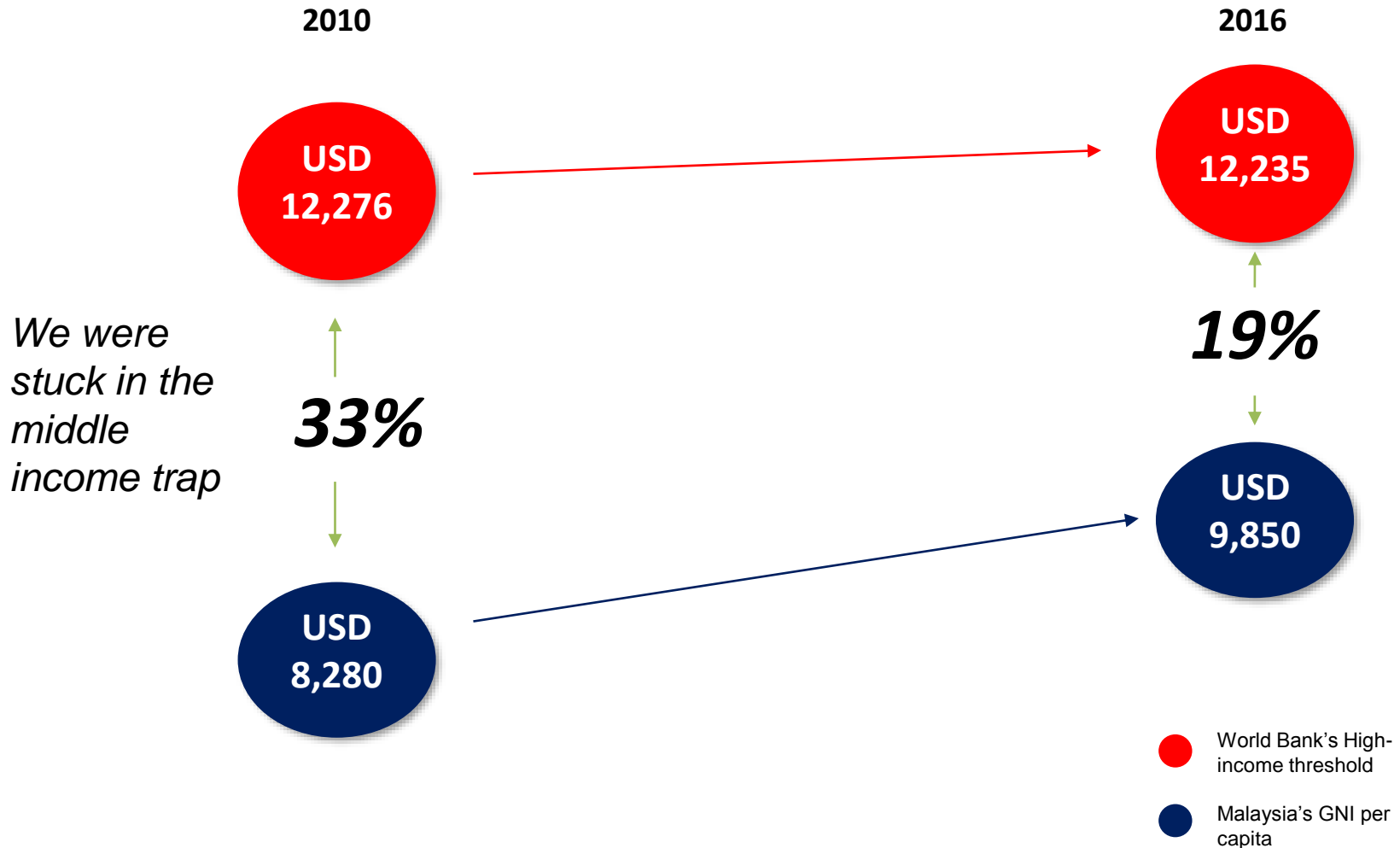
We promised to break free from the middle income trap, now we are on the road to **high income**

GNI per capita (current USD)

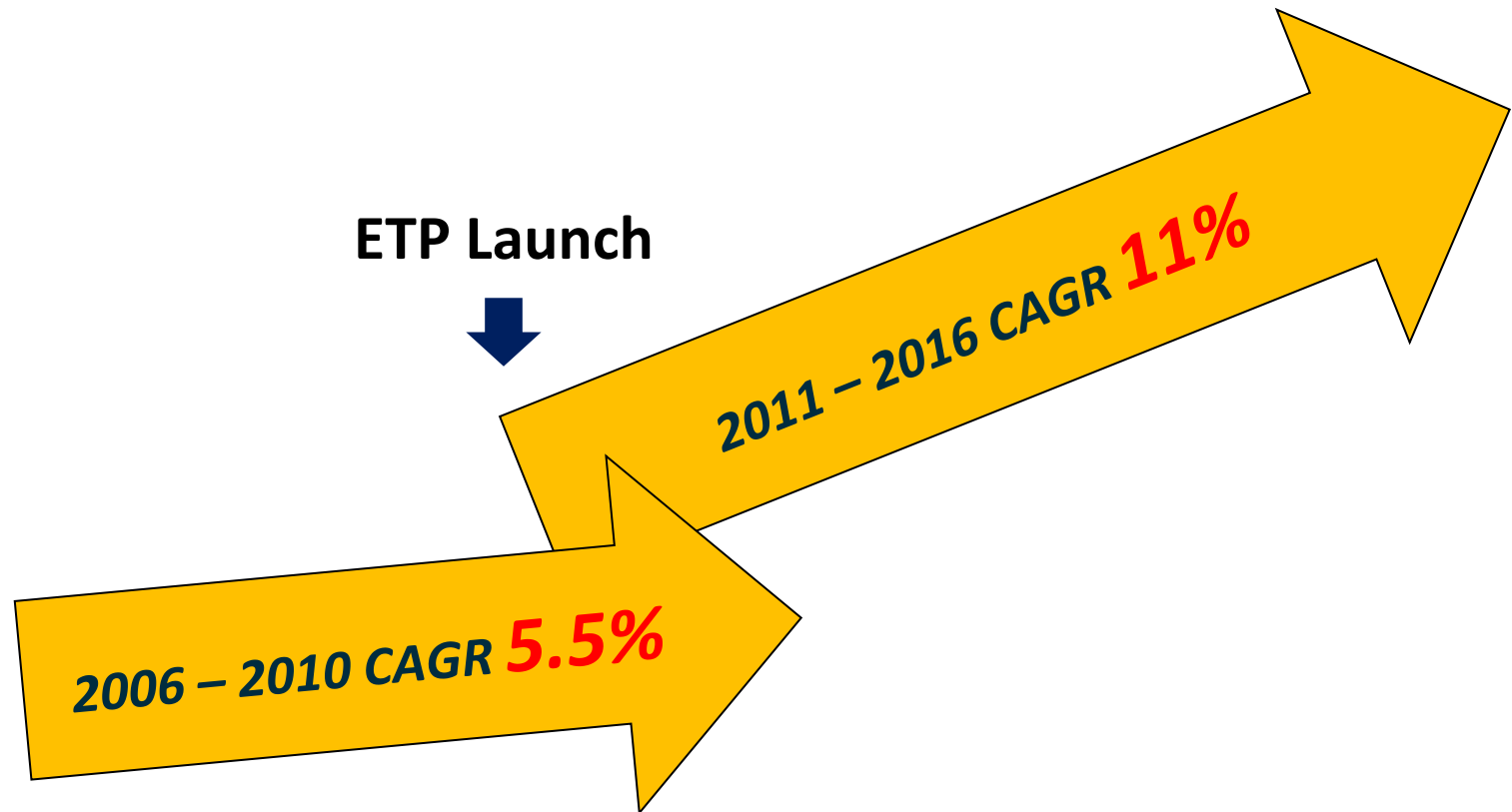


Source: World Bank Atlas Method, based on figures released in July 2016. 2016 figure is PEMANDU estimate based on World Bank's GNI per capita calculation using the Atlas Method using currently available public information

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



2x growth in Private Investment



We promised to create **3.3 million jobs**
in 10 years

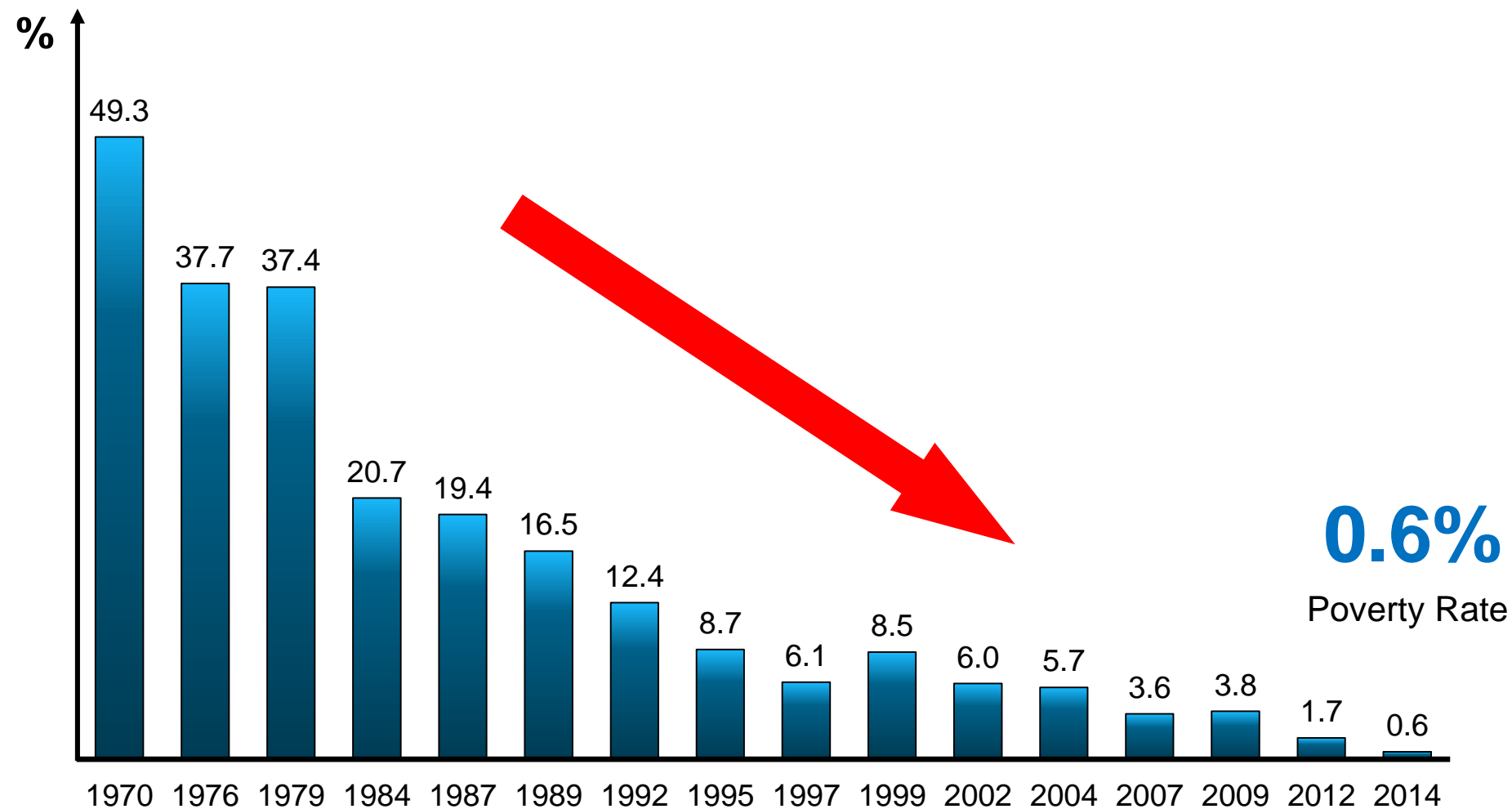
To date,

2.26 mil jobs

have been created



Malaysia has successfully brought poverty down to 0.6%



World Bank Report (Economic Monitor 2014)



‘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

0.401

Gini coefficient reduced from 0.441 in 2009 surpassing the 2015 target of 0.420

RM
2,537

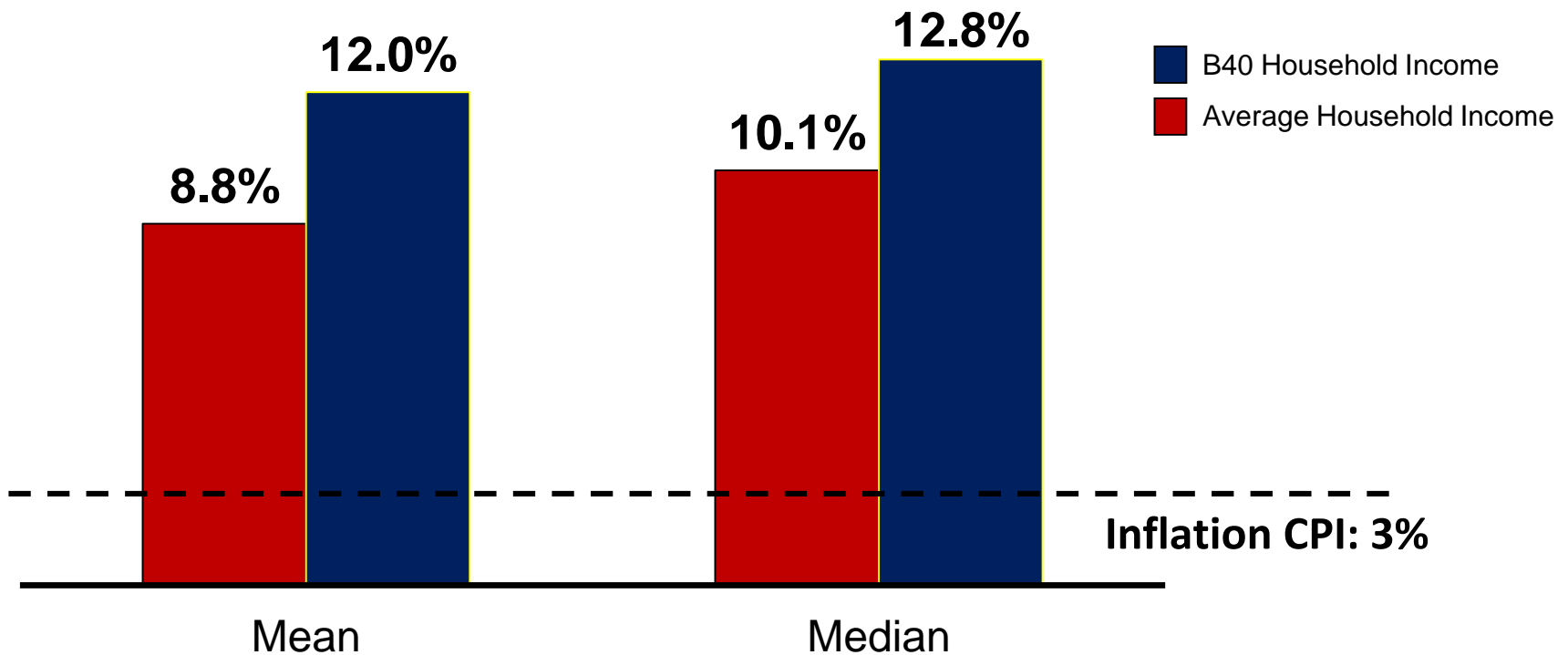
Mean B40 household income, increased from RM1,440 in 2009

0.6%

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



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

“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 Balicao
Beauty Salon Owner, Kota Marudu, Sabah



7 million

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

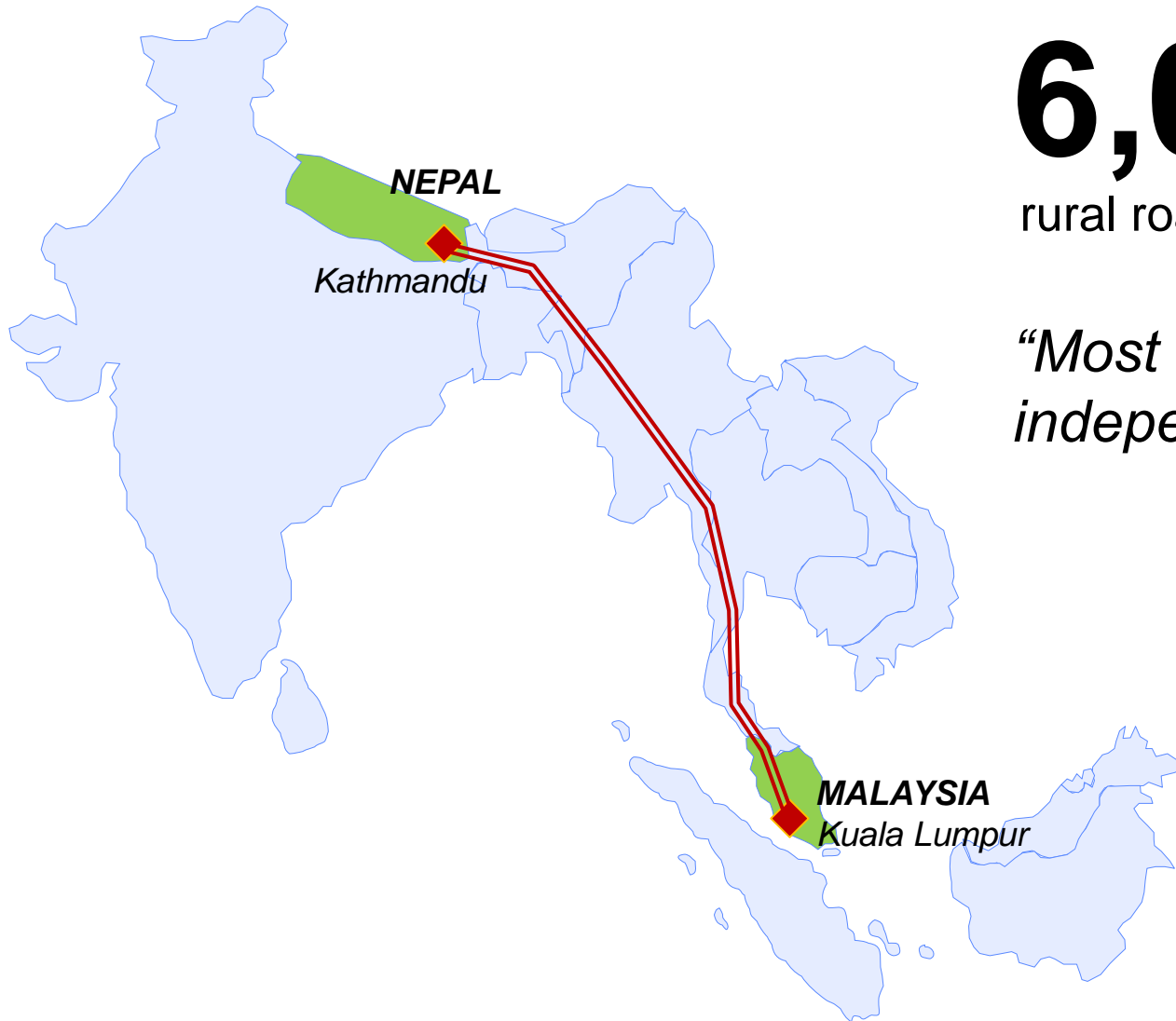
302,946

Individuals participate in the 1AZAM programme

2.9 million

Lifted out of poverty due to minimum wage policy

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

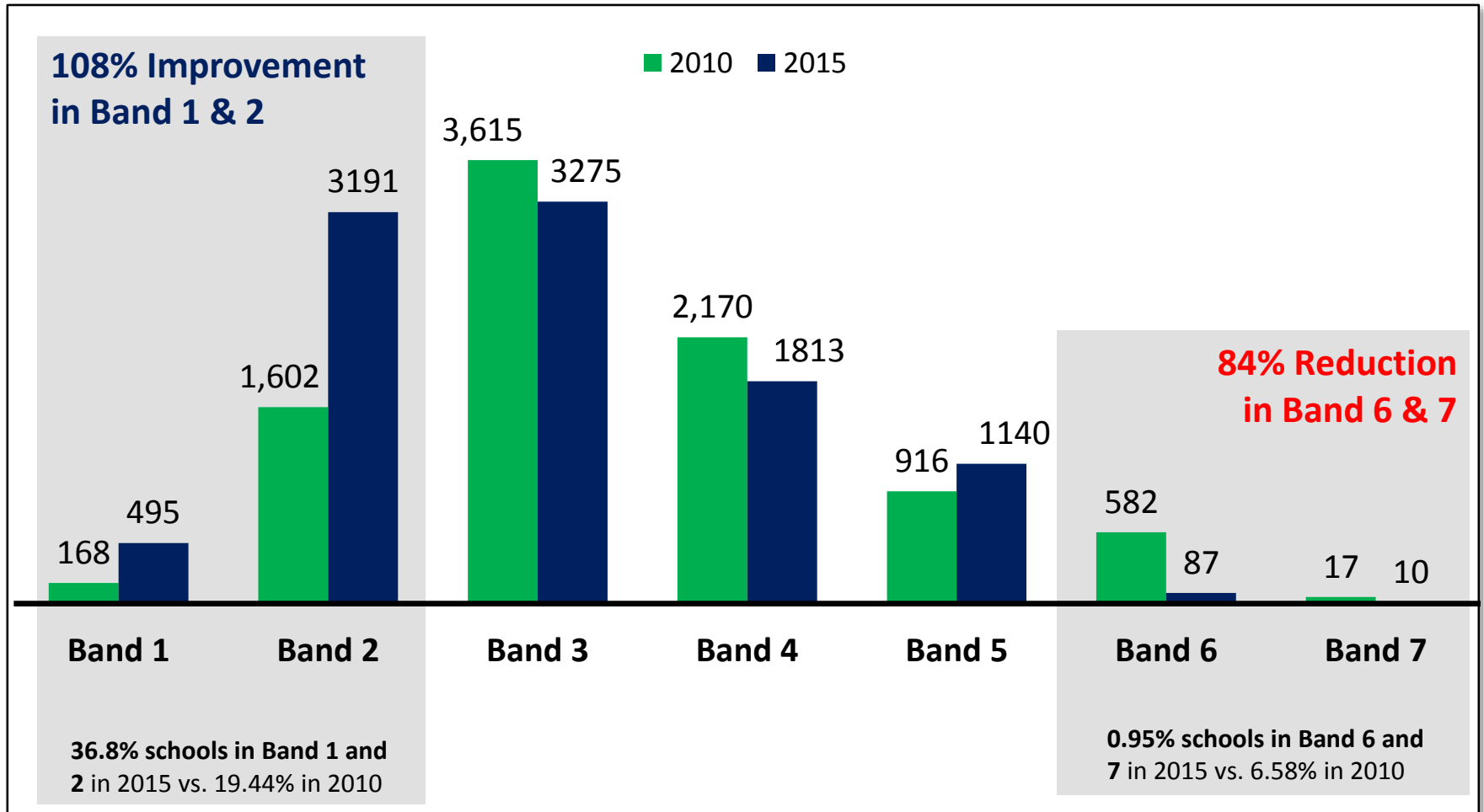
(2016)

AVERAGE

97%

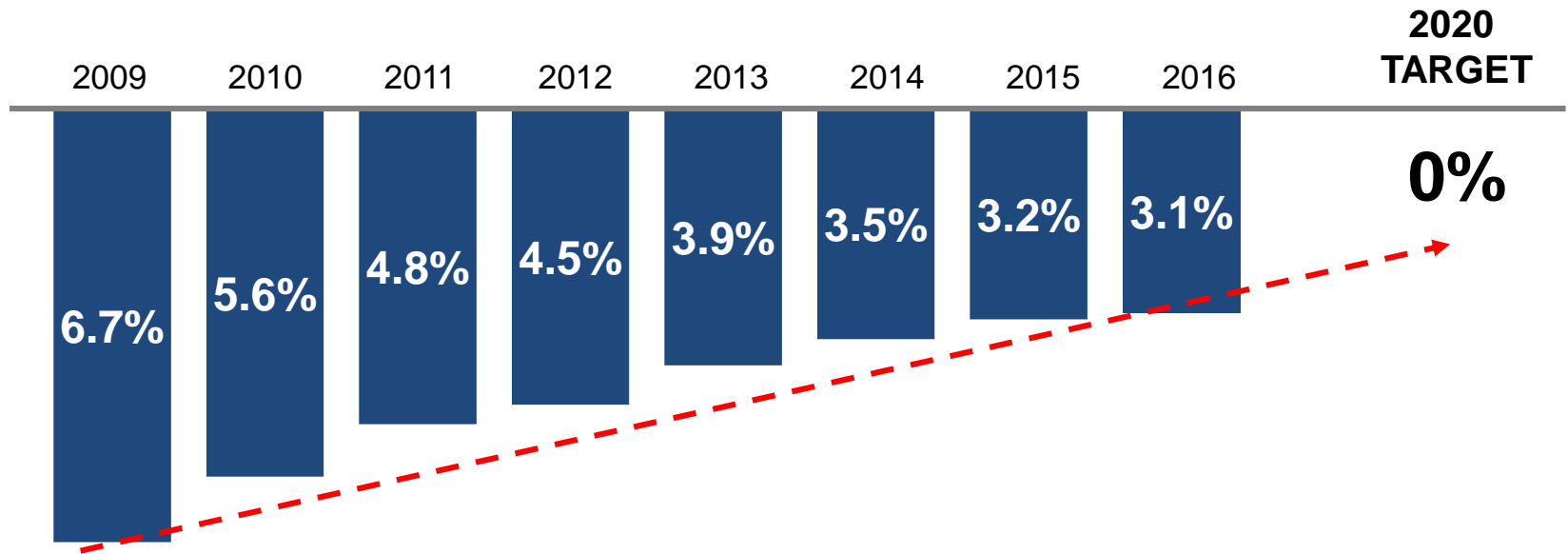
BM PROFICIENCY FOR YEAR 3 98.6%
ENGLISH PROFICIENCY FOR YEAR 3 94.8%

..and 108% improvement in Band 1 & Band 2 schools



Note: 2010 banding based on 2009 examinations; 2015 banding based on 2014 examinations

We reduced fiscal deficit from **6.7%** (2009) to **3.1%** (2016) of GDP



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



S. Africa

- Healthcare
- Food security
- Oceans



India

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



Oman

- Tourism
- Logistics
- Manufacturing
- Finance
- Labour
- Fisheries



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

How did we do it?

Today's reality....

Governments around the world have **beautiful plans** and promises....



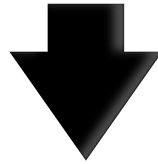
However, the main difficulty we face is the **failure to deliver....**

8 implementation problems

- P1** Unclear direction, not focused
- P2** Lack of leadership commitment
- P3** High level plans not translated into practical 3-year 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

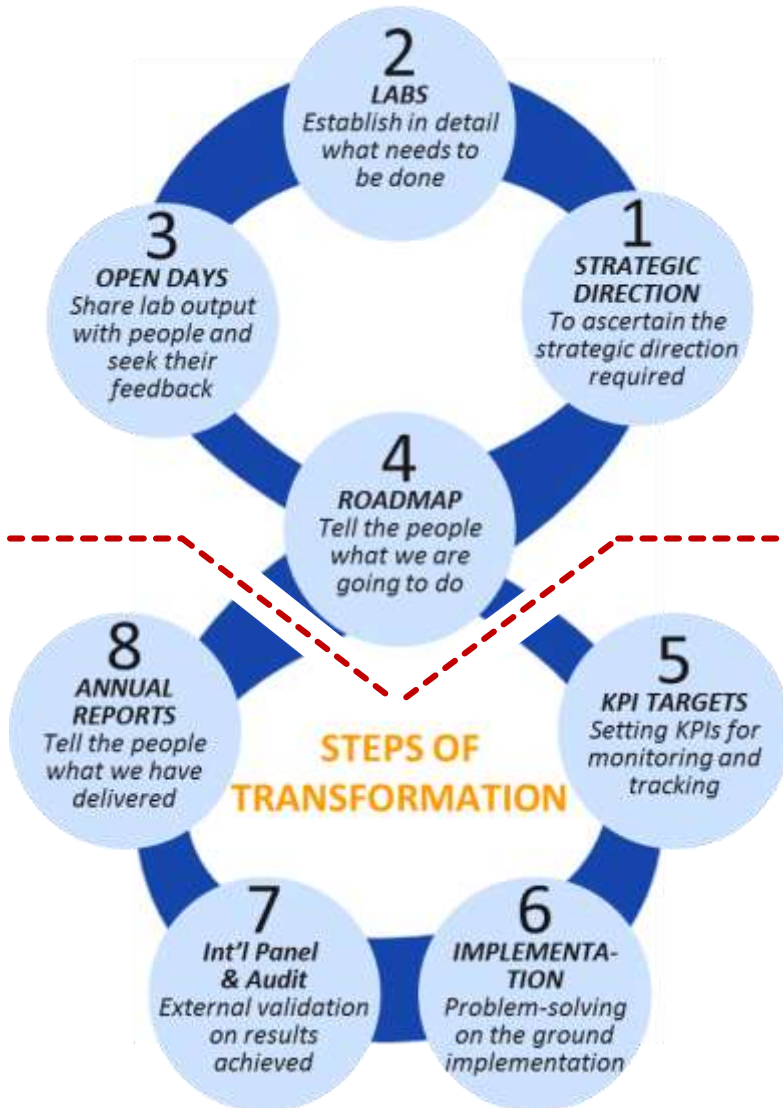


8 Step Process

(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



Deals with

- P1: Unclear Direction
- P2: Lack of Leadership Commitment

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

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

ECONOMIC
TRANSFORMATION
PROGRAMME



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

USD **406** Billion

Private Investments (2011-2020)

EPPs

131

GNI

USD 250 bil (2020)

Jobs

3.3 mil (2011-2020)

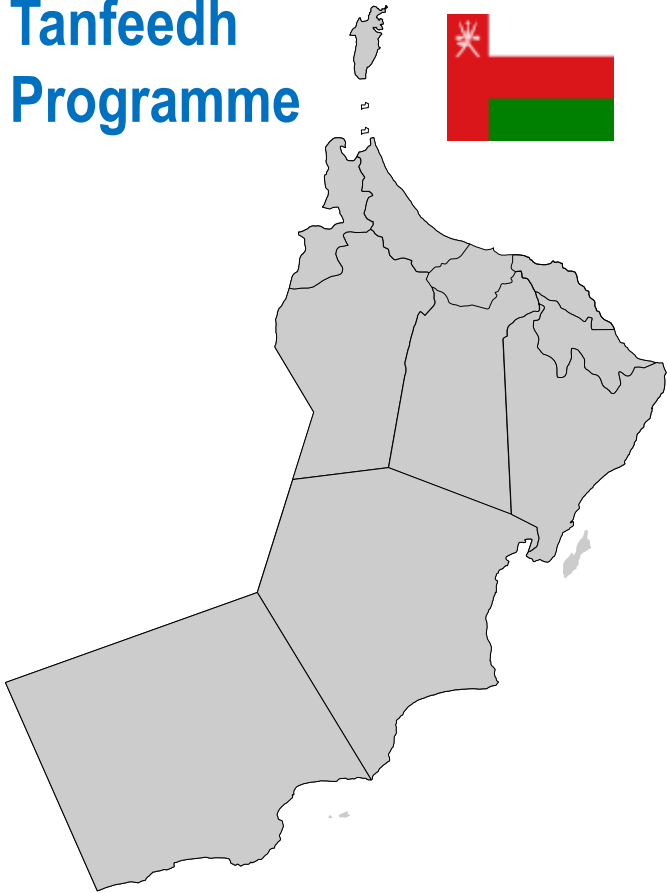
- Idris Jala – Top 10 Most Influential Policy Makers in the World (Bloomberg Market 2014)
- PEMANDU – Top 20 Most Innovative Government Agencies in the World (Bloomberg Philantropies and Nesta 2014)

**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



USD **42** Billion

Private Investments (2017-2020)

EPPs

121

GDP

USD 24 bil
(2020)

Jobs

119,853
(2017-2020)

Step #3: Conduct Open Days



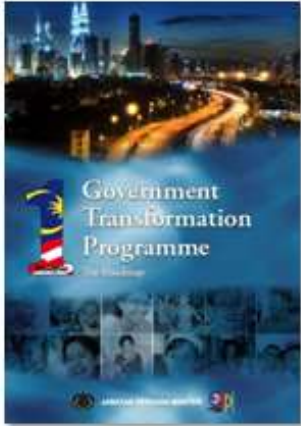
This is to share output from the lab and seek feedback.

GTP	: 8,500 people
ETP	: 13,000 people
SRI	: 5,000 people
Subsidy	: 2,500 people

Deals with

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

Step #4: Develop Roadmaps



Detailed Version

ETP : 601 Pages

GTP : 261 pages



Summarised Version

ETP : 55 Pages

GTP : 37 pages



6 minute video

Deals with

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

Step #5: Set KPIs and Targets

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

CORRUPTION		KPI (Quantitative)			
NKPI #	NKPI	Target (FY)	Actual (YTD)	% Achieved	5 Sept - 9 Sept
1	No. of Ministries scoring above 90% in Procurement Accountability Index	19	Only available annually		NA
2	Number of arrest cases brought to trial	20%	10.00%	50%	R
3	70% of companies announcing EPPs in Progress Update to sign the CIP	70%	40%	57%	Y
4	No. of people in the database of convicted offenders	100	311	311%	G
5	No. of summons settled vs. number of summons issued by JPJ	50%	23.00%	46%	R
6	No. of summons issued per hour of operations	12	12.31	103%	G
7	Percentage of trial completed w/in a year	70%	Only available annually		NA
8	Transparency International (TI) Corruption Perception Index Score	4.9	Only available annually		NA
9	TI Global Corruption Barometer Survey on government actions to fight corruption	50%	45% (using TNS survey as proxy Mar '11 - May '11)	90%	G

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

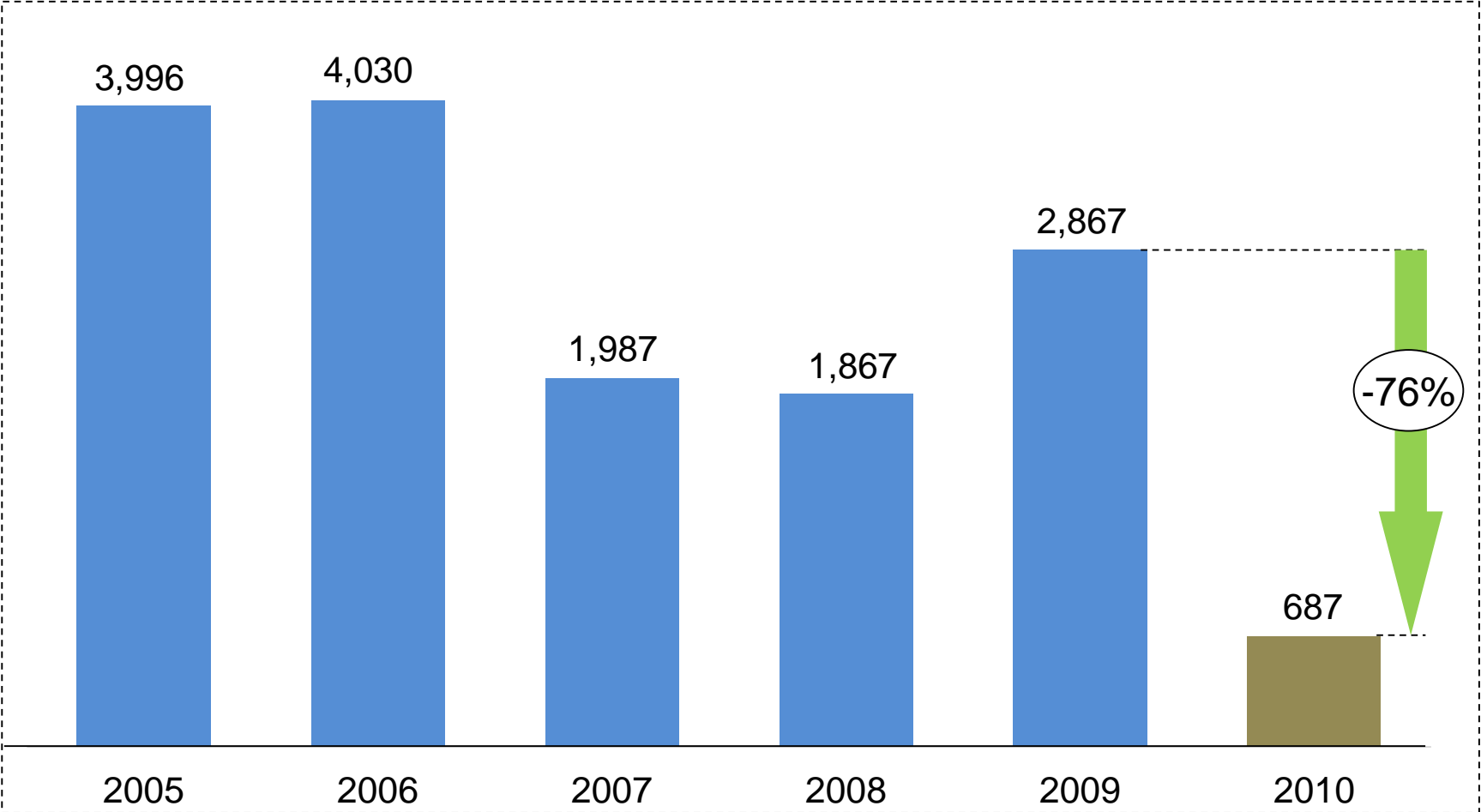


I don't think he is going to make it!

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

SAIDI in Sabah (2005 – 2010)



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



Tracking of on the ground implementation

PM / Minister Review



Annual Ministry Review / Cabinet Away Day

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)



External validation on results achieved

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)

2013 Key Performance Indicators

Palm Oil and Rubber NKEA		KPI (Quantitative)					
No.	KPI	Target (FY)	Actual (YTD)	Achievement			
				Method 1	Method 2	Method 3	
				%	%		
EPP #1	Area of replanting and new planting by independent smallholders (ha) - land preparation completed	30,000	15,005.44	50	50	0	
	Number of new smallholders cooperatives (launched)	7	7	100	100	1.0	
EPP #2	New area of plantation/smallholders complying with COP/NSGAP/RSP0/best practice - (ha)	200,000	210,457.39	105	100	1.0	
	Increase in national average yield (mt/ha/year)	5.0%	0.7%	14	14	0	
EPP #3	Number of Cantas taken up by plantations and smallholders	1,500	1,247	83	83	0.5	
EPP #4	Number of new palm oil mills certified by MPOB for Code of Practice and other international certification	25	28	112	100	1.0	

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 Government Revenue
- ✔ 6 year successive reduction 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%**)