マレーシア政府出資企業（GLC）の変容に関する研究

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A STUDY OF GOVERNMENT－LINKED COMPANIES TRANSFORMATION IN MALAYSIA

Global Governance Program

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LIST OF ABBREVIATION

AFC	: Asian Financial Crisis
BNM	: Bank Negara Malaysia
CEO	: Chief Executive Officer
EPF	: Employees Provident Fund Board
EPU	: Economic Planning Unit
ETP	: Economic Transformation Program
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Product
GLCs	: Government-linked Companies
GLICs	: Government –linked Investment Companies
GLCTP	: Government-linked Companies Transformation *Programme*
IMF	: International Monetary Fund
Khazanah	: Khazanah Nasional Berhad
KWAP	: Retirement Fund (Incorporated)
LR	: Listing Requirements
LTAT	: The Armed Forces Board
LTH	: The Pilgrimage Fund Board
MCCG	: Malaysian Code on Corporate Governance
MOF	: Ministry of Finance
MOF (Inc.)	: Minister of Finance (Incorporated)
NEAC	: National Economic Advisory Council
NEM	: New Economic Model
NEP	: New Economic Policy
NTP	: National Transformation Program
OECD	: Organization for Economic Cooperation Development
PCG	: Putrajaya Committee on GLC High Performance
PEs	: Public Enterprise
PNB	: Permodalan Nasional Berhad
ROA	: Return on Assets
ROE	: Return on Equity
SB	: Statutory Body
SC	: Securities Commission
SEDCs	: State Economic Development Corporations
SMEs	: Small and Medium Enterprises
SOEs	: State-owned Enterprises
TNB	: Tenaga Nasional Berhad
VDP	: Vendor Development Program

Declaration

I hereby declare that the material contained in this dissertation has not been previously submitted for a degree at this or any other university. I further declare that this dissertation is solely based on my research.

Hartini Mohd Nasir

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Hartini Mohd Nasir

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Abstract

Malaysian Government-linked Companies (GLCs) underwent a ten-year reform program called the GLCs Transformation Programme (GLCTP) from 2005 to 2014 to transform GLCs to become high-performing entities. The program was set with three Underlying Principles; 1) Performance focus, 2) Catalyzing nation building, and 3) Shareholder and stakeholder management. The research objective is to analyze how GLCs have transformed, based on the assessment of how non-financial public listed GLCs achieved the three underlying principles. Then, this study discussed major issues of government ownership in GLCs. The three research questions are to examine to what extent GLCs had achieved the GLCTP's three underlying principles, respectively. Eight GLCs were chosen, based on the criteria of non-financial, public-listed and present in the transformation program period. We compared two periods, the pre-period from the Financial Year (FY) 2005 to FY2009 as the pre-period, and the post-period starting from the FY2010 until FY2014, for attaining answers for some questions.

There have been a lot of literatures which analyze the performance of Sate-owned Enterprises (SOEs) /GLCs, and their focuses from the academic point of view are financial performance, corporate governance, government's control and social objectives. Most of the literatures analyzed one of them and discussed a specific aspect of SOEs. The GLCTP include almost all common aspects of SOEs, namely the result of performance, the culture of performance, performing New Economic Model (NEM) roles and supporting Economic Transformation Programme (ETP) as well as other national priorities, to have a clear governance structure and benefitting stakeholders' interests. Financial performance and government's control is under GLCTP's first underlying principle and the latter is also included in the second underlying principle, together with government's control and social objectives. Corporate governance and social objectives are also under the third underlying principle. In addition to this, we analyzed other criteria in GLCTP namely the culture of performance, the NEM roles and benefitting stakeholders' interest. The reasons are because instilling the culture of performance transforms GLCs from underperformance into high performing entities through ingraining a sense of accountability and ownership. Implementing NEM roles showed that GLCs had transformed to support rationalization of government's participation in business, to reenergizing private investment by collaborating with private companies and operating core

businesses on a level playing field. Benefitting stakeholders' interests transformed GLCs to be part of the solution in building the country through tax paid to the government, dividend paid to the shareholders, helping the Malaysian society as a whole, covering aspects of customers' lives through their enhanced service standards and products and build local vendors' capabilities by providing business opportunities.

This study tries to analyze the performance of GLCs holistically, by focusing on major aspects of SOEs as above, and also develop multiple indicators to assess each of various kinds of performance, by using a mixed-method approach, a combination of quantitative and qualitative methods. Specifically, data on GLCs' financial and corporate governance gathered from annual reports (quantitative data) complements qualitative data from the interviews of key personnel from GLCs, GLIC, Minister of Finance Incorporated (MOF (Inc.)) and Institute of International and Strategic Studies (ISIS), the Malaysian Plan and the Graduation Report. We employed insights gained from the interviews to uncover what is hiding behind the truth on the issues of GLCs and to obtain more robust information on GLCs' transformation. Also, we triangulated quantitative data and qualitative data and the convergence of both types of data aimed at corroborating the same finding in evaluating GLCs' achievement on each of the underlying principles. Data retrieved from the annual report enhanced the reliability of information obtained since these companies are listed companies and they are required by law to publish their annual reports and accounts and passed the scrutiny of the audit process.

By comparing the pre and post-periods, we investigated GLCs' financial transformation by using four indicators namely Dividend Payout Ratio (DPR) and revenues and profitability, measured by the revenue growth, Return on Asset (ROA) and Return on Equity (ROE). For the achievement of the culture of performance this study assessed the presence of a yearly announcement of the headline Key Performance Index (KPI) and the introduction of the new and competent Chief Executive Officer (CEO) in GLCs to execute the GLCTP, where the latter is also the indicator for government's control. For ensure GLCs' transformation in social objective and government's control, which are also related to the GLCTP's second underlying principle, GLCs need to perform NEM roles and support ETP and other national priorities. The indicators used for achieving NEM roles are performing strategic transformation towards value enhancement, regional expansion, financial restructuring to satisfy the role to stay at course, GLCs' internationalization through growth abroad for meeting the role to becoming regional champion, pursuing investments in catalytic and transformative industry for achieving the role to pursue in new investments, strategic partnerships, joint ventures, and mergers between GLCs and the private sector for indicators on collaboration and co-invest with private sectors, the absence of government assistance rendered to GLCs and regulator directors on GLCs' boards to satisfy on operations on a level playing field and exit operation, closure of unit/business, divestment of shares in companies, disposal of non-core business for satisfying GLCs exiting non-core business. A GLC had transformed to be supportive of ETP and other national priorities if the percentage of shares in the post-period is less than the pre-period and the percentage of women directors on GLCs' board is 30 percent or more in the post-period. For assessing GLCs transformation in corporate governance, that are also stated in GLCTP's third underlying principle, a GLC need to have at least one-third of independent directors, separated of the role of a chairman and CEO, held meetings between six to eight times a year, have a maximum of ten board members, as well as had removed ex-civil servant, regulator and serving MP directors from GLCs' board. Regarding transformed in social objectives through serving stakeholders interests, a GLC must have paid tax, dividend, implemented Corporate Social Responsibility (CSR) programs, received customer award and implemented programs for suppliers and vendors in the program period. Also, this study employed the concurrent triangulation strategy, where both types of data were collected, analyzed, and integrated during the interpretation phase.

This study ranked GLCs transformation related to the achievement of the three underlying principles in terms of scoring. We found that the best GLC achieved 78.75 marks and the worst GLC attained 41.25 marks, out of 100 marks. GLCs' achievements differ from one GLC to another GLC depending on their focus on which underlying principles. Those who focused on the first underlying principle attained good scores, indicating that by focusing on performance in terms of result and culture, GLCs could attain more marks in NEM roles and the government reduced their control in these GLCs. In contrast, GLCs that did not focus on the first underlying principle achieved the worst score. Based on the scoring, we summarize the achievements of the underlying principles. On the first underlying principle, out of 50 marks, the highest mark attained is 43.75 and the lowest mark is 12.5. On the second underlying principle, out of 25 marks, the highest marks achieved is 22.5 and the lowest is 10 marks, where there was no mark attained for supporting ETP other national priorities. On the third underlying principle, out of 25 marks, the highest mark achieved is 18.75 marks.

Then, overall, this study found that GLCs did not transform holistically although we encountered some exceptions or some positive results on their achievements. We found that GLCs could not transform their financial performance in totality, as most of them failed to achieve ROA and ROE. On the culture of performance, the announcement of headline KPIs is difficult to achieve by most GLCs. We also discovered that half of the GLCs achieved all NEM roles, while the other half could not achieve one of the roles namely in becoming a regional champion, operating on a level playing field, investing in new industry or to exit non-core business. Nevertheless, all GLCs had transformed to stay the course and collaborate with private companies. Thus, GLCs transformation with regards to performing NEM roles differ from one GLC to another GLC mostly depends on whether the roles are related to GLCs' profitability, as well as GLICs' assistance. GLCs' transformation relating to government controls under supporting ETP is not holistic. There was only a small divestment of GLICs shares of 6.6 percent. Employees Provident Fund (EPF) and Permodalan Nasional Berhad (PNB) increased it shares in their respective GLCs. Nevertheless, five GLCs have their GLICs, namely Khazanah, Lembaga Tabung Angkatan Tentera (LTAT) and PNB divested their shares in them. The divestment is dependent on GLICs seeking for dividend and developmental roles in GLCs as well as the dependency of GLCs on their shareholders. The transformation in social objective through the support on other national priorities is not achievable as only one GLC met the target of 30 percent women on board in the post-period. Nevertheless, all GLCs had transformed in social objectives through benefitting all stakeholders' interests. We also knew that GLCs had achieved at least two of the indicators of the result of performance. Thus, we could confirm GLCTP's notion that with GLCs achieving the first underlying principle, GLCs could catalyze nation building and benefit their stakeholders.

GLCs did not transform its corporate governance holistically as frequency of board meeting suggested by the Green Book is not achievable by all GLCs. On average, two ex-civil servant, regulator and serving MP directors have been removed from GLCs' boards, respectively. But we also encounter that ex-civil servant, regulator and serving MP directors could not be removed from the boards of three GLCs, as their shareholders, Khazanah and EPF removed none of these directors in the period. This is despite the fact that Khazanah divested its shares these GLCs, thus showing that they wanted to control them. Only PNB removed the most of these directors from one of its GLC's board, confirming our result based on the interview with the management that this GLC is less dependent on the shareholder. However, it indicates that GLCs' significant presence in the market is not achievable and there was a failure in moving the government away from some GLCs. Other than this, we also found GLCs understudy had expanded their sizes by 34.4 percent.

Finally, this study discussed why some GLCs did not transform as expected and this is related to issues of government ownership. Firstly, there is ambiguous nature of government policy in transforming GLCs that creates the sliding back on some of the transformation of GLCs. GLCTP introduced contradictory principles that created challenges for GLCs to achieve both financial performance and social objectives. Depending on GLICs, some GLCs focused on the first underlying principle but others focused on the second underlying principle or both principles and we know from the scoring that GLCs, which focus on the first underlying principle could be able to achieve on the second underlying principle. Thus, the transformations of GLCs vary from one GLC to other GLC. Secondly, we could also wrap up that government policies embedded in GLCTP to reduce GLCs significant presence and to operate on a level playing field failed to give a clear definition of the term 'new' industry that GLCs should undertake, as well as the indicator for 'level playing field' was not defined. This situation refrained GLCs from transforming related to performing NEM roles. Thus, this study suggests on a clear direction on the principles for GLCs to achieve that are in line with the government policies for future GLCs reform program. Finally, we also ascertained that GLICs are powerful shareholders that are beyond the program in controlling GLCs, thus, refraining GLCs to transform regarding some elements of the first, second and the third underlying principles. Thus, this study also suggests that the power of GLICs should be reduced for the implementation of the transformation program to be effective. The success in transforming GLCs is vital for GLCs role to help the socio-economic development of Malaysia.

1 INTRODUCTION

1.1 Introduction

This chapter introduces the study and provides an overview of the study titled '*A Study of Government-linked Transformation Program in Malaysia.*' It includes the background, statement of the problem, motivations and contributions, objectives, and the research questions, the research methodology, significant findings, and finally, the structure of the study. Section 1.2 presents the background of the study. It illustrates government ownership in GLCs via shareholdings and their challenges in achieving conflicting goals between financial performance and nation building. This section also explains GLCTP that intent to transform GLCs into high-performing entities.

The discussion in Section 1.3 leads to the identification of the statement of the problem, followed by section 1.4, which explains the research objectives and questions. Section 1.5 presents the study's motivation and contribution, and Section 1.6 describes the design and methodology. Section 1.7 presents the scope of the study with Section 1.8 gives the definitions of the key term. Section 1.9 highlights the significant findings and Section 1.10 depicts the structure of the study and outlines each of the six chapters. The final section presents the conclusion of this chapter.

1.2 Background of the Study

In Malaysia, the government participates significantly in the economy by holding equity and control in companies. These companies, formerly referred to as Public Enterprises (PEs), is now known as Government-linked Companies (GLCs). PEs/GLCs were used primarily as a tool to support government policy in promoting political stability in a multi-racial country ('Economic History, n.d.'). Consequently, Malaysia achieved high economic growth over the last few decades under a stable political condition (Snodgrass, 1995, p.18-19).

The Malaysian government has defined the GLCs as `companies that carry out a primary commercial objective where the government has a controlling stake` (Putrajaya Committee on GLC High Performance (PCG), 2005, p.18). The government controls GLCs through its proxies called the Government-linked Investment Companies (GLICs) (PCG, 2006, p.18). There are seven GLICs at the federal level that have different investment objectives in GLCs. Both Khazanah Nasional Berhad *(*Khazanah*)*[1] and Minister of Finance

[1] Since 1994, Khazanah assumed a custodial role in managing the government's commercial assets as well as investing in strategic and high technology sectors ('Key Corporate Milestone,' n.d.). In 2004, the government

Incorporated (MOF (Inc.))[2]. Other GLICs, namely the Employees Provident Fund Board (EPF)[3], Permodalan Nasional Berhad[4] (PNB), the Armed Forces Board[5] (LTAT), the Pilgrimage Fund Board[6] (LTH), and the Retirement Fund (Incorporated) (KWAP)[7] view returns as the primary objective of their investment in GLCs for the advantage of their respective beneficiaries. In general, the government stated that for the GLCs, 'the profitability objective must be balanced with the socio-economic objective' (Yakcop[8], 2002). As termed by other researchers, GLCs have a dual role, to increase profit and enhance Malaysia's socio-economic development (Musa, 2007, p.243; Dahlan, 2009, p. 95). These goals form a crucial part of government control in GLCs, as the government believes that the role of GLCs is also to support Malaysia's social and economic development, and the challenge for GLCs is to balance between the two different goals.

The Asian Financial Crisis (AFC) severely affected the Malaysian corporate sector, including GLCs' financial performance[9]. In 2004, the Malaysian government also admitted, 'GLC lacks in corporate governance demonstrated by lack of clarity and transparency on board of directors (board) and management authority and ineffective board member' (PCG, 2015, p.198). Some studies exhibited that a lack of corporate governance harms their financial performance[10]. After the AFC, BNM (central bank of Malaysia) reported that

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had refreshed Khazanah's mandated role to undertak an expanded and more aggressive investment approach that includes enhancing the financial performance of its existing core shareholdings while seeking opportunities in new economic sectors and geographies ('Key Corporate Milestone,' n.d.).

[2] The primary purpose of MOF(Inc.) is to make investments for the maximization of the return on investments of MOF(Inc.)'s Companies, either in the form of monetary or service delivery (Government Investment Companies Division).

[3] EPF's objective is 'to provide retirement benefits for members through management of their savings efficiently and reliably. The EPF also provides a convenient framework for employers to meet their statutory and moral obligations to their employees (Overview of the EPF, n.d.).

[4] PNB is 'a pivotal instrument of the Government's New Economic Policy to promote share ownership in the corporate sector among the *Bumiputera* and to develop opportunities for deserving *Bumiputera* professionals to participate in the creation and management of wealth' (Corporate Information, n.d.)

[5] LTAT's objective is 'to provide retirement and other benefits to officers and members of the other ranks in the armed forces and as a saving scheme for Mobilised Members of the Volunteer Forces' (Objective, n.d.).

[6] LTH was 'established as a premiere economic-based Islamic financial institution inspired with a realization **to** help provide investment services and opportunities while managing pilgrimage activities for the Malaysian Muslim community' (Tabung Haji Background, n.d.).

[7] KWAP's objective is to manage contributions and investments of the Fund as well as the management of pension payment.

[8] Nor Mohd Yakcop was the Second Minister of Finance of Malaysia when GLCTP was embarked in 2004.

[9] The average Return on Assets (ROA) and Return on Equity (ROE) of 25 non-financial listed GLCs on the Main Board of the Kuala Lumpur Stock Exchange[9] post-AFC were only at 3.79 and 0.4 percent respectively, based on author's observation of the data of average ROA and ROE retrieved from the annual reports of GLCs between 2004 and 2015

[10] As found by Shleifer and Vishny (1998), Aharoni (2000, p.50), Fan, Wong, and Zhang (2007, p.353), Boubakri, Cosset, and Saffar (2008, p.28), and Claessens et al. (2008).

private investment collapsed from 25.5 percent in 1995 to stand at only 4.7 percent (Bank Negara Quarterly Bulletin, Third Quarter 2016, p.1). As Malaysia requires an annual increase of 10.9 percent to become a high-income country (OECD, 2013, p.19), the current low[11] level of private investment among the factors that led to this ‘middle-income trap.’

The poor performance of GLCs post-AFC has urged the government to find solutions for it. However, instead of opting for massive divestment as implemented through the privatization policy in the 1990s (Jomo and Tan, p.10), the government takes action to focus on efficiencies out of existing government assets, i.e., GLCs, on more optimal shareholding structures and ownership levels by the government (Mokhtar, 2004, p.6-7). Therefore, in May 2004, the government introduced a ten-year transformation program (2005 to 2014), known as the GLC Transformation Programme (GLCTP), on selected federal government GLCs with three underlying principles[12]. They are 1) upholding the principles of performance and meritocracy, 2) catalyzing nation building, and 3) establishing a clear corporate governance concerning shareholder value and stakeholder management or, in a simpler term benefitting all stakeholders (PCG, 2006, p.17). To focus on efficiencies out of existing government assets or GLCs, the GLCTP described that first and foremost, GLCs need to focus on performance. The government further explained that with performance and result, GLCs could be part of the country's solution, and in executing the first two principles, GLCTP expects GLCs to operate within a clear governance structure and benefit all valid stakeholders (PCG, 2015, p.24).

During the program’s initial stage, the former Prime Minister, Yang Amat Berbahagia (YAB) Tun Abdullah Badawi announced the restructuring of Khazanah and its GLCs’ portfolio. The action is to urge them to become more focused on performing financially in concurrent with their social and national obligations (PCG, 2005, p.3). Then, the program was refined to include GLCs from four other GLICs, namely the EPF, LTAT, LTH, and PNB, as these GLICs would also benefit from their high performing GLCs (PCG, 2015, p.197).

[11] In 2015, BNM (central bank of Malaysia) reported that the private investment growth stood at only 4.7 percent (Bank Negara Quarterly Bulletin, Third Quarter 2016, p.1).

[12] This includes five policy thrusts that support these underlying principles: Clarifying the GLCs' mandate in the context of national development,Upgrading the effectiveness of boards and reinforcing the corporate governance of GLCs, Enhancing GLICs' capabilities as professional shareholders, Adopting corporate best practices within GLCs andImplementing GLCTP (PCG, 2006, p.2). The policies are backed by ten initiatives, mostly launched in 2006. The Initiative Books, also known as ‘Colored Books’, provide best practices, especially on corporate governance for GLCs to follow. These include recommendations to enhance GLCs' board effectiveness that was lacking in practice but are[12] vital for GLCs to perform well (PCG, 2015, p.168).

Accordingly, the number of selected GLCs under these GLICs for the program was 20[13] based on their significant presence as they formed 36 percent of the market capitalization[14] (PCG, 2005, p.2, p.18). However, throughout the program, only 17[15] GLCs remained due to merger and acquisition exercises among some GLCs (PCG, 2015, p.38).

Although GLCs have poor financial performance, the government also admits the issue of their significant market presence and formidable barrier to competition (NEAC, 2010, p.121). This scenario does not help enhance private investment in Malaysia (NEAC, 2010, p.5). Thus, in GLCTP, apart from GLCs financial performance, it touches the roles of government and businesses in the economy, where Mokhtar[16] (2005, p.5) summarized that GLCTP defined the respective roles of both the government and businesses, with the GLCs in the middle. He further clarified that apart from improving GLCs performance, a necessary result is a balanced co-existence between the private and public or GLCs sectors.

The NEM that was launched in 2010 encompassed a broader scope of nation building for GLCs, in particular, the five roles under NEM (PCG, 2015, p.63-92). These roles are embedded in GLCTP. There are to stay the course of GLCTP, to become a regional champion, to pursue investment in new industries and sectors such as strategic investments in new areas to encourage and support private sector players, to collaborate and co-invest with the private sector and finally to focus on its core operations on a level playing field and exit non-core or non-competitive business. In addition to this, there are four pillars crafted to drive the NEM: 1Malaysia, Government Transformation Program (GTP), ETP, and Tenth Malaysia Plan (NEAC, 2010, p.3). Concerning the ETP, it also includes reenergizing private investments that have been sluggish since the AFC by rationalizing the government’s participation in business, which is related to GLCs (NEAC- Concluding Part, 2010, p. 18-39).

Apart from this, in the Tenth Malaysia Plan[17], the government has introduced the policy of women on board with the hope that the number of women in the decision-making process will increase, among others on corporate boards. In particular, the aim of the policy is for all corporate boards to have 30 percent of female board members by 2016[18]. Under the

[13] Consist of 18 public listed companies and two non-public listed companies. It also consists of five public listed financial institutions

[14]. As of May 2004, the market capitalization of GLCs selected into the GLCTP was RM145 billion

[15] Consist of 15 public listed companies and two non-public listed companies. Also, it consists of five financial institutions which public listed companies

[16] Mr. Azman Mokhtar is the Chief Executive Officer of *Khazanah*, the secretariat of PCG.

[17] Malaysia development plan for the year 2011 to 2015

[18] MWFCD, Women Directors’ *Programme.*

GLCTP, the government had included this policy as part of the broader national priorities for GLCs.

Thus, we examined how GLCs have transformed based on the assessment of how non-financial public listed GLCs achieved the three underlying principles. Then, this study also discussed major issues of government ownership in GLCs. This is vital in knowing the role of GLCs in socio-economic development of Malaysia.

1.3 Statement of the Problem

The common critiques on Malaysian GLCs, among others, are there is lacking in performance management (PCG, 2-15). Specifically, in the post-AFC, there was a case of the poor financial performance of various GLCs[19]. From the author's initial observation, the average Return on Assets (ROA) and Return on Equity (ROE) of 25 non-financial listed GLCs on the Main Board of the Kuala Lumpur Stock Exchange[20] post-AFC were only at 3.79 and 0.4 percent, respectively[21].

However, other critiques showed a strong domination of GLCs on the Malaysian economy, reflected in the GLCs market capitalization of Bursa Malaysia (Menon and Ng, 2013). The strong presence of GLCs under the government bodies' tutelage eventually gave them visibility in the market. According to Chua (2016), seven federal GLICs[22] control 35 of the top 100 listed companies in Malaysia and have a combined market capitalization of 42 percent of the total market capitalization of the companies listed on Bursa Malaysia. The government had also admitted that the heavy presence of government in GLCs had discouraged private investment[23] (NEAC, 2010, p.5) that remains sluggish after the AFC. This situation contradicted the government's intention to reenergize private investment,

[19] For example, after the crisis, Renong Berhad, a GLC now known as the UEM Group, was struggling to pay its debts (Yakcop, 2002). Also, the public's perception of GLCs and GLICs in Malaysia had deteriorated over the years due to the poor financial performance of some of the key GLCs such as Malaysia Airlines (MAS) and Proton Holdings Berhad (Lau and Tong, 2008, p.9). Apart from this, GLCs' financial performance lagged behind the private sector or non-GLCs (Mokhtar, 2004, p. 7; Tam and Tan, 2007, p. 216; Ting and Lean, 2011, p.137).

[20] The Malaysian stock exchange now known as the Bursa Malaysia Securities Berhad (Bursa Malaysia)

[21], the author's observation of the data of average ROA and ROE retrieved from the annual reports of GLCs between 2004 and 2015.

[22] MOF (Inc.), Khazanah Nasional Bhd (Khazanah), PNB, EPF, Lembaga Tabung Angkatan Tentera (LTAT), Lembaga Tabung Haji (TH) and Kumpulan Wang Persaraan (KWAP)

[23]. Menon and Ng (2013, p.14) also argued that the privileges are given by the government to GLCs allow them to profitably increase investment in sectors where they already have a significant presence and have crowded out private investment.

which will lead to the country's growth[24].

As discussed in Section 1.2, the introduction of GLCTP's three underlying principles aims for GLCs to become high-performing entities. However, GLCTP's first and second underlying principles introduce two conflicting underlying principles; upholding the principle of performance may not jive with GLCs' role to catalyze nation building, which contains GLCs role under NEM and supporting ETP and other national priorities. For example, the role under NEM to invest in new industries may not in line with the principle to uphold performance, as it involves risk activities. In addition, under ETP that urges GLICs to divest their shares in GLCs, as GLICs see the return on their investment in GLCs as one of their objectives, it is difficult for them to divest their stake in GLCs. Also, the government might want to retain control in GLCs due to GLCs' development role. GLCs might see that attaining the target of 30 percent women on boards does not directly contribute to the performance of GLCs. Therefore, with all these conflicting objectives and with government ownership in GLCs through GLICs that have a power to perform or not perform certain actions relevant to these principles, there is a challenge for GLCs to achieve all the underlying principles set for them under GLCTP at the same time.

Besides, GLCTP also described that achieving both the first and second underlying principles requires them to operate within a clear governance structure and serve stakeholders' interest (PCG, 2015, p.17) that is under the third underlying principle. The program exemplifies a clear governance structure, i.e., the removal of ex-civil servants, regulators, and serving Members of Parliament (MPs) on the board of GLCs (PCG, 2015, p.27). However, GLICs might not keen to implement the suggested on clear governance structure, as they might lose control over GLCs. The government has goals in GLCs that form a crucial part of government control in GLCs, which is to support Malaysia's social and economic development, thus tend to remain certain type of directors on GLCs' board. For other reason, GLIC also tend to stay in control of the GLCs by having regulator directors in GLCs to help GLCs achieve their financial goals. With these two reasons that are related to government ownership, it resulted in GLCs failed to have a clear governance structure. Benefitting stakeholders' interests mentioned under GLCTP are dividends to shareholders, taxes to the government, Corporate Social Responsibilities (CSR), customer award, and

[24]. It undermines the economic development of Malaysia through a private investment that is important to drive the growth

Vendor Development Program (VDP). The program also stated that the achievement of the result of performance could allow GLCs to benefit its stakeholders' interests. However, benefitting stakeholders' interest could refrain GLCs from attaining financial performance. Therefore, it is important to analyze how GLCs achieved all the underlying principles and due to the shortage of information on GLCTP and GLCs achievements, a more in-depth study is necessary to understand how GLCs have transformed by examining their achievements of the three underlying principles.

1.4 Research Objective and Research Questions

The research objective is to analyze how GLCs have transformed based on the assessment of how non-financial public listed GLCs achieved the three underlying principles. Then, this study discussed major issues of government ownership in GLCs. Hence, the study intends to know the extent to which GLCs have achieved the first, the second and the third underlying principle under GLCTP. Therefore, the research questions are as follows:

1) To what extent GLCs have achieved the first underlying principle under GLCTP.
    a. To what extent GLCs have achieved the result of performance; and
    b. To what extent GLCs have instilled the culture of performance.
2) To what extent GLCs have achieved the second underlying principle under GLCTP.
    a. To what extent GLCs have performed five roles under NEM; and
    b. To what extent GLCs have contributed to the ETP and other national priorities.
3) To what extent GLCs have achieved the third underlying principle under GLCTP.
    a. To what extent GLCs have operated in a clear governance structure; and
    b. To what extent GLCs have served stakeholders' interests.

1.5 Motivation and Contribution of the Study

This study is motivated by the fact that there has been no attempt by the previous researchers to investigate how GLCs have transformed through GLCTP, based on the assessment of how how the non-financial public listed GLCs transformation holistically based on the literature and general arguments on SOEs, which includes GLCs' financial performance and corporate governance, government's control, and social objectives. This study analyzed the performance of GLCs holistically, as we developed multiple indicators to assess each of various kinds of performance and used different indicators in evaluating GLCs' transformation than the Graduation Report, by taking into account the issues of SOEs around the world, including GLCs in Malaysia. This study used mixed method that analyze qualitative and qualitative data from various sources namely the annual reports, the Graduation Report, the Malaysian Plan, news cutting and companies websites and interviews. We employed insights gained from the interviews with the representatives from GLCs, GLIC, MOF (Inc.) and ISIS to uncover what is hiding behind the truth on the issues of GLCs in Malaysia. Also, we triangulated quantitative data and qualitative data and the convergence of both types of data aimed at corroborating the same finding in evaluating GLCs' achievement on each of the underlying principles. Thus, the findings of this study on GLCs transformation differs from the one asserted by the Graduation Report, with regards to the overall GLCs' transformation that includes corporate governance, government's control, the issue of level playing field and social objectives.

This study also added to the growing body of research on what contribute the differences in the extent to which a GLC had transformed that includes government control in GLCs and GLCs dependency on GLICs. Finally, the significance of the findings is that this study discussed the issue of government ownership from our assessment of GLCs' transformation. The issues include the power of GLCs that beyond the program that created obstacle for GLCs to transform holistically. It may contribute to a more in-depth understanding of government ownership and open up a new dimension of how researchers should deal with government ownership issues. As known to date, there was no academic paper on GLCs' transformation and the government through the Graduation Report published by the program in 2015 failed to analyze the performance of GLCs holistically that also discuss major issues of government ownership in GLCs. Thus, this research sheds new light on GLC's role in Malaysia.

1.6 Scope of the Study

The government selected 20[25] GLCs initially, but only 17[26] GLCs remained until the end of the program (PCG, 2015, p.38). From these 17 GLCs, 15 GLCs are present and listed on

[25] The GLCs are Boustead Holdings Berhad, Chemical Company of Malaysia Berhad, Malaysia Airports Holdings Berhad, Malaysian Resources Corporation Berhad, Sime Darby Berhad, Tenaga Nasional Berhad, Telekom Malaysia Berhad, UMW Corporation Sdn. Bhd., TH Plantations Berhad, Guthrie Group Limited, Golden Hope Plantations Berhad, Pos Malaysia Berhad, Proton Holdings Berhad, CIMB Group Holdings Berhad, Malayan Banking Berhad, Affin Holdings Berhad, Bank Islam Malaysia Berhad, Malaysia Building Society Berhad, UEM Group Berhad and Malaysia Airlines Berhad

[26] In 2006, Guthrie Group Limited, Golden Hope Plantations Berhad and Sime Darby Berhad merged and became Sime Darby Berhad (The Star dated 27, Nov, 2006). Khazanah disposed its shares in Pos Malaysia Berhad to DRB-Hicom in 2011 (The Star dated 23 April 2011). Thus, Guthrie Group Limited and Golden Hope Plantations Berhad as well as Pos Malaysia Berhad was excluded from the 17 selected GLCs under GLCTP. Axiata Group Berhad was incorporated from the demerging exercise of TM International Berhad from Telekom

Bursa Malaysia, and we excluded two GLCs[27] are not public listed and are wholly owned by Khazanah. We also excluded two GLCs[28] that were not public listed during the entire program as they were only listed in 2005 and 2008, respectively. This study focuses solely on publicly listed GLCs to examine GLCs, which has other shareholder's vested interest. It is critical to study GLCs' achievements of GLCTP when they also have to consider other stakeholders' interests. Besides, public listed companies are also obliged to publish their annual reports and accounts. The data are authoritative and credible because they have undoubtedly passed the scrutiny of the audit process. The exclusion of non-public listed companies left us with 13 GLCs.

The 13 GLCs also includes five financial institutions[29] where this study excluded them as they are subject to different regulatory frameworks that do not apply to other companies[30], consistent with past studies[31] that have excluded financial institutions GLCs. Thus, taking into all considerations above, eight[32] GLCs, namely Boustead Holdings Berhad (BHB), Chemical Company of Malaysia (CCM), Malaysia Airports Holding Berhad (MAHB), Malaysian Resources Corporation Berhad (MRCB), Sime Darby Berhad (Sime Darby), Tenaga Nasional Berhad (TNB), Telekom Malaysia (TM) and UMW Holdings Berhad (UMW) meet the criteria for this study. These GLCs' asset in 2015 is RM239.6 million, 58.1 percent from the total assets of the 25[33] biggest GLCs in Malaysia of RM412.7 million. The detailed information on these GLCs is presented in Chapter four.

The period chose for the study is between the Financial Year (FY) 2005 until the FY2014, as this is the transformation period. For some part of the analysis for research question one on the result of performance, research question two on contribution to ETP and

Malaysia Berhad and was listed in Bursa Malaysia in 2008. Axiata was added as one of the 17 GLCs under GLCTP. The 17 GLCs consist of 15 public listed companies and two non-public listed companies. Also, it consists of five financial institutions which public listed companies namely CIMB Group Holdings Berhad, Malayan Banking Berhad, Affin Holdings Berhad, Bank Islam Malaysia Berhad and RHB Bank

[27] UEM Group Berhad and Malaysia Airlines Berhad

[28] TH Plantation and Axiata Group Berhad

[29] CIMB Group Holdings Berhad, Malayan Banking Berhad, Affin Holdings Berhad, Bank Islam Malaysia Berhad, RHB Bank

[30]. They are heavily regulated under the Banking and Financial Act, 1989. Among others, the Act allows Fls to make portfolio investments in non-financial business up to a maximum of 20 percent of a Fl's shareholders' funds and up to 10 percent of the issued share capital of the company in which the investment is made. The Fls are not allowed to assume any management role or take up a board position.

[31] For example, the FI was excluded Razak et al. (2011, p.220), Razak et al. (2008, p. 436), and Muhamed (2013, p. 36) in their studies

[32] Several studies by also used a small number of GLCs such as Dahlan (2010) that used the case study of four GLCs. Other studies on GLCs under GLCTP by Isa and Lee (2016) and Bin and Yi (2015)

[33] These GLCs were selected by Menon and Ng (2014) in their study about the overview of GLCs in Malaysia

other national priorities, as well as research question three on the corporate governance mechanisms, the assessments on the indicators are done by comparing the pre-period and the post-period, that this study divided the ten years of the transformation program into two. The first five years period starts from the FYs 2005 to 2009 is the pre-period, and the period starting from the FY2010 until FY2014 is the post-period. For other examinations on the culture of performance, the role under NEM and benefiting stakeholders, this study analyzed the indicators within the transformation period.

1.7 Research Strategy

There have been a lot of literatures which analyze the performance of Sate-owned Enterprises (SOEs) /GLCs, and their focus from the academic point of view are financial performance, corporate governance, government's control and social objectives. Most of the literatures analyze one of them and discussed a specific aspect of SOEs. The GLCTP include almost all common aspects of SOEs. Financial performance and government's control is under the first underlying principle. Government control is included in the second underlying principle, together with corporate governance and social objectives. Corporate governance and social objectives are also under the third underlying principle. In addition to this, we analyzed other criteria in GLCTP namely the culture of performance, the NEM roles and benefitting stakeholders' interest and compared the indicators used in this study with indicators used by the program stipulated in the Graduation Report.

This study tries to analyzes the performance of GLCs holistically, by focusing on major aspects of SOEs as above, and also develop multiple indicators to assess each of various kinds of performance by using a mixed-method approach, to answer all the research questions. The rationale for using the mixed-method design is 'complementarily', that this study used the results from the analysis of the qualitative data as a complementary to the analysis of quantitative data to answer each of the research questions. The mixed-method employed in this study involves collecting, analyzing and integrating quantitative indicators (financial performance, corporate governance, taxation and dividend payments) and qualitative (interviews) research.

1.7.1 Research Method

This study combined the quantitative and qualitative methods, and the results from one method can be used to elaborate on results from the other method (complementarily) and to help develop or inform the other method (development) (Hanson, Piano Clark, Petska, and

Creswell, 2005). Data is collected concurrently during the data collection phase and both quantitative and qualitative methods are employed simultaneously to confirm, cross-verify, or support findings within a single study. In this regard, priority or relative emphasis given to the two types of data would be equal. By employing this design, the two forms of data were analyzed separately, and integration of the quantitative and qualitative results occurred in the discussion (Hanson et al., 2005).

1.7.2 Data Analysis

This study analyzed quantitative and qualitative data for answering the three research questions. The quantitative data were sourced mainly from GLCs annual reports for FY2005 until FY2014, and the qualitative data were obtained from the Graduation Report, the interviews, news cutting, the Malaysian Plan (Eleventh Malaysian Plan), GLCs annual reports, company or organization websites. The table below summarizes the source of data, type of data, and indicators used to answer the questions of achieving the three underlying principles.

Table 1-1: The Summary of Data Collection

	Source of Data	Type of Data	Indicators
First Underlying Principle	Annual Report	Quantitative	ROA, ROE, Revenue, DPR
		Qualitative	The date appointment of CEO and qualification Yearly headline KPIs announcement
Second Underlying Principle	Annual Report	Quantitative	GLICs shares in GLCs, Women Directors in GLCs, GLCs assets, GLCs regulator directors
	Annual Report Graduation Report News cutting Interviews	Qualitative	First Role Program for value enhancement, regional expansion, financial restructuring, restructuring, merger synergies and continuous change Second Role Joint ventures, mergers, and collaborations with companies in other countries and setting up branches abroad. Third Role Investment in new industries that are catalytic and transformative Fourth Role The strategic partnership, joint ventures, mergers, and collaborations between GLCs and private companies. Fifth Role Level playing field – Operating core business in collaboration with private companies and no competitive advantages over private companies, Exit non-core and non-competitive business - exit operation, closure of unit/business, divestment of shares in companies, disposal of non-core business
Third Underlying Principle	Annual Report	Quantitative	Tax Payment, Dividend Payment, the number and percentage of independent directors, the frequency of board meetings held in a year and the number of the board member, the number of ex-civil servants, regulators and serving MP directors removed
	Annual Report Graduation Report News cutting Interviews	Qualitative	CSR activities, Vendor Development Program, GLCs customers award, the separation of the role of Chairman and CEO

Source: Developed for this study by the author

For this study, we triangulated the assessment of indicators within the same underlying principle. The convergence of both quantitative and qualitative data in evaluating GLCs achievement of the underlying principles aimed to corroborate the same finding. In addition to this, data triangulation also happens between the data retrieved for the assessment of different underlying principles. For example, this study triangulated data from the first underlying principle on the result of performance, with the data retrieved for assessing the second underlying principle regarding operating on a level playing field. Another example is the triangulation of data on the achievement of national priorities on the divestment of shares of GLCs and the assessment of the third underlying principle on dividend payment of GLCs to the shareholders. This data triangulation was used to enhance the robustness of the analysis of the study.

1.7.2.1 Research Question One

This study assessed GLCs' result of performance and the culture of performance, where quantitative and qualitative data were used as indicators, respectively. For the former, the indicators are the dividend payout ratio (DPR), revenue growth, Return on Asset (ROA), Return on Equity (ROE), and the assessment was done by calculating their average in the pre and post-periods and make a comparison. This quantitative data were retrieved from GLCs annual reports between the FY2005 to FY2014. For the latter, this study used the announcement of headline KPIs and the new CEO's appointment at the beginning of the program and CEOs competency as indicators and we qualitative data were retrieved from GLCs' annual report. A GLC has achieved the first underlying principle if the indicator's value for the result of performance in the post-period is higher than in the pre-period, consistently announces its headline KPIs and introduced new and competent CEOs at the beginning of the transformation period.

1.7.2.2 Research Question Two

This study assessed GLCs performing NEM roles and contribution to ETP and other national priorities, where we used qualitative and quantitative data. Here, we seek to confirm the result presented in the Graduation Report on GLCs' achievement by validating them with the qualitative data from news cutting, interviews, and companies or relevant organizations' websites. Qualitative data collected through interviews involved twelve sessions with the key person from MOF (Inc.), PCG, two GLICs, seven GLCs, and ISIS, a distinguished research institute. The interview session's detail and questions are laid down in Appendix B, C and D. The purpose of the interviews is to seek respondents' views on how GLCs had performed NEM roles.

For the first NEM role, the indicator is strategic transformation towards value enhancement, regional expansion and financial and business restructuring to focus on core-business and merger synergies. A GLC has achieved this role if it performed any of the indicators in the transformation period. For the second role, the indicators used are joint ventures, mergers, and collaborations with companies in other countries and set up branches abroad for the regional champion test. A GLC has achieved this role if it performed any of the indicators in the transformation period. For the third role, the indicators are the investment in an industry that is catalytic and transformative and a GLC has achieved this role if its new investment meets this criteria. Collaboration and co-invest through strategic partnerships, joint ventures, and mergers between GLCs and the private sector are the indicators for the fourth role. A GLC has achieved this role if it has done any collaboration and co-invests with private companies.

We investigated GLCs operation of its core business on a level playing field and exited its non-core or non-competitive business to evaluate the fifth role implementation. For the first element, following the definition of a level playing field by the CEO of EPF, the first indicator employed is similar to the fourth role on collaboration with private companies. We replicated the result of the assessment mentioned above. The second indicator is the presence of GLICs' assistance to a GLC in implementing its core-operations. Data from interviews were used for evaluating this scenario. As for the third indicator, we examine quantitative data from the annual reports on the presence of regulator directors on the GLCs board in the post-period to see the trend. A GLC had operated its core-operation on a level playing field if, in the transformation period, it has performed its core-business with collaboration with the private sector, without assistance from GLICs and there was a declining trend in the number of regulators board. For the fifth role second element, the indicators used are exit operation, closure of unit/business, divestment of shares in companies, disposal of non-core business in the transformation period. A GLC had exited non-core operation if it had performed any of these indicators.

The indicators used for GLCs contribution to the ETP and other national priorities are the percentage of GLICs shares and the percentage of women directors, respectively. Data from the annual report were compared between the pre and the post-period. If a GLIC has fewer shares in a GLC in the post-period and the percentage of women directors over total directors in a GLC is 30 percent or more, the GLC has contributed to ETP and other national priorities, respectively.

1.7.2.3 Research Question Three

For the assessment on GLCs operating in a clear governance structure, we analyzed five indicators, namely the number and proportion of independent directors over total directors, the separation of Chairman and CEO role, the number of board members, the number of board meetings a year and the removal of the number of ex-civil servants, regulators and serving MPs from GLCs' boards. Data were retrieved from the annual reports and we compared between them between the pre and post-period. A GLC had achieved the test on operating in a clear governance structure if it has fulfilled the entire following scenario in the GLCTP period:

a) Its board has a minimum of two independent directors or the proportion of one-third or more directors from the total number of directors are independent;
b) The board contains a maximum of ten members;
c) The board separates the role of the Chairman and the CEO;
d) The board holds a regular board number of meetings, between six to eight meetings in a year; and
e) The ex-civil servants, regulators, and the serving MPs directors have been removed from the board.

The second element is that GLCs have to serve the stakeholders' interests, namely the shareholders, the government, the society, the customer, and the suppliers and vendors. This study analyzed quantitative data from the annual report on the amount of tax and dividend payment between FY2005 to FY2014 to evaluate whether GLCs had benefitted the government and shareholders' interest. For the rest of the stakeholders, the indicators are the implementation of Corporate Social Responsibilities (CSR), customer award received and the implementation of VDP, respectively. This study examined the Graduation Report's result on GLCs benefitting the society and customer and validated them with the data from news cutting or GLCs websites. For evaluating vendors and suppliers, we analyzed data from interviews with GLCs and news cutting and websites. A GLC has benefitted stakeholder's interest if it has served all the stakeholders mentioned above in the transformation period.

1.8 Definition of Terminologies

This section provides the working definitions that have been sourced or developed for this research.

Government Linked Companies Transformation Program or GLCTP

Government Linked Companies Transformation Program or GLCTP is an on-going effort by the government to drive development and grow the economy with three fundamental principles ran through the program:

a) The program is part of the broader national development strategies;
b) The program focuses on enhancing performance at the GLCs; and
c) Took full cognizance of matters relating to governance, shareholder value program, and stakeholder management. (PCG websites)

Government-linked Companies

'What constitutes a GLC is define by control rather than by percentage ownership. This study defines control as the ability to exercise and influence significant decisions such as the appointment of Board members and senior management, the award of tenders and contracts by the Board (Minister of Finance (MOF), 2009).

Government-linked Investment Companies

GLIC is defined as 'Federal Government-linked Investment Companies that allocate some or all of their funds to meet GLC investment' (MOF, 2009).

1.9 Major Findings

Based on the scoring on the achievement of the three underlying principles, we found that the best GLC achieved 78.75 marks and the worst GLC attained 41.25 marks, out of 100 marks. GLCs' achievements differ from one GLC to another GLC depending on their focus on which underlying principles. Those who focused on the first underlying principle attained good scores, while GLCs that did not focus on the first underlying principle achieved the worst score. On the first underlying principle, out of 50 marks, the highest mark attained is 43.75 and the lowest mark is 12.5. On the second underlying principle, out of 25 marks, the highest marks achieved is 22.5 and the lowest is 10 marks, where there was no mark attained for supporting ETP other national priorities. On the third underlying principle, out of 25 marks, the highest mark achieved is 18.75 marks.

This study found that none of GLCs had achieved the three underlying principles holistically, although we encountered some exceptions or some positive results on their achievements. For the first underlying principle, only one GLC met all the indicators of the result of performance. This GLC also contributed to shareholders value as the Graduation Report presented that its market capitalization increased by 200 percent, from USD8 billion to USD24 billion, from FY2005 to FY2014 (PCG 2015, p.57). The rest of GLCs achieved at least two indicators. Except for two GLCs, other GLCs failed to achieve ROA and ROE. Based on the interviews, we discovered that the poor performance of some GLCs is influenced by other external factors such as the global financial crisis that happened in GLCTP period, especially for small GLCs. On the culture of performance, the announcement of headline KPIs is difficult to achieve by most GLCs.

We also discovered that half of the GLCs achieved all NEM roles, while the other half could not achieve one of the roles namely in becoming a regional champion, operating on a level playing field, investing in new industry or to exit non-core business. Nevertheless, all GLCs had transformed to stay the course and collaborate with private companies. Thus, GLCs transformation with regards to performing NEM roles differ from one GLC to another GLC mostly depends on whether the roles are related to GLCs' profitability, as well as GLICs' assistance. GLCs' transformation relating to government controls under supporting ETP is not holistic. There was only a small divestment of GLICs shares of 6.6 percent. EPF and PNB increased it shares in their respective GLCs. Khazanah, LTAT and PNB divested theirs shares in in five GLCs. The divestment is dependent on GLICs seeking for dividend and developmental roles in GLCs as well as the dependency of GLCs on their shareholders. The transformation in social objective through the support on other national priorities is not achievable as only one GLC met the target of 30 percent women on board in the post-period. Nevertheless, all GLCs had transformed in social objectives through benefitting all stakeholders' interests. We also know that GLCs had achieved at least two of the indicators of the result of performance. Thus, we could confirm GLCTP's notion that with GLCs achieving the first underlying principle, GLCs could catalyze nation building and benefit their stakeholders. Other than this, we found that GLCs understudy had expanded their sizes by 34.4 percent, from RM18.9 billion to RM25.4 billion.

GLCs did not transform its corporate governance holistically as frequency of board meeting suggested by the Green Book is not achievable by all GLCs. On average, two ex-civil servant, regulator and serving MP directors have been removed from GLCs' boards, respectively. But we also encountered that ex-civil servant, regulator and serving MP directors could not be removed from the boards of three GLCs, as their shareholders, Khazanah and EPF removed none of these directors in the period. This is despite the fact that Khazanah divested its shares these GLCs, thus showing that they wanted to control them through these directors. Only PNB removed the most of these directors from one of its GLC's board, confirming our result based on the interview with the management that this GLC is less dependent on the shareholder. However, it indicates that GLCs' significant presence in the market is not achievable and there was a failure in moving the government away from some GLCs.

We also found several reasons that refrained GLCs from transforming. GLCTP introduced contradictory principles that created challenges for GLCs to achieve both financial performance and social objectives. Depending on GLICs, some GLCs focused on the first underlying principle but others focused on the second underlying principle or both principles and we know from the scoring that GLCs, which focus on the first underlying principle could be able to achieve on the second underlying principle. Besides, the government policies embedded in GLCTP to reduce GLCs significant presence and to operate on a level playing field failed to give a clear definition of the term ‘new’ industry that GLCs should undertake, as well as the indicator for ‘level playing field’ was not defined. This situation refrained GLCs from transforming related to performing NEM roles. We also ascertained that GLICs are powerful shareholders that are beyond the program in controlling GLCs, thus, refraining GLCs to transform regarding some elements of the first, second and the third underlying principles. Chapter five explained the GLCs’ achievement of GLCTP in detail.

1.10 Structure of the Study

The overall structure of the study takes the form of six chapters.

Chapter two begins by laying out an overview of the Malaysian GLCs. It starts with an explanation of Malaysian PEs and the difference between GLCs and other PEs. Then, this chapter discusses how GLCs have evolved concurrently with Malaysia’s development history. Chapter three reviews and discusses the existing theoretical and empirical evidence on the GLCs objectives, dual objectives, and the three underlying principles set under GLCTPs. The first section is the introduction, followed by the section on the theoretical background on government ownership. The third section discusses GLCTP background and its three underlying principles, and each of the fourth, fifth, and sixth sections explained in detail each of the three underlying principles and introduced lacunas.

Chapter four explains the methodology, the rationale, and the reasons for the choice of methods used. First, this chapter constructs the theoretical framework from the research problem, the relevant literature, and the theories discussed in chapters two and three. Second, it identified the research objectives, the research questions and explained the appropriate assumptions. Finally, it describes the detailed methodology for each of the research questions. Chapter five presents the analysis for each research question. First, this chapter presents the research question and the expected result from the study. This chapter then exhibits the analysis of data and presents the findings on how GLCs had transformed through the GLCTP, based on the assessment of how GLCs achieved the three underlying principles. Then, this chapter discussed major issues on government ownership. Finally, this chapter discusses whether the results support the constructed arguments laid down in Chapter three. Chapter six summarizes and concludes the study based on the findings discussed in Chapter five.

Accordingly, the main results are presented, limitations of the study are discussed, and lastly suggestions for further research are outlined.

1.11 Conclusion

This chapter has introduced the study, which includes the background, the statement of the problem, the research objective, the motivation and contribution, the study's scope, the methodology, the definition of terminology, significant findings, and the structure of the study. In the next chapter, this study will give an overview of Malaysian GLIC and GLC.

2 OVERVIEW OF MALAYSIAN GLIC AND GLC

2.1 Introduction

The objective of this chapter is to give a comprehensive overview of Malaysian GLICs and GLCs. The chapter explained the Malaysian Public Enterprises (PEs), identified GLCs and GLICs' locality among all government agencies in Malaysia, the relationship between GLCs and GLICs and discussed similarities and differences between GLCs with other Malaysian PEs and GLCs with SOEs in other countries. The links between GLICs' and GLCs' evolvement and Malaysia's development history are then presented, followed by the arguments on GLCs in Malaysia.

2.2 Malaysian Public Enterprises

This section describes Malaysian PEs and entities categorized as PEs. The description of PEs in Malaysia and their categorization before discussing GLCs and GLICs in detail is crucial, as both GLCs and GLICs are also part of Malaysian PEs. The term PEs, which is part of the wide-ranging Malaysian government agencies, will be used throughout this study when referring to government agencies other than ministries and departments.

PEs are commonly known in terms of its' ownership, either partly or wholly owned by the regional, state, or even federal government. Most PEs consists of industrial, trading, financial, and agriculture bodies that are partially or fully own and authorize by the government. In Malaysia, the role of private enterprise is equally important as the country holds a free enterprise concept. It explains why PEs only plays minimal and controllable roles to balance the development objectives.

The need for PEs in Malaysia is also much related to the problem of unemployment with the increase in the country's population growth rate, and with the perception that the economic sectors could absorb the existing additional human resources. At that particular period, PEs could consume as much new workforce as possible as their establishment are not for profit purposes only. Fatimah, Haslinda, Normahiran, Usha, Saluana, and Radiah (2008) made an exciting contribution to the study of PEs' responsibility and classification, where they classified PEs into statutory and non-statutory bodies. The researchers also clarified that the former is responsible for implementing government tasks towards the development and implementation of services to the public.

2.3 Types of PEs in Malaysia

Based on the author's observation of the Malaysian ministries' websites, there are four classifications of PEs; 1) statutory body (SB); 2) company limited by guarantee (CLBG); 3) trust company (TC), and 4) company limited by shares with the government control[34]. Companies limited by shares are now known as GLCs, a relatively new name, and commonly referred to as non-statutory bodies and one type of the PEs by Fatimah et al. (2008).

The essential type of PEs in Malaysia is the SBs, established to implement specific

[34]For example, the Prime Minister's Department, at http://www.jpm.gov.my/jpm2/en/agensi_direktori_kjjpm, the Ministry of International Trade and Industry, at http://www.miti.gov.my/index.php/pages/view/261, Ministry of Sports http://www.kbs.gov.my/my/ have agencies in their organization chart.

duties and responsibilities following the government policy (International Business Publication, 2015, p.62). The Parliament Act 240 governs these entities allowing ministers to give directions to the board of directors (Article 3). In addition to this Act, several SBs were established through a special Act. An example is the EPF, which is in charge of social security in Malaysia (Overview of the EPF, n.d.). Currently, there are 131 SBs under the purview of various Ministries[35].

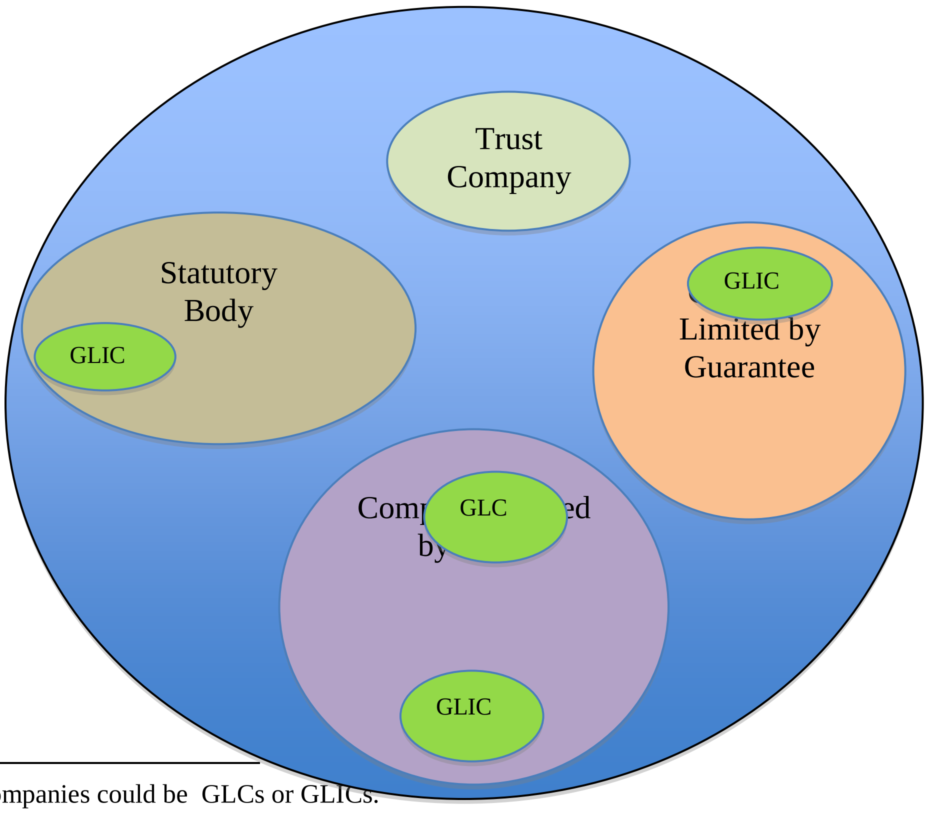
The other type of PEs is the CLBG, a company incorporated under the Companies Act 1965, which is under the purview of Ministries. The Companies Commission of Malaysia (CCM) stated that 'CLBG is created with the principle that the liability of its members is limited by the memorandum to the amount of certain undertakings by its members to contribute to the company's assets if the company wound up' (Guidelines and Checklist of CLBG, n.d., p.3). An excellent example of CLBG is the *Yayasan Pelaburan Bumiputera*, the shareholder of PNB that is under the control of the Ministry of Finance. Another example is the Unit *Peneraju Agensi Bumiputera* (TERAJU), a strategic unit under the supervision of the Prime Minister's Department to lead, drive, and coordinate *Bumiputera* participation in the national economy in line with the national transformation plan (Company, n.d.). In 2016, there were 27 CLBGs under the control of the respective ministries[36].

The third category of PEs comprises the trust companies that are governed by the Trust Companies Act 1949. Section 3 of the Act stipulates that 'any public company incorporated in Malaysia may apply to the Registrar of Companies under the CCM, to be registered as a TC for executing the office of administrator, trustee and/or agent of an infant and a mentally disordered person, for the collection and for winding up estates, and/or agent for the management and control of the removal of immovable property, and/or investing and financial agent on behalf of executors, administrators and trustees' (Section 8, Trust Company Act 1949). Some ministries established their own TCs under their jurisdiction and formed the Board of Trustees to administer the 'trust'. As an illustration, the Prime Minister's Department created *Yayasan Permata* as a trustee of an infant. Another example is *Yayasan Kebajikan Negara*, a TC under the Ministry of Women, Family, and Community Development that acts as a national charity fund.

[35] author's observation on the websites of the 24 ministries in Malaysia.
[36] *Ibid.*

The Malaysia PEs also includes companies limited by shares controlled by the government, previously designated as PEs under the category of non-statutory bodies until the 1990s[37]. The Malaysian government defines GLCs as ‘companies that have a primary commercial objective in which the government/GLIC has a direct controlling stake.’ These entities also include companies where GLCs have their controlling stake, i.e., subsidiaries and affiliates of GLCs (PCG, 2005, p.18; Ministry of Finance, 2007, p.92; ‘What are GLC and GLIC, n.d.).

On the other hand, GLICs are federal government entities that allocate some or all of their funds to GLCs investment (PCG, 2005, p.18; Ministry of Finance, 2007, p.92; ‘What are GLC and GLIC,’ n.d.). The government elaborated controlling stake as ‘the government’s ability (not just percentage ownership) to appoint board members, senior management, and/or make major decisions (e.g., contract awards, strategy, restructuring and financing, acquisitions and divestments, etc.) for GLCs, either directly or through GLICs’ (PCG, 2005, p.18; Ministry of Finance, 2007, p.92; ‘What are GLC and GLIC’, n.d.). Based on the definition by the government on GLCs explained previously, in 2011, the government had recognized 445 companies as GLCs in Malaysia (NEAC-Concluding Part). Figure 2-1 illustrates the locality and categorization of GLCs and GLICs within the Malaysian PEs.



[37]. These companies could be GLCs or GLICs.

Figure 2-1: The locality of GLCs and GLICs in Malaysian PEs (Self-developed by author)

This study adopted the government's definition of GLCs and GLICs. Having defined the meaning of GLICs, the grouping of GLICs is related to government ownership and control and their investment objectives and governing structure. The next section elaborated on GLIC in greater depth.

2.4 Government-linked Investment Companies

The government defines GLICs as 'federal government entities that allocate some or all of their funds to GLCs investment' (What are GLC and GLIC, n.d.). As far as the federal government's ownership and control in GLICs are concerned, the government divided the seven GLICs[38] into two distinct groups, namely those wholly owned by the government, i.e., Khazanah and MOF (Inc.); and the 'privately funded,' in which the government plays an essential statutory or guarantor role, i.e., EPF, LTAT, LTH, PNB, and KWAP (PCG, 2005, p.5).

The first GLIC in Malaysia is MOF (Inc.), established in 1957 with the initial purpose of inheriting companies once owned by the *British* colonial empire during the post-independence period. Currently, MOF (Inc.)'s investment goals are to maximize the impact of government's investments in GLCs on economic development and to enhance the quality of life (MOF, 2017). In particular, MOF (Inc.) has three primary investment objectives which are; 1) to make investments to bridge the market gap in areas where private sectors give the less priorities due to huge initial investment cost and high market barriers; 2) to benefit people socially and stimulate economic growth through investment in strategic sectors such as technological research, and; 3) to attract investors in areas such as biotechnology and information technology and communication (Government Investment Companies Division). MOF (Inc.) has the power to decide GLCs' business strategies, to restructure or finance loan, acquisition and divestment exercise, and appoint its nominee directors on the board, as provided by the MOF (Inc.) Act 1957[39]. A division[40] in MOF executes this power. Other than

[38] Federal government investment companies i.e., *Khazanah, MOF(Inc.), EPF, PNB, LTH, LTAT,* and *KWAP*.
[39] The Act provides the authority for MOF(Inc.) to enter into contracts, acquire, purchase, possess, hold, and maintain tangible and intangible assets (MOF(Inc.) Act 1957, p.6).
[40] Known as the Government Investment Companies division.

this, MOF (Inc.) has the capacity of either holding equity shares or controlling rights through the golden share provision[41] in GLCs[42]. Khazanah, which is the strategic investment fund of the government of Malaysia (Overview), is a company limited by shares and wholly owned by MOF (Inc.), except for one share held by the Federal Lands Commissioner[43]. Khazanah, that was incorporated in 1993, defines strategic investment objective as 'dealing with managing government funds for a longer horizon and a higher risk appetite to effect structural changes in the economy, catalyze new investments, and develop new growth areas' (Khazanah, 2012, p.75-78). This objective[44] also includes completing Malaysia's journey of privatization, boosting the rural economy, developing high-technology industries, building Malaysia's champions in the established sector, and investing in regional development. For example, Khazanah made strategic investments in major areas such as banking and financial services, electricity, telecommunications, airlines, and other infrastructure projects (PCG, 2015, p.193). Khazanah could control GLCs by holding substantial equity in GLCs or through its subsidiaries. Hence, both Khazanah and MOF (Inc.) could simultaneously control a GLC through significant equity shareholding and the golden share provision, respectively.

The government established EPF under the Employees Provident Fund Act 1991. It possesses assets worth RM696 billion [45] (USD166 billion) and allocates 36 percent[46] of the fund for investments in an equity portfolio, including GLCs (EPF, 2015, p.55, 108). EPF falls under the 'privately funded' GLIC with the purpose of investment in GLCs is to gain a return on the investment to pay a dividend to contributors, who are employees in Malaysia.

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[41] The golden share provision does not give any right to the government to take part in any capital or profits of the GLCs, or a right to vote in the annual general meetings (AGM) or extraordinary general meetings (EGM) of the GLCs, but confers special rights to the government that enable the government, as stipulated in the law of the companies, to make certain major decisions affecting the operations of the company. Other than this, the special rights carried by the golden share include the right to attend and speak in the AGM or EGM of the GLC (Gomez and Jomo, 2009, p.89-90).

[42] Concerning equity shares, MOF(Inc.) owns the majority shareholding in 66 GLCs while the Federal Land Commissioner owns one share. Apart from this, MOF(Inc.) also controls six associated companies that are also owned by other private companies and controls 33 GLCs through the golden share provision (Government Investment Companies Division).

[43] The MOF(Inc.) Act stipulates that one share has to be retained under the Federal Land Commissioner

[44] In the first ten years of its operations since 1994, Khazanah assumed a custodial role in managing the government's commercial assets as well as investing in strategic and high technology sectors ('Key Corporate Milestone, interviews n.d.). The government has refreshed the mandated role of Khazanah that has begun in 2004, where Khazanah is undertaking an expanded and more active investment approach that includes enhancing the financial performance of its existing core shareholdings while seeking opportunities in new economic sectors and geographies ('Key Corporate Milestone, interviews n.d.)

[45] As of December 2015.

[46] *Ibid.*

Another 'privately funded' GLIC is PNB that is under Yayasan Pelaburan *Bumiputera*, both were created in 1971 through NEP. PNB is an instrument used in promoting the corporate sector's share ownership among the *Bumiputera*s by pooling *Bumiputera* equities together for investment in public listed companies for the benefit of *Bumiputera* unit trust holders and depositors. Other than this, PNB has a role develop opportunities for *Bumiputera* qualified professionals to be part of wealth creation and management of the trusts and deposits (Jomo and Tan, n.d., p.3; www.pnb.com.my). Thus, for its first role, PNB's acts as a repository in which the ownership of shares in listed companies are placed in a trust fund and sold to *Bumiputera* unitholders in the form of smaller units. Therefore, PNB's investment aim is to gain a return on investments for the benefit of these unit trust holders and depositors.

The purpose of the establishment of the Armed Forces Trust Fund (Lembaga Tabung Angkatan Tentera) (LTAT) in August 1972 under the Armed Forces Act 1973 (Act 101) is to hold retirement benefits and other benefits[47] for members of the Malaysian Armed Forces. LTAT's investment objective is to provide better benefits for the members of armed forces, whereby the return on investment in GLCs is to give returns to the members or other assistance through corporate social responsibility (CSR)[48] activities.

Another GLIC is LTH, created in 1963 under the Tabung Haji Act *1995* (*Act 535*) with the objectives of managing deposit and investment, as well as providing *Hajj* services and operations in Malaysia. Finally, KWAP was created in 2007 under the Retirement Fund Act 2007 (Act 662), replacing the repealed Pensions Trust Fund Act 1991 (Act 454). The objective of KWAP is to manage funds used to assist the federal government in financing pension liability towards achieving optimum returns on its investment.

Based on the above explanation on the purpose of the establishment and investment objectives of GLICs, it is critical to restate that GLICs investment objectives are not monolithic. GLICs have different interests, priorities, and perspectives about investment opportunities, divestment strategies and time horizons, and approaches to monitoring and influencing their company portfolios (PCG, 2005, p.5). Table 2-1 explains GLICs' investment objectives, legislative, board composition and shareholders/governing structure. We can see that as far as the legislative power governing GLICs is concerned, we can see

[47]. The government established a compulsory contribution retirement benefits scheme for members of the armed forces under LTAT. Includes a lump-sum withdrawal inclusive of dividends and bonuses, death and disablement benefits and partial withdrawal to purchase a house to both the serving members as well as retiring and retired members of the Armed Forces (Norma and Nur Fakhrina, 2016)

[48] Based on the interview with the key person of LTAT.

from Table 2-1 that EPF, LTAT, LTH, and KWAP are SBs. Khazanah and PNB are governed by the Companies Act 1965, while MOF (Inc.) was established and enacted by the MOF (Inc.) Act 1957, giving the body power to invest GLCs on behalf of the federal government. Nonetheless, GLICs are under the purview of respective sponsoring ministries. MOF (Inc.), Khazanah, PNB, EPF, and KWAP are placed under the Ministry of Finance, LTH and LTAT are under the jurisdiction of the Prime Minister's Department and the Ministry of Defense, respectively. Due to the Acts governing these GLICs, the sponsoring ministries have the power to appoint government nominees on the board of directors of GLICs and GLCs. All GLICs are also subject to discretionary audits by the Auditor General and Public Account Committee[49], a standing committee under the Parliament. Khazanah and PNB are companies; thus, they are subject to be audited by an external auditor as stipulated under the Companies Act 1965. In general, GLICs have played a significant role in shaping the economic structure of Malaysia, and their portfolio of GLCs has a strong presence in the corporate sector (PCG, 2005, p.1). Currently, the seven federal GLICs are active investors in the listed companies in Malaysia. Out of 806 companies listed on the Main Board of Bursa Malaysia in 2015, GLICs have made investments in 309 companies[50] (38 percent of all companies).

So far, this chapter has focused on the purpose of GLICs' establishment, investment objectives, legislative and governing structure. The following section will discuss on GLCs concerning their similarities and differences with other types of PEs in Malaysia and SOEs in different countries and their governance structure.

[49] The *Public Accounts Committee* is appointed at the beginning of every Parliament, for the examination of the accounts of the Federation and the appropriation of the sums granted by Parliament to meet the public expenditure, to examine accounts of public authorities and other bodies administering public funds as may be laid before the House of Representatives, to examine reports of the Auditor-General laid before the House of representatives, under Article 107 of the Federal Constitution and to examine such other matters as the Committee may think fit, or which may be referred to the Committee by the House of Representatives (Official website of Public Account Committee)

[50] *Ibid*

Table 2-1: GLICs' Establishment Purpose and Investment Objectives, Governing Acts, Board Composition and Shareholding/Ownership

GLIC	*Purpose*	*Investment Objectives*	*Act*	*Board composition based on respective Acts*	*Shareholding/Ownership*
MOF (Inc.)	Originally the purpose was to supervise companies inherited from the British Colonial Government before 1957. Later, it was expanded to acquire further assets to support the indigenous people/*Bumiputera* in Malaysia.	Investment goals are to maximize the impact of the government's investments in GLCs on economic development and to enhance the quality of life (MOF, 2017). (Government Investment Companies Division)	It was established as a corporate body under MOF (Inc.) *Act 1957*.	N/A	The Act provides the authority for MOF (Inc.) to enter into contracts, acquisitions, purchases, possessions, holdings, and maintains tangible and intangible assets. A division in the Ministry of Finance Malaysia called Government Investment Company Division manages the corporate matters of companies controlled by MOF (Inc.).
Khazanah	To promote economic growth and make strategic investments on behalf of the government that would contribute towards nation building. Empowered as the government's strategic investor in new industries and markets as well as to serve the country's national interest, mainly	Completing Malaysia's journey of privatization, boosting the rural economy, developing high-technology industries, building Malaysia's champions in the	A company limited by shares established under the *Companies Act 1965*	i. A Chairman; (The Minister of Finance) ii. Minister in the Prime Minister's Department; iii. The Second Finance Minister; iv. Five professional representatives; and v. One ex-officio (CEO)	Save and except for one share owned by the *Federal Land Commissioner*, all of the equity is owned by MOF (Inc.)

GLIC	*Purpose*	*Investment Objectives*	*Act*	*Board composition based on respective Acts*	*Shareholding/Ownership*
	to control strategic assets and industries imperative to Malaysia's economic growth and social development plan.	established sector, and investing in regional development.			
PNB	To promote share ownership in the corporate sector among the indigenous group and maximize savings returns for their depositors or unit holders. It also provides opportunities for professionals from this group, who are qualified to participate in the creation and management of the property.	To gain a return on investments for the benefit of these unit trust holders and depositors.	A company limited by shares established under the *Companies Act 1965*	Currently, the chairman and all board members are retired high profile government servants.	
EPF	To provide pension benefit for private-sector employees and government employees who opted to contribute to the EPF.	To gain a return on the investment to pay a dividend to contributors, who are employees in Malaysia	An SB established under the *Parliament Act (Provident Fund Act 1991)*	i. A chairman; ii. Five government representatives; iii. Three employer's representatives; iv. Three employee's representatives; v. Three professional representatives; and ii. vi. 1 ex-officio (CEO)	

<table>
<tr><th>GLIC</th><th>Purpose</th><th>Investment Objectives</th><th>Act</th><th>Board composition based on respective Acts</th><th>Shareholding/Ownership</th></tr>
<tr><td>LTAT</td><td>To hold retirement benefits and other benefits for members of the Malaysian Armed Forces other ranks (contributors required) and a savings scheme for officers of the armed forces and members of the Voluntary Deployment Force.</td><td>To provide better benefits for the members of armed forces, whereby the return on investment in GLCs is to give returns to the members</td><td>An SB established under the Parliament Act (Armed Forces Act 1973)</td><td>i. A chairman;
(The Secretary-General of the Ministry of Defense or such other person as may be appointed by the Minister)
ii. Deputy Chairman; (representative of the Ministry of Defense and the Deputy Secretary-General to the Ministry of Finance)
iii. Four contributor’s representatives;
iv. Chief of the Armed Forces staff; and
v. Other members not exceeding four in number.</td><td rowspan="2">Since these GLICs had been established under the Parliament Act and the Malaysian government also provides funding and capital guarantees, these GLICs are under the purview of specific ministries as follows:
<table><tr><th>GLICs</th><th>Ministry</th></tr><tr><td>EPF</td><td>Ministry of Finance</td></tr><tr><td>LTAT</td><td>Ministry of Defense</td></tr><tr><td>LTH</td><td>Prime Minister’s Departmen</td></tr><tr><td>KWAP</td><td>Ministry of Finance</td></tr></table></td></tr>
<tr><td>LTH</td><td>To manage deposit and investment, and to provide services and operations of Hajj in Malaysia.</td><td>To manage depositors fund and investment and returns to the depositors</td><td>An SB established under the Parliament Act (Tabung Haji Act 1995)</td><td>i. A chairman;
ii. A representative of the Prime Minister’s Department;
iii. A representative of the Ministry of Finance; and
iv. Other members may not exceed seven in</td></tr>
</table>

GLIC	*Purpose*	*Investment Objectives*	*Act*	*Board composition based on respective Acts*	*Shareholding/Ownership*
				number.	
KWAP	To manage pension contributions from permanent government staff with pensionable status and who are in service with Regulatory Body and Local Authorities.	To finance pension liability towards achieving optimum returns on its investment.	An SB established under the *Parliament Act* (*Retirement Fund Act 2007*)	i. A chairman; (The Secretary-General of the Ministry of Finance*)* ii. A representative from the Central Bank of Malaysi*a*; iii. A representative from the Ministry of Finance; iv. Three representatives of the Government of Malaysia; v. Three experienced and expert persons in business or finance from the private sector, other than representatives of the Government of Malaysia; and; vi. CEO, who shall be an ex-officio	

Source: Author's compilation from various GLICs websites

2.5 Government-linked Companies Governance Structure and Objectives

GLCs are companies limited by shares, where GLICs own part or majority of their shares. The Companies Act 1965 governs GLCs in Malaysia. GLCs are required to have a company structure similar to private entities, consisting of shareholders, the board of directors, and the management. GLCs are also required to prepare annual accounts to be audited by an external auditor (Section 166A of the Companies Act 1965). As far as GLCs' directors are concerned, the percentage of government shareholding and/or the golden share provision allow the government to have a controlling stake in GLCs.

As mentioned in Chapter One, the Malaysian government has defined GLCs as `companies that carry out a primary commercial objective where the government has a controlling stake` (PCG, 2005, p.18). Hence, due to having to carry a commercial objective, the government stated that 'the profitability objective must be balanced with the socio-economic objective' (Yakcop[51], 2002). As termed by other researchers, GLCs have a dual role, to increase profit and enhance Malaysia's socio-economic development (Musa, 2007, p.243; Dahlan, 2009, p.95). These goals form a crucial part of government control in GLCs, and the government believes that GLCs help to support Malaysia's social and economic development.

2.6 The Difference between GLCs and other Malaysian Government Agencies

Another significant aspect of understanding GLCs in Malaysia is to identify the differences with other government agencies. In general, the differences between GLCs and other government PEs are from the perspective of objectives, legislation, governing structure, distance from the ministries, and dependency on the government budget. The following table illustrates the differences between GLCs and other PEs.

[51] *Nor Mohd Yakcop* was the *Second Minister of Finance* of Malaysia GLCTP was embarked in 2004.

Table 2-2: Difference between GLCs and other types of PEs

Characteristic	***GLCs***	***Other types of PEs***
Purpose	Commercial business entity	Implement specific duties and responsibilities of certain government departments
Objectives	Profit is one of the primary objectives	Does not consider profit as their primary objective
Type of entities	Stock companies limited by shares	Statutory body CLBG and TC are companies limited by guarantee and trust fund respectively
Legislation	Companies Act 1965	CLBG and TC – Companies Act 1965 and Trust Companies Act1949 respectively SBs – Statutory Body Act 1980 and other special Acts
Auditor	External auditor, only selected GLCs are audited by the *Auditor General* based on necessity and other justifications	Audited by the Auditor General

Source: Author's analysis of the categorization of GLCs and other types of PEs

2.7 Malaysian History and their Linkages with GLICs and GLICs

In the late 1980s and early 1990s, Malaysia's high economic growth was due to the government's significant role in promoting political stability. Among others, it was attained through the establishment of several GLCs/GLICs to support the government's policies during the growth period (Jomo and Tan, p.3) that has helped in the socio-economic growth of Malaysia that will be discussed in detail later in this section.

From another perspective, GLICs and GLCs have evolved in line with the Malaysian historical development, and this is one of the critical events in constructing GLICs and GLCs to what they are now. There are eight essential eras and policies for GLCs' and GLICs' setting. Still, the focus would be on the period starting from the AFC as this is an important phenomenon related to the transformation of GLCs.

2.7.1 Post-independence Era

Historically, PEs was established during the colonial era to develop utilities and infrastructure for colonies' economic benefit for supplying public goods and services acquired by the British PEs. During World War II, more PEs was created for the social development of the *Malays* to win their 'hearts and minds' (Jomo and Tan, n.d., p.2). Then, after Malaysia's independence in 1957, through MOF (Inc.) Act 1957, the creation of more

PEs took over the colonial PEs (nationalization) to assume control in these companies, which were in the business of tin mining, plantation, agriculture, and international commerce (Jomo and Tan, n.d., p.2). Examples of these companies are Sime Darby Berhad and Chemical Company of Malaysia. At the state level, in the mid-1960s, State Economic Development Corporations (SEDCs) were set up by the state governments under the respective state laws to enhance their flexibility in managing their natural resources and diversification of new industries (Jomo and Tan, n.d., p.2).

2.7.2 The New Economic Policy

In the social aspect, the British colonial power in Malaya from 1874 until 1957 had helped to ship thousands of immigrants from China and India to work in the rubber, tin, and oil industries. Subsequently, the British had used race and religion in their divide and rule policy intending to defeat any attempt at political uprising against the British rule in Malaya. Thus, after Malaysia's independence, approximately two-thirds [52] of the population was living below the poverty line in 1957, with the vast majority of them being Malays or *Bumiputera*s (Ikemoto, 1985, 358). Aware of this phenomenon, the government launched the first *Bumiputera Economic Congress* in 1965 (Jomo and Tan, n.d., p.2) where more PEs were developed, focusing on the provision of essential amenities, infrastructure, agriculture, and industrial development (Ching, Jomo, and Fay, 2005).

The May 1969 election and ensuing race riots between the three dominant ethnic groups, namely Malays (also known as *Bumiputeras*[53]), Chinese, and Indians, had resulted in a massive expansion of state intervention. The late Prime Minister Abdul Razak Hussein announced the country's core policy, the NEP, in 1971. The plan was to achieve national unity by reducing poverty and striking socio-economic balance through the elimination of the identification of occupation with race, in particular between the politically dominant Malays and economically ubiquitous Chinese ('New Economic Policy,' n.d.; Jomo and Tan, n.d., p.3). Consequently, existing PEs were strengthened, the number[54] increased notably after the 1969 race riot when the government had expanded the PEs' role to

[52] For instance, in 1970, 65.9 percent of the Malays were deficient, compared to only 27.5 and 40.2 percent, respectively of the Chinese and Indians (Ikemoto, 1985, p.358).

[53]Literal translation of 'sons of the soil'.

[54] UDA was established as a statutory body to promote the development of projects in urban areas to encourage income equality among the races (National Archives of Malaysia website). The government also incorporated PNB in 1974 with the main aim to provide a valuable tool of the NEP in promoting share ownership in the corporate sector among the *Bumiputera* through investment in private companies. In short, PEs has been used in Malaysian government internal resource configurations to achieve socio-economic objectives (Furuoka, 2007, p.527; Gomez, 2009, p.349; New Economic Policy, n.d.) and its rapid growth in the 1960s was mainly due to the NEP.

promote political stability as well as to confirm the government's commitment toward direct capital accumulation (Jomo and Tan, n.d., p.3; Ratuva, 2013, p.205). One notable highlight here is that the newly created employments through the strengthened and expanded PEs were reserved overwhelmingly for the *Malays*. The NEP introduced in 1971 is Malaysia's core policy, echoed by all subsequent government national policies[55] towards restructuring the economy and the social balance among the races in Malaysia.

2.7.3 Industrial Policy

Malaysia embarked on export-oriented industrialization in the late 1960s, in which various PEs provided the necessary infrastructure and other facilities to attract foreign direct investments (FDI) (Jomo and Tan, n.d., p.2). Subsequently, the government introduced the 'Look East' Policy. The model emulated East Asian ethnics, where the government created a GLC called Heavy Industries Corporation of Malaysia (HICOM). This GLC's purpose was to industrialize the economy rapidly through promoting local linkages for small and medium enterprises and generating local technological capacity for the national car, *Perusahaan Otomobil Nasional (PROTON)* (Gomez, 2009, p.356).

2.7.4 Privatization Policy

In the 1980s, Malaysia experienced recessionary conditions, and the government acknowledged that the number of PEs had caused fiscal burdens to the budget due to their lackluster performance and financial losses (Jomo and Tan, p.10, n.d.). Thus, the government observed that there was a need for a policy reform through privatization exercise. The corporatization and privatization of some government departments[56] had transformed their legal entities into stock companies, whereby these entities had to adopt private sector practices to improve efficiencies. With the government retaining some of its shareholdings as well as exercising control rights through the golden share provision[57], these privatized government departments became GLCs. Partly because of the privatization exercises, the number of GLCs proliferated from 362 in 1975 to reach 1,010

55. For example, in the current situation, GLCs are urged to foster the development of *Bumiputera* employment, education, and the *Bumiputra* Commercial and Industrial Community (BCIC), among others with smaller *Bumiputera* suppliers (PCG, 2005). Another government agency, TERAJU, collaborates, and establishes the BEE Agenda to be implemented by GLICs/GLCs through the GLCTP *(PCG*).

56 Notable examples of this exercise are TNB (electricity service) and Telekom Malaysia (telecommunication services). To execute the privatization exercises, the government had amended several laws such as the Pension Act 1980, Telecommunication Act (1950), Port Act (1963), and Electricity Act 1949 for the privatization of national utility department, telecommunication department, several ports, and airports (Privatization Policy, n.d.).

57 Due to the monopoly status that some of these PEs holds, these provisions' objective is to promote fair trading practices in the market as well as to protect the government's interest in strategic industries.

in 1985 (Gomez and Jomo, 1999, p.31). Privatization policy that was in line with the pro-*Bumiputera* objective, which had created business-political relationships and they were no longer split (Gomez, 1990, p.86; Gomez, 2004, p.15), for example in the case of Renong Berhad.

2.7.5 The Asian Financial Crisis

As mentioned in the previous section, PE/GLCs were a tool to support government policy in promoting political stability in a multi-racial country ('*Economic History*, n.d.). As mentioned by Snodgrass (1995, p.18-19), Malaysia's high economic growth over the last few decades before the AFC was achieved due to a stable political condition.

From 1987, there was a consistent increase of over 30 percent of the GDP (International Monetary Fund (IMF), 2006, p.3) until 1997/1998. However, during the AFC crisis, there was a sharp depreciation in the currency, negative GDP, and collapse in demand for imports and inflow of FDI (Urata, 2000, p.412). After the crisis, private investment collapsed and started to improve slightly at the beginning of 2004, at 10 percent of GDP in 2005 (IMF, 2006, p.7). It stood at 15.5 percent of GDP in 2012 but decreased to 4.7 percent in 2015 (Bank Negara Malaysia (BNM), 2012, p.96; Bank Negara Quarterly Bulletin, Third Quarter 2016, p.1).

2.7.5.1 AFC and GLCs' Financial Performance

The AFC severely hit GLCs' financial performance, where only seven out of 15 largest GLCs recorded a profit in 2004 (MOF, 2007, p.92). Some examples are Sime Darby, which recorded a loss in the same year; MRCB, a GLC in the property market that almost went bankrupt; and the Malaysian air carrier, which was restructured and delisted from the Malaysian stock exchange. Consequently, GLCs and major privatized projects were recapitalized, restructured, and even nationalized. Examples are MRCB, Renong (that later became United Engineers of Malaysia Group (UEM)), and the Bakun Dam project in Sarawak. The AFC had also resulted in severe over-leverage whereby the non-performing loans held by the domestic financial institutions increased from RM9.3 billion to RM42.2 billion (Gomez, 2009, p.359-360). Hence, in 1999, the Malaysian government merged the 58 financial institutions, initially to six groups, but later in 2001, the number was finalized to ten (Ito and Hashimoto, 2007. p.28).

Mokhtar[58] (2004) revealed that the AFC had hit some GLCs intensely due to poor cost management, failure to employ labor or capital as efficiently as their competitors, lack

[58] Mr. *Azman Mokhtar* is the CEO of *Khazanah*.

of focus on the bottom line, ambiguous social responsibilities, ineffective boards, and poor talent management among many others. Previous studies also have asserted that the vulnerability of the financial system and weak corporate governance was the cause for GLCs' poor financial performance during the crisis (Claessens, Djankov, and Xu, 2000, p.33; Ito, 2000, p.80). Other studies by Suto, 2003; p.26 and Gomez, 2009, p.359-360 found that the government's social policy had weakened the corporate governance of GLCs during this period.

During the AFC, foreign investors lost their confidence in Malaysia, mainly due to poor public and private corporate governance standards. The widespread perception of poor ethical standards affected businesses, credit ratings were downgraded, share prices were emaciated, debt restructuring was protracted, and new project financing became difficult and costly. Several nation's leading publicly listed companies shouldered heavy debt loads, over-leveraging, and dismal due diligence during mergers and acquisitions. Many *Bumiputera*-owned enterprises went bankrupt while others had to be put on government bailout and rescue package life support (Gomez, 2004:3).

The restructuring, nationalization, and merger of some GLCs and private entities after the AFC had led the government to utilize Khazanah in aiding GLCs' recovery from the AFC. Renong, for example, was privatized through Khazanah in September 2001 (Yakcop, 2002). The government had also restructured, delisted, and transformed MAS to become wholly owned by Khazanah. Further, to restructure and merge a few selected affected GLCs after the AFC, in 2004, the government had taken a supporting role in transforming GLCs through a transformation program called GLCTP that will be discussed in detail in the following section.

2.7.5.2 AFC and Private Investments

Private investment is one of the main factors that contribute to the high economic growth of Malaysia in the 1980s and 1990s. However, after the AFC, BNM (central bank of Malaysia) reported that private investment collapsed and starting to improve slightly beginning of 2004, at 10 percent of GDP in 2005, (Guimaraes and Unteroberdoerster, 2006, p.7) and 15.5 percent of GDP in 2012 (BNM, 2012, p.96). In 2015, for example, the private investment growth stood at only 4.7 percent (Bank Negara Quarterly Bulletin, Third Quarter 2016, p.1) as compared to 25.5 percent in 1995 (IMF, 1999, p.31). As Malaysia requires an annual increase of 10.9 percent to become a high-income country

(OECD, 2013, p.19), the current low[59] level of private investment in among the factors that led to this 'middle-income trap.' This situation has become the government concern as the country is aiming to be a high-income nation in 2020, and private investment is crucial to be a developed nation (NEAC, 2010).

Private investment remaining stagnant is due to several factors, which include the constraint in the supply of capital due to market imperfections such as asymmetric information and agency problems (Stiglitz and Weiss, 1981, p.407-408) that will deter the undertaking of investment (Ang, 2010, p.381). Guimaraes and Unteroberdoerster (2006, p.7) found that the decline in private investment in Malaysia from 1995 to 2004 is replicated by the slump in corporate profitability and market value. BNM also discovered that profitability[60], the capacity utilization rate (manufacturing sector), the availability of financing, and the level of economic uncertainty is the key driver of private investment in Malaysia (BNM, 2012, p.96-97).

There is also evidence on the existence of intense domination of GLCs on the Malaysian economy, reflected in the GLCs[61] market capitalization of Bursa Malaysia (Menon and Ng, 2013). The strong presence of GLCs under the tutelage of the government bodies eventually gave them visibility in the market. In 2010, which was still within the GLTCP period, the government admitted that the heavy presence of government in GLCs had discouraged private investment [62](NEAC, 2010, p.5). This situation contradicts GLCs initial aim of building the nation, which will lead to the growth[63].

2.7.5.3 AFC and the introduction of the Malaysian Code on Corporate Governance

The importance of corporate governance enhancement around the world was due to two major events; the fall of Enron, which has bred a subsequent loss of global public trust in financial institutions, and the AFC that cause most of the affected countries, including Malaysia to improve the corporate governance. In the post-AFC in 2000, the Malaysian

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[59] In 2015, BNM (central bank of Malaysia) reported that the private investment is only about 4.7 percent (Bank Negara Quarterly Bulletin, Third Quarter 2016, p.1).

[60] From data collected from private investment, it was revealed that private investment positively associated with the strong company profitability in the previous years (BNM, 2012, 97).

[61] . According to (Chua, 2016), seven federal GLICs, namely MOF (Inc.), Khazanah Nasional Bhd (Khazanah), PNB, EPF, LTAT, TH and KWAP – control 35 of the top 100 listed of the country companies in Malaysia, and have a combined market capitalization of 42 percent of the total market capitalization of the companies listed on Bursa Malaysia.

[62]. This is also evidenced by Menon and Ng (2013, p.14) where they argued that the privileges are given by the government to GLCs allow them to profitably increase investment in sectors where they already have a significant presence and has crowded out private investment.

[63] It undermines the economic development of Malaysia, which is inconsistent with the government's goals in the NEM (NEAC- Concluding Part, 2010, p. 18-39)

government, through the Finance Committee on Corporate Governance set up by the government, has established the first framework to provide recommendations on good corporate governance practices. For this purpose, the Committee has described corporate governance as 'the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability' (The Finance Committee on Corporate Governance, 2001). Subsequently, in 2007 and 2012, the Securities Commission (SC) of Malaysia introduced the Malaysian Code on Corporate Governance (MCCG) 2007 and MCCG 2012 (The Codes).

By taking the definition given by the Committees above, corporate governance is a process or structure to direct and manage the business and affairs of the company, and its mechanisms are crucial in controlling[64] the behavior of managers of a company. While the primary principles for companies in Malaysia are under the common law, which statutorily codified into the Companies Act 1965 (Companies Act), there are additional codes and rules, which supplement the Companies Act. The Codes are the Malaysian Code on Corporate Governance (MCCG), Capital Market and Services Act 2007, Malaysian Accounting Standards Board's (MASB), Approved Accounting Standard and Code of Ethics for Company Directors and Company Secretary. Some legislation imposed direct responsibility on directors as prescribed in the Companies Act that every director of a company has a fiduciary duty, at all times exercise their powers for the best interest of the company. On the requirements for the listed company on the Main Market of Bursa Malaysia (Listing Requirement-LR), it is more stringent as the companies have to comply with other regulator's requirements such as in the event of takeover or mergers event. Concerning the composition of the board, the LR also provides that a listed company must ensure that at least two directors or one-third of its board are independent.

All public listed companies, including GLCs, are required to fulfill all corporate governance mechanisms in the listing requirement set out by the Bursa Malaysia and also to follow recommendations by MCCG 2012. MCCG serves as a supplement explicitly to give guidelines for corporate governance in addition to the Malaysian companies' primary legislation, namely the Companies Act 1965. In terms of compliance, as opposed to the LR that imposed rules for a company listed on the board of Bursa Malaysia to be obliged to,

[64] As suggested by Gregory and Simms (1999, p.4,5), corporate governance mechanisms are vital as it promotes the efficient use of resources, helps in attracting lower-cost investment capital through the improved confidence of investors and the provision of oversight that increase the accountability in the board and managers.

the recommendations in the Code are not mandatory for companies to observe. However, all listed companies on Bursa Malaysia, including GLCs are required to explain the recommendations' compliance or justify the reasons for non-observance of any of the recommendations in their annual reports (SC, 2007, p.4). As far as GLCs are concerned, due to its significant market presence [65], GLCs need to have corporate governance mechanisms that are essential for building an attractive market climate (Muhamed, 2013, p.318). Therefore, GLCTP that will be discussed in the next section serves as a critical effort to enhance the corporate governance of GLCs.

2.7.6 Government-linked Companies Transformation Program (GLCTP)

After the post-Asian financial crisis in 2000, the Malaysian government took an affirmative solution to tackle the issue of GLCs' performance. However, instead of opting for the reduction of government ownership in GLCs as implemented through the privatization policy in the 1990s (Jomo and Tan, p.10), there was more emphasis on reform to insist on efficiencies out of existing government assets. According to Mokhtar (2004, p.6-7), the example is on more optimal shareholding structures of GLCs and ownership levels by the government.

The reform that was launched in 2004 is a ten-year transformation program called Government-linked Companies Transformation Programme (GLCTP). The government had identified five causes of GLCs' underperformance, which are: (1) ambiguity of GLCs' objectives, (2) clarity and transparency lacking on the authority of board and management, (3) ineffective board, lack of financial discipline culture and high-performance management, as well as (4) inactive GLICs (PCG, 2015, p.196). The government addressed these issues by launching four strict measures in 2004 to mark the start of the transformation program, including the introduction of four approaches. These approaches are including (1) Key Performance Indicators (total shareholder return), (2) performance-linked compensation (performance contract for senior management and incentive structure that drives financial performance), (3) board composition reform (reducing politicians' representation while having more professionals on the boards), and (4) revamping Khazanah (PCG, 2015, p.196).

Subsequently, the government further refined the program to include GLCs from four other GLICs (EPF, LTAT, LTH, PNB), as these GLICs would also benefit from their high

[65] In 2010, the 17 GLCs (less than 11 percent of the total number of all public listed GLCs) had an average market capitalization of USD 87 billion (PCG, 2015, p.13)

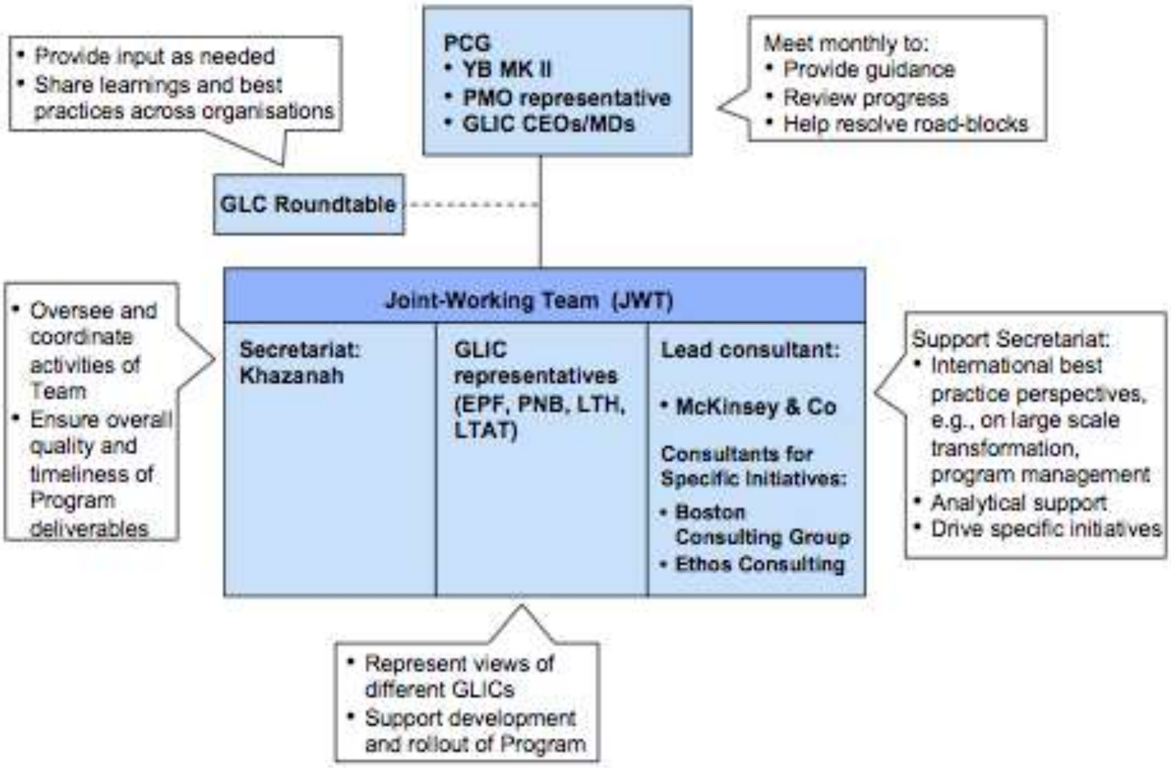
performing GLCs (PCG, 2015, p.197). Accordingly, 20 GLCs[66] under these GLICs, including five financial institutions, were selected for the program. However, due to GLCs’ merger and acquisition, only 17 GLCs remained throughout the program (PCG, 2015, p.38).

Concerning government and business roles in the economy, Mokhtar (2005, p.5) summarized that GLCTP defines the respective roles, with the GLCs in the middle. He further clarified that apart from improving GLCs performance, a necessary result is that there is a balanced co-existence among both public and private or GLCs sectors. In implementing GLCTP, the government formed a committee known as the Putrajaya Committee on GLC High Performance (PCG) in 2005. This committee was chaired by the Malaysia Prime Minister, who also held the portfolio of the Finance Minister, with a principal mandate to design and implement GLCTP. Besides, the government established the institutional framework to manage the program and oversee the execution of these policies and directives. Khazanah was appointed as a secretary of the committee to chair and drive the PCG Joint Working Team (JWT), consisting of representatives from all GLICs. Other committee members included the Minister of Finance, Chief Secretary to the Government, Minister in the Prime Minister's Department, Chairman and CEO of Khazanah, CEO of EPF, LTAT, LTH, PNB, and Deputy Secretary-General of Treasury (PCG, 2015, p.37). Figure 3-1 presents the governance structure of the PCG.

Since its official launch, 22,981 man-days had been dedicated by the PCG, the secretariat (Khazanah), GLCs, and GLICs (PCG, 2015, p.25). This involved time spent in both planning and execution, as well as participating in programs’ activities. The programs’ activities are including meetings, briefings, engagement and syndication sessions, discussions, labs, workshops, and initiative circles (PCG, 2015, p.25). The program also consisted of three underlying principles, five policy thrusts, and ten initiatives. The underlying principles are including the performance focus, nation building, as well as governance, shareholder, and stakeholder management (PCG, 2006, p.2). Figure 3.1 illustrates these principles.

[66] The reason behind this selection was these GLCs’ significance as they formed 36 percent of the market capitalization as of May 2005 (PCG, 2005, p.2, p.18).

Figure 2-2: The Governance Structure of PCG (Source: PCG, 2005)



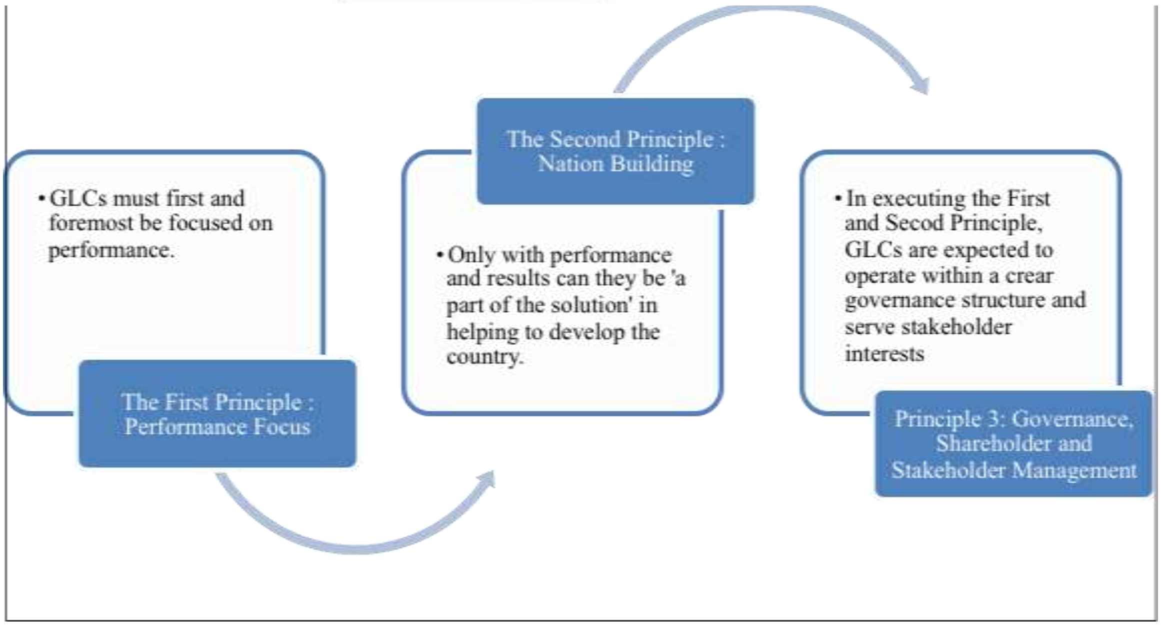


Figure 2-3: Three Underlying Principles of GLCs Transformation Programme (Self-develop figure with adopted information from the GLC Transformation Programme Graduation Report)

In line with the first underlying principle, GLCs were called to prioritize the performance in their objective, including improving financial performance measured by total shareholder return, return on equity, market capitalization, net profit, and economic profit (PCG, 2015, p.13). Upon achieving this, the program foresees that GLCs could help in catalyzing nation building, as laid down in the second underlying principle. Nation building includes executing roles under the NEM, as well as other national priorities that will be explained in detail in the next section.

For executing the first and the second principles mentioned above, the program stated that the third principle, among others, required GLCs to operate within a clear governance structure and serve the interest of stakeholders (PCG, 2015, p.5). The former includes to remove regulators from the board and to make changes in the senior management and board members of GLCs (PCG, 2005, p.10). The latter comprises of the initiative in ensuring the benefits can be provided to shareholders and all other stakeholder groups, including the employees, vendors and suppliers as well as both customers and society (PCG, 2015, p.24). The Colored Books, among others, serve as a guideline for GLCs to achieve the third principle. For example, GLCTP introduced the Green Book on 'Enhancing Board Effectiveness,' to help GLCs' boards to raise the effectiveness of their structure, to ensure effective day-to-day operations, and to fulfilling their fundamental roles and responsibilities at optimum practices levels (PCG, 2006, p.i).

The GLCs Transformation Programme Graduation Report[67] (Graduation Report), published in 2015, presented the result of GLCs' achievement on the three underlying principles. Firstly, about focusing on performance, the government claimed that the 17 selected GLCs had delivered their financial performance, attributed to the increase in revenues and net profits (PCG, 2015, p.47). Secondly, concerning the catalyzing nation building, the report shows that the 17 selected GLCs recorded significant improvement in workforce diversity regarding ethnic composition, gender, and age (PCG, 2015, p.111). As compared to 10.2 percent for all listed companies in Malaysia, women account for about 16.9 percent of board positions of these GLCs and their subsidiaries in 2014 (PCG, 2015, p.23). Besides, the government asserted that about the workforce, there were 38 percent females, 79 percent *Bumiputera*, and 30 percent *Gen-Y* in 2014 (PCG, 2015, p.23). The government also stated that the 17 selected GLCs had responded to the *Bumiputera* Empowerment Agenda by increasing the economic activities[68] from RM34.2 billion in 2013 to RM43.9 billion in 2014. In particular, 17, 166 *Bumiputera* suppliers and vendors were provided with business opportunities worth RM17.6 billion, and RM1.8 billion was spent for VDP (PCG, 2015, p.113). Concerning education and employment, the 17

[67] This report was published by PCG.
[68] Under KPIs for *Bumiputera* Empowerment agenda by GLICs and GLCs.

selected GLCs and GLICs had allocated RM414 million on a scholarship to *Bumiputera* students and have trained 1.943 *Bumiputera* graduates in 2014 (PCG, 2015, p.113).

Thirdly, about the governance structure and stakeholders' interest, the report exhibits that GLCs have operated in a clear governance structure whereby within two years of the program, the 17 selected GLCs had changed 58 board members, whereby professional and experienced directors were appointed (PCG, 2015, p.182). Between 2004 and 2014, there were 2,253 changes to the board (PCG, 2015, p.182). Despite this, the report failed to analyze the changes in the politician number present on the board of GLCs. The report also asserted that GLCs had served various stakeholders' interests. GLCs contributed RM108.6 billion and RM62.7 billion in both dividends and taxes from the financial year (FY) 2004 to FY2014. The contribution provides returns to the investing public through the trust agencies, such as EPF and PNB, through dividends. By paying taxes, GLCs also contribute to the people and country.

GLICs and GLCs have also spent over RM6.0 billion on corporate responsibility initiatives and endowments from 2004 to 2014, benefitting the society at large and supporting programs. These programs are including Graduate Employability Management Scheme (GEMS), Yayasan Sejahtera, PINTAR Foundation, GLC Disaster Relief Network (GDRN), and Skim Latihan 1Malaysia (SL1M) that have helped the Malaysian society as a whole. For customers, GLCs cover many aspects of customers' lives through their enhanced service standards and products. Finally, the graduation report summarized that the GLICs had made efforts to reduce the government's influence in the GLCs, whereby regulators and other parties were removed from the Board (*PCG*, 2015, p.27, p.182) while 33 GLCs had been divested (Prime Minister's Department, 2015, p.10).

Following the implementation of this program, GLCs have won many regional, local, and international customer-related awards. For employees, GLCs have been providing competitive compensation, a conducive work environment, as well as investing in professional development and providing career progression. In recognition of benefits they provide to employees, GLCs have won numerous employee engagement surveys (EES), and employer awards have shown high engagement amongst its employees. In 2013, the average G20 employee engagement index was 78 percent and topping the national average of 53 percent. For vendors and suppliers, GLCs have been building local vendors' capabilities by providing business opportunities and through VDP. Following to ten-year GLCTP, the next sections discuss further on its three underlying principles. The program ended in 2015, and the result of GLCs' achievement on the three underlying principles was presented in the GLC Transformation Programme Graduation Report[69] (Graduation Report).

2.7.7 The New Economic Model

The government had introduced NEM in 2010. There are four pillars to drive the NEM: 1Malaysia, Government Transformation Program (GTP), Economic Transformation Program (ETP), and the Tenth Malaysia Plan (NEAC, 2010, p.3). ETP encompassed a broader scope of GLCs' nation building. It includes reenergizing sluggish private investments by rationalizing the government's participation in business through GLCs (NEAC- Concluding Part). One of the ETP's aspirations under NEM is to ensure that the GLCs operate on a strictly commercial basis, free from government interference (NEAC, 2010, p. 118. ETP proposed for GLICs to divest their non-strategic GLCs and improve the governance of the remaining GLCs by lessening the number of politicians and regulators on GLCs' boards (Prime Minister's Department). Besides, the ETP proposed GLICs to divest their non-strategic GLCs and improve the governance of the remaining GLCs by lessening the number of politicians and regulators on GLCs' boards (Prime Minister's Department, 2011, p.228; NEAC, 2010, p.23; PCG, 2015, p.27). GLCTP includes GLICs and GLCs roles under NEM, under catalyzing nation building (the second Principle). The roles became one of the criteria in the assessment of GLCs' achievement. GLICs and GLCs' five roles under the NEM (PCG, 2015, p.63-92) are namely to stay the course of GLCTP, to become a regional champion, to pursue new investment, to collaborate and co-invest with the private sector and to focus on core-operations: to operate on the level-playing field and for GLCs to exit non-core/non-competitive assets (PCG, 2015, p.63).

2.7.8 The 30 percent Women on Board Policy

In the Tenth Malaysia Plan[70], the government has introduced the policy of women on board with the hope that the number of women in the decision-making process will increase, among others on corporate boards. In particular, the aim of the policy is for all corporate boards to have 30 percent female board members by 2016[71]. Under the GLCTP, the government had included this policy as part of the broader national priorities, for GLCs to increase the number of female directors on GLCs' boards.

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[69] This report was published by PCG.
[70] Currently Malaysia is under its *Eleventh Malaysia Plan*
[71] MWFCD, Women Directors' *Programme.*

2.8 Conclusion

GLCs are part of the Malaysian government's PEs, controlled by federal government agencies known as GLICs. Regarding the legislation, all GLCs are governed by the Companies Act 1965, while two GLICs are wholly owned by MOF (Inc.) and four have an SB legal status. About the difference between GLCs and other government agencies in Malaysia, the connection is the profit motive GLCs' objective as well as the difference in legislation, governing structure, and the ministerial fold. This section also explained that GLCTP was introduced in 2004, which had three underlying principles; Delivering financial performance, Catalyzing nation building, and Corporate Governance. Finally, there are three major arguments on GLCTP and government ownership, namely if the three underlying principles had been achieved in transforming Malaysian GLCs, followed by the issues behind the failure of meeting the three underlying principles and government ownership in GLCs. The following chapter will discuss the theoretical and empirical background of the major arguments discussed above.

3 LITERATURE REVIEW

3.1 Introduction

This chapter presents the literature review related to the purpose of this study, which regarding the GLCs in Malaysia. This chapter discusses the theoretical background of GLCs as well as the background of GLCTP and its' three underlying principles. These three underlying principles are including the performance focus, nation building, as well as good governance, and excellent shareholder and stakeholder management. This chapter also emphasizes on the corporate governance of GLCs. Besides, this chapter covers the relationship between the mechanism of corporate governance as well as the financial performance of the GLCs. Finally, the chapter discusses the primary arguments on GLICs and GLCs and their achievement in GLCTP.

3.2 Theoretical Background: Government Ownership and Investment Objectives in GLCs/SOEs

3.2.1 The Need for SOEs – Serve Dual Goals

A great deal of previous research into government ownership has focused on the need for the government to intervene in the economy. This is based on the proponents of the market failure theory that there is an imperfect market and government intervention is crucial to correct market failures such as information asymmetry, natural monopolies, and externalities (Vickers and Yarrow, 1991, p.129; Shleifer and Vishny 1994, Shleifer, 1998). Previous researchers such as La Porta, Lopez-de-Silanes, and Shleifer (1999, p.491) and La Porta, Lopez-de-Silanes, and Shleifer (2002, p.266) concluded that the government has ownership in numerous SOEs to solve problems on market deficits and capital shortfalls, promoting economic development, reducing unemployment and establish government supervision on the direction of the economy. This situation is prominent in developing countries like Malaysia (Doraisami, 2005, p.3) whereby, GLCs are used as government's internal resource configurations to achieve socio-economic objectives (Gomez, 2009, p.10; Economic History, n.d.).

Concerning the government's role in correcting market failure, earlier, Musgrave (1959) explained that this is done through three mechanisms, allocating, distributing, and stabilizing the economy. Within the allocative role, the provision of public goods is seen as a means of overcoming market failures. The distribution role of the government forms the basis of the ‘welfare state’, to adjust the market-determined distribution of welfare by bringing it closer to what society regards to be just and fair through regulation, adjustment of rights, progressive taxation and subsidies. Finally, the government also plays a role in stabilizing the economy, for example, preventing the increase of the unemployment rate due to the unconstrained market forces.

3.2.2 Double Agency in SOEs and Financial Performance

On the other hand, the opponents of market failure theory came out with an argument that both markets and government have their weaknesses. The public choice theory primarily deals with the reassignment of rights, serves as another perspective in economic theory that is related to the relocation of economic functions as given by neoclassical economists. It assumes an individualistic model of human behavior and postulates that (1) democratic politics have inherent tendencies toward government growth and excessive budgets; (2) expenditure growth is due to self-interested coalitions of voters, politicians, and bureaucrats; and (3) SOEs necessarily perform less efficiently than private enterprises.

The public choice theory suggested that the government's financial performance will only be worse with government intervention. The scenario is referred by Wolf (1979, p.112) as 'non-market failure'. Acemoglu and Verdier (2000, p.209) and Zerbe and McCurdy (1999, p.565) have exemplified the scenario as a lack of competition, while Deepak Lal (2002, p.13) as inefficiencies. In their studies, they criticized self-interest among politicians and some corrupt government officials, acting as agents to collect information and implement policies, but create inefficiencies in the economy.

The public choice theory has successfully risen the challenge 'where as markets fail, so does the government' which is caused by the principal-agent problems, for example, self-interest among politicians and corrupt government officials. Indeed, this problem has been discussed since Berle and Means (1932). In their book '*Modern Corporation and Private Property*', they argued that the main feature of the modern enterprise is a separation between ownership and control that can lead to a conflict between the two parties; the principals who engaged the agents to perform several tasks and often give power to them to decide, and agents, who are in practice do not always pursue the principal interest, particularly the wealth maximization objective.

The relationship between principal and agent is notified by an agency theory, which defined it as a contractual link between the shareholders (the principals) that provide capital to the company and the management (agent) who runs the company (Jensen and Meckling, 1976, p.5-6). The principals allow the agents who have sufficient expertise and knowledge to run the company's operations to acquire more effective control and sometimes placed them in a state that will enable them to gain self-interest. This phenomenon is described as an agency problem (Fama and Jensen, 1983, p.301).

It has also been conclusively shown that the ownership structure of a company has implications both for the incentive alignment between managers (agent) and directors and for the supervision and control incentives of shareholders (principal) (Jensen and Meckling, 1976; Fama and Jensen, 1983, p.5-6; Shleifer and Vishny, 1986, p.312-315). In supporting the public choice theory on the cause of nonmarket failure, Stiglitz (1994, p.174) explained that agency problems might differ depending on whether the ownership is public or private. According to Wong (2004), in SOEs, the public is a principal who is facing double agency issues, namely the self-interest behavior of the managers and the politicians/bureaucrats. He further elaborated that in addition to the agency problem usually faced by private companies between the managers and the shareholders, for SOEs, the public has to deal with the behavior of the politicians/bureaucrats. The politicians/bureaucrats are in a position to exert influence on managers at the expense of other shareholders by reducing the effectiveness of the monitoring capacity of the board.

Thus, agency theorists supported the use of corporate governance mechanisms that could align the interest of principals and agents. For example, among others, they argued that a smaller board is more efficient than a larger board for monitoring purposes (Jensen, 1993, p. 865), independent board, more importantly, the Chairman improved company financial performance to monitor the behavior of the CEO and management. It is also asserted that the independence of the board helps to reduce ‘control rights' shareholders and creditors’ confer on managers (Shleifer and Vishny, 1997, p.737).

3.2.3 Competitive Advantages through Government Ownership

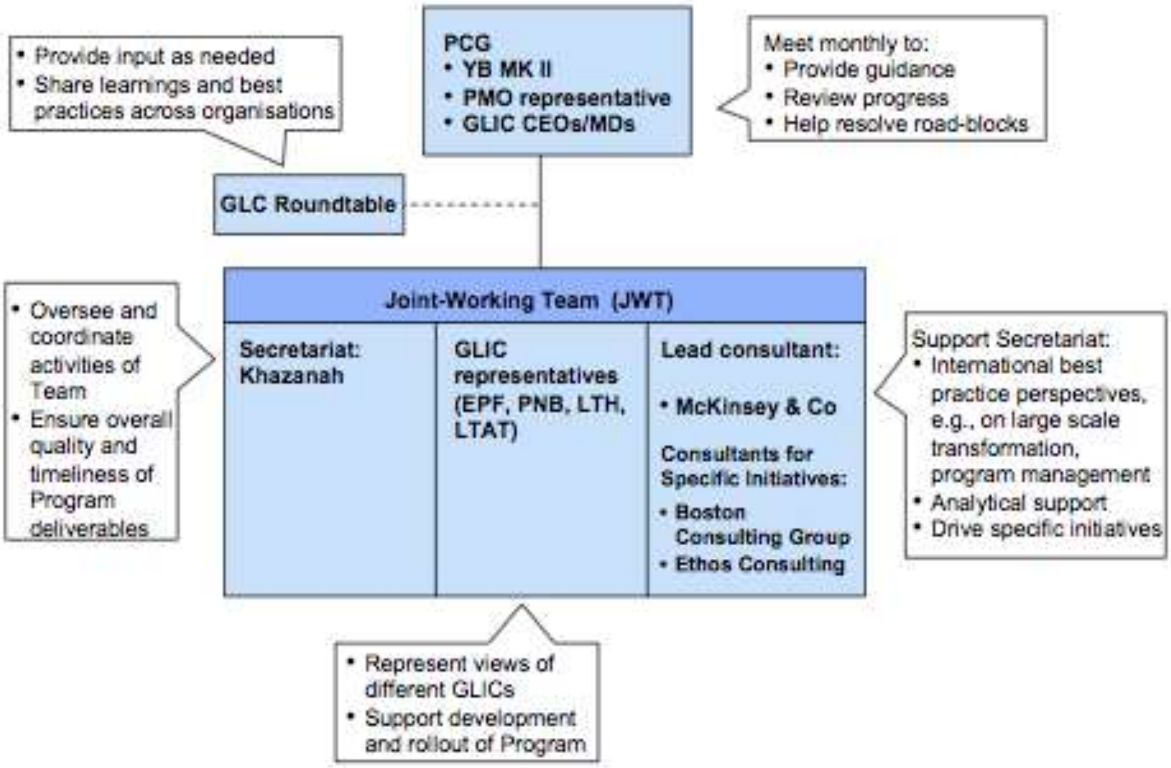
The resource dependence theory proposed that there is a demand for environmental linkages between the company and outside resources (Pfeffer and Salancik, 1978, p.48). Williamson (1984, p.1228) concluded that the presence of the environmental linkages could reduce transaction costs that are linked to environmental interdependency. As the boards are an essential mechanism that could be depended to absorb the critical elements associated with environmental uncertainty into the company (Pfeffer, 1972, p.219), the government nominees on the board, especially with regards to GLCs may serve as the link to external resources. Pfeffer and Salancik (1978, p.48) further argued that outside directors (from the management) serve as a link to external factors that could provide the resources needed for the survival of a company.

The ‘non-market failure’ or government ‘failure’, as argued by the public choice theory, is also related to the government’s excessive role as an active participant in the market or through companies or other entities where the government owns, control, or can influence significantly. This excessive participation may affect the nature of the markets that might distort the market. Thus, according to the United Nations Conference on Trade and Development (UNCTAD) (2014, p.5), this phenomenon undermines the level-playing field, which emphasizes on 'there is no advantage given to anyone that would allow them to win market share from the more efficient private sector.

3.2.4 GLCs Serving Stakeholders Interest

Finally, the stakeholder theory claims that the managers and entrepreneurs must take into account the legitimate interests of those groups and individuals who can affect (or be affected by) their activities, whatever the company's ultimate goal is (Freeman and Evan, 1990, p.352). The government can be considered as a powerful stakeholder, whereby the enforcement mechanism lies in its power as a regulator that comprises myriad interlinked legislation and codes. An example of this is the companies' contribution to the countries' revenue through tax payments. Besides, in the case of GLCs, the controlling stake gave rights for the government to be an influential stakeholder in which its directions need to be satisfied by the management of GLCs, especially in implementing the government agenda. Apart from the government as one of the stakeholders, companies have to serve other stakeholders such as the shareholders, the suppliers, the employees, and the local community.

Figure 3-1: The Governance Structure of PCG (source: PCG, 2005)



meetings, briefings, engagement and syndication sessions, discussions, labs, workshops, and initiative circles (PCG, 2015, p.25). The program also consisted of three underlying principles, five policy thrusts, and ten initiatives. The underlying principles are including the performance focus, nation building, as well as governance, shareholder, and stakeholder management (PCG, 2006, p.2). Figure 3.1 illustrates these principles.

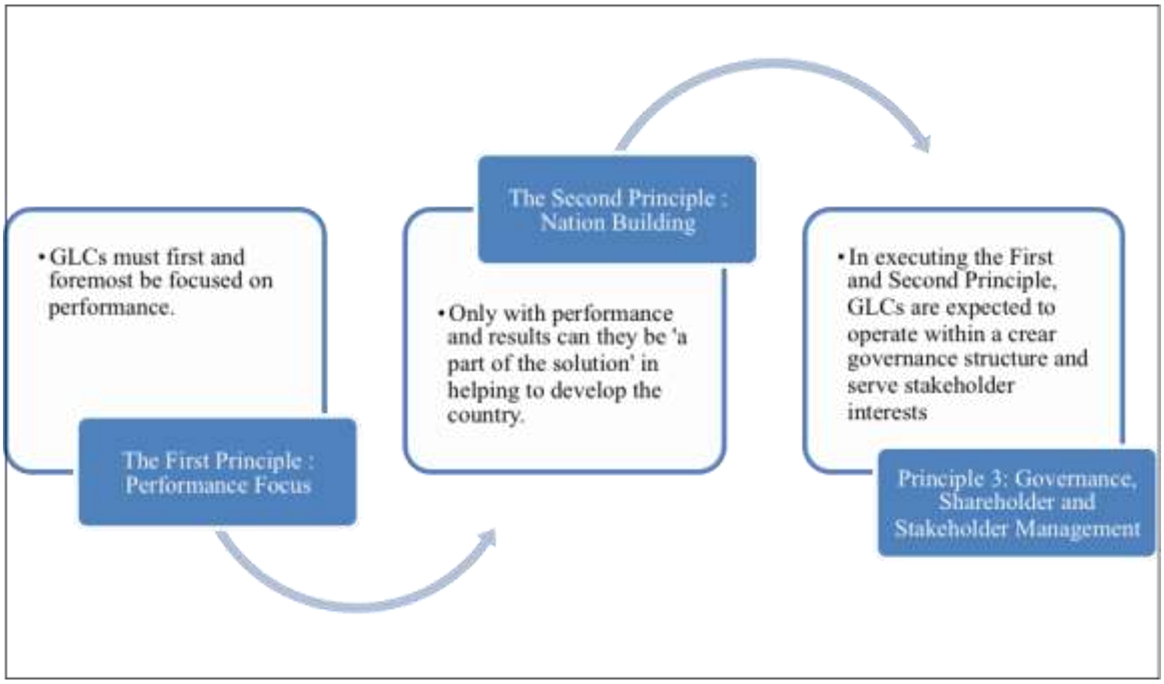


Figure 3-2: Three Underlying Principles of GLCs Transformation Programme (Self-develop figure with adopted information from the GLC Transformation Programme Graduation Report)

In line with the first underlying principle, GLCs were called to prioritize the performance in their objective, including improving financial performance measured by total shareholder return, return on equity, market capitalization, net profit, and economic profit (PCG, 2015, p.13). In other words, the GLCs need to instill the culture of performance in transforming them from underperformance into high performing entities. In instilling the culture of performance, a sense of accountability and ownership is necessary to be ingrained. Upon achieving high performance, the program foresees that GLCs could catalyze nation building, as laid down in the second underlying principle. Examples are supporting *Bumiputera* human capital development and VDP[72]. The former focused on providing workforce and education to the *Bumiputera*, and the latter

[72] At the initial stage in the 1990s, VDP was first implemented by PROTON in developing SMEs as vendors (suppliers) of intermediate and capital goods through the Proton Component Scheme, as well as services to PROTON (Jomo and Felker, 1999, p.208). The success[72] story PROTON in the development of *Bumiputera* SME has initiated the government to spread it to other industries, such as telecommunication, health, and aviation and has helped to create *Bumiputera* SME that was initially small in numbers (Rosli and Kari, 2008, p.103).

emphasized on capability development of quality[73] *Bumiputera* vendors in sectors consistent with government focus (PCG, 2005, p.20, p.36).

For executing the first and the second principles mentioned above, the program stated that the third principle, among others, required GLCs to operate within a clear governance structure and serve the interest of stakeholders (PCG, 2015, p.5). The former includes to remove regulators from the board and to make changes in the senior management and board members of GLCs (PCG, 2005, p.10). The latter comprises the initiative in ensuring the benefits can be provided to shareholders and all other stakeholder groups, including the employees, vendors and suppliers, as well as both customers and society (PCG, 2015, p.24). The Colored Books, among others, serve as a guideline for GLCs to achieve the third principle. For example, GLCTP introduced the Green Book on 'Enhancing Board Effectiveness,' to help GLCs' boards to raise the effectiveness of their structure, to ensure effective day-to-day operations, and to fulfilling their fundamental roles and responsibilities at optimum practices levels (PCG, 2006, p.i).

The Graduation Report[74] published in 2015, presented the result of GLCs' achievement on the three underlying principles. Firstly, about focusing on performance, the government claimed that the 17 selected GLCs had delivered their financial performance, attributed to the increase in revenues and net profits (PCG, 2015, p.47). Non-bank revenue increase to RM173 billion in FY 2014 by 8.9 percent grew from RM73.9 billion in FY 2004 (PCG, 2015, p.49). The government also reported that the three largest contributors for an increase in revenues and net profits were Power (TNB), Telco (Axiata Berhad[75] and TM[76]), and Automotive sections (Sime Darby[77] and UWM Holdings[78]) (PCG, 2015, p.50). Besides, between 2004 and 2014, ROE for non-bank GLCs hit 10.6 percent on average. The 17 selected GLCs' total market capitalization increase to RM386.0 billion on 28 July 2015 by grew 2.9 times from RM133.8 billion in 2004 and shareholder return

[73] The government aims at VDP is to develop *Bumiputera* Small and Medium Enterprises (SMEs) entrepreneurs in becoming competitive suppliers and component or services manufacturers at both domestic and global markets. In VDP, the government identifies anchor companies, monitor the vendor companies performance developed by the anchor companies. Other than that, the government also acts as Central Monitoring Unit for VDP implementation and engaging in Strategic Partnership with TERAJU, one of CLBG under the Prime Minister's department.

[74] This report was published by PCG.

[75] Expansion in subscribers who are base in Indonesia and South Asia (PCG, 2015, p.50).

[76] Growth in TM broadband and data services (*Ibid*).

[77] Grew sales through acquisition of Hyundai's Malaysian franchise in 2004, growth in Singapore and China car distribution business, and entry into new markets in Vietnam and Taiwan (*Ibid*).

[78] Grew car sales through dominance of the domestic auto market via the Perodua Myvi and Toyota franchise (*Ibid*).

rose 11.1 percent per annum (PCG, 2015, p.9).

Secondly, concerning the catalyzing nation building, the report shows that the 17-selected GLCs recorded significant improvement in workforce diversity regarding ethnic composition, gender, and age (PCG, 2015, p.111). As compared to 10.2 percent for all listed companies in Malaysia, women account for about 16.9 percent of board positions of these GLCs and their subsidiaries in 2014 (PCG, 2015, p.23). Besides, the government asserted that about the workforce, there were 38 percent females, 79 percent *Bumiputera*, and 30 percent *Gen-Y* in 2014 (PCG, 2015, p.23). The government also stated that the 17 selected GLCs had responded to the *Bumiputera* Empowerment Agenda by increasing the economic activities[79] from RM34.2 billion in 2013 to RM43.9 billion in 2014. In particular, 17, 166 *Bumiputera* suppliers and vendors were provided with business opportunities worth RM17.6 billion, and RM1.8 billion was spent for VDP (PCG, 2015, p.113). Concerning education and employment, the 17 selected GLCs and GLICs had allocated RM414 million on a scholarship to *Bumiputera* students and have trained 1.943 *Bumiputera* graduates in 2014 (PCG, 2015, p.113).

Thirdly, about the governance structure and stakeholders' interest, the report exhibits that GLCs have operated in a clear governance structure whereby within two years of the program, the 17 selected GLCs had changed 58 board members, whereby professional and experienced directors were appointed (PCG, 2015, p.182). Between 2004 and 2014, there were 2,253 changes to the board (PCG, 2015, p.182). Despite this, the report failed to analyze the changes in the politician number present on the board of GLCs. The report also asserted that GLCs had served various stakeholders' interests. GLCs contributed RM108.6 billion and RM62.7 billion in both dividends and taxes from the financial year (FY) 2004 to FY2014. The contribution provides returns to the investing public through the trust agencies, such as EPF and PNB, through dividends. By paying taxes, GLCs also contribute to the people and country.

GLICs and GLCs have also spent over RM6.0 billion on corporate responsibility initiatives and endowments from 2004 to 2014, benefitting the society at large and supporting programs. These programs are including Graduate Employability Management Scheme (GEMS*), Yayasan Sejahtera*, PINTAR Foundation, GLC Disaster Relief Network (GDRN), and *Skim Latihan 1Malaysia* (SL1M) that have helped the Malaysian society as a whole. For customers, GLCs cover many aspects of customers' lives through their

[79] Under KPIs for *Bumiputera* Empowerment agenda by GLICs and GLCs.

enhanced service standards and products. Finally, the graduation report summarized that the GLICs had made efforts to reduce the government's influence in the GLCs, whereby regulators and other parties were removed from the Board (*PCG*, 2015, p.27, p.182) while 33 GLCs had been divested (Prime Minister's Department, 2015, p.10).

Following the implementation of this program, GLCs have won many regional, local, and international customer-related awards. For employees, GLCs have been providing competitive compensation, a conducive work environment, as well as investing in professional development and providing career progression. In recognition of benefits they provide to employees, GLCs have won numerous employee engagement surveys (EES), and employer awards have shown high engagement amongst its employees. In 2013, the average G20 employee engagement index was 78 percent and topping the national average of 53 percent. For vendors and suppliers, GLCs have been building local vendors' capabilities by providing business opportunities and through VDP. Following to ten-year GLCTP, the next sections discuss further on its three underlying principles.

3.2.5 The Theories and the Application to the Study

As highlighted in the earlier section, there are five theories mentioned which are the failure theory, resource dependent theory, agency theory, stakeholder theory as well as public choice theory. All these theories except the public choice theory are relevant to this study and this situation can be observed through the development of three research questions listed in the earlier chapter. Indeed, the first research question is to identify to what extent GLCs have achieved the first underlying principle under GLCTP which is the result and culture of performance. This research question is underlined by the failure theory. The market failure theory addressed there is an imperfect market and government intervention is crucial to correct market failures such as information asymmetry, natural monopolies, and externalities (Vickers and Yarrow, 1991, p.129; Shleifer and Vishny 1994, Shleifer, 1998).

The second research question is to what extent GLCs have achieved the second underlying principle under GLCTP, which is the five roles under the NEM, contribution to the ETP and, other national priorities. This research question is underlined by the resource dependence theory that proposed demand for environmental linkages between the company and outside resources (Pfeffer and Salancik, 1978, p.48).

The third research question is to what extent GLCs have achieved the third underlying principle under GLCTP, which is operated in a clear governance structure as well as served stakeholders' interests. This research question is underlined by both agency theory and stakeholder theory. The agency theory is a contractual link between the shareholders (the principals) that provide capital to the company and the management (agent) who runs the company (Jensen and Meckling, 1976, p.5-6) meanwhile the resource dependent theory is a demand for environmental linkages between the company and outside resources (Pfeffer and Salancik, 1978, p.48). The stakeholder theory highlighted the managers and entrepreneurs must take into account the legitimate interests of those groups and individuals who can affect (or be affected by) their activities, whatever the company's ultimate goal is (Freeman and Evan, 1990, p.352). The government can be considered as a powerful stakeholder, whereby the enforcement mechanism lies in its power as a regulator that comprises myriad interlinked legislation and codes.

3.3 Literature Relating to GLCTP First Underlying Principle (Performance Focus)

While the purposes of 10-year GLCTP are to transforms the participating GLCs into becoming high-performing entities and benefitting all Malaysians, GLCs must prioritize their focus on performance. Only then, these GLCs can be a part of the solutions in assisting the development of the country through their excellent performance and results. Figure 3.2 highlights on this primary principle of GLCTP.

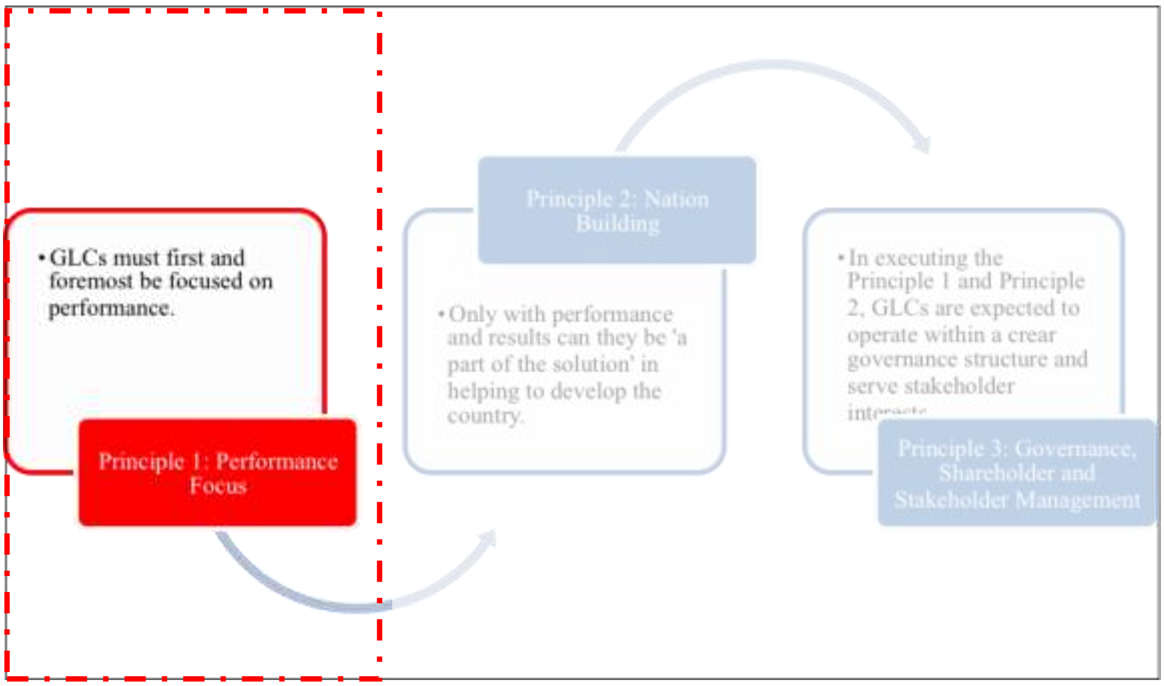


Figure 3-3: The First Underlying Principle of GLCs Transformation Programme (Self-develop figure with adopted information from the GLC Transformation Programme Graduation Report)

In focusing on the performance under this primary principle, the GLCs are required to create economic and shareholder values. The creation of these values can be measured through the Dividend Payout Ratio (DPR) of these GLCs governed by their specific dividend policy. According to Hosen (2016), the company's dividend policy is reflected in its dividend payout ratio, whereby the policy is also a portion of profits that had to be distributed through cash dividends. Meanwhile, Hosen (2016) also opinionated the DPR shows the proportion between dividends and retained earnings from net profit. He also believes the profitability is one of the main factors that can affect the dividend policy. Besides the profitability is an essential element in determining the dividend-paying company.

Then, the creation of both economic and shareholder value can also be evaluated through the revenue growth, ROA, and ROE. According to IMF (2001), revenue can be defined as an increase in net worth resulting from a transaction. IMF (2001) also stated that there are four primary sources of revenue. These sources are including: (1) the taxes and other compulsory transfers imposed by government units, (2) sales of goods and services, (3) property income gained from the ownership of the asset, and (4) voluntary transfers received from other units. In terms of profitability, Sanyal (2019) mentioned that profits emerge due to successful innovations. It is either the entrepreneur who can sell more and at a better price than before or the cost falls below the prevailing price of the product. Hence, the profitability performance of all participating GLCs can be optimized, as mentioned by Sanyal (2019).

ROA, as one of the evaluation criteria for economic and shareholder values by GLCs, Jewell and Mankin (2011) highlighted that it is among the popular and useful of the financial ratios. Jewell and Mankin (2011) also added that the ROA was called return on investment and was calculated by dividing the profit with total assets. In terms of ROE, Wet and Toit (2007) mentioned that it could be improved by optimizing profitability by increasing financial leverage and by using assets more efficiently. Hence, in evaluating the performance of these participating GLCs, a similar concept of ROA and ROE mentioned by these scholars is applicable.

Besides, the GLCs need to uphold the result and culture of performance and meritocracy in optimizing their performance under this primary principle. The performance result of GLCs can be evaluated through financial performance. For instance, an excellent financial performance can be achieved through an increasing amount of revenue and market capitalization. The culture_of performance can be observed through a few approaches, such as the performance contracts for senior management, yearly headline KPIs, and the existence of new CEOs into GLCs to execute the GLCTP. In other words, the optimization of the GLCs performance can be optimized through the utilization and application of the mentioned approaches. The holding of power and performance are being selected according to merit and individual abilities, talents, and efforts that will be determined through the evaluations or examinations.

3.3.1 GLCTP Impact on Performance Focus and Result on Performance

According to the GLCTP report, the 17-selected GLCs have delivered their financial performance as attributed to the increases in revenues and net profits (PCG, 2015, p.47). For example, the GLCTP report stated that the non-bank revenue[80] grew at 8.9 percent from RM73.9 billion in the financial year 2004 to RM173 billion in the financial year 2014 (PCG, 2015, p.49). The report also mentioned that these GLCs now much more dynamic, financial performance-driven, and transformed to become a well-governed organization (PCG, 2015, p.9). However, the empirical study from the academic perspective on the GLCs financial performance changes following GLCTP is rather limited.

A study conducted by Bhatt (2015, p.155) is the only empirical study that employed data of 18 GLCs over 18 years. The period is from 1996 until 2013. This period was before the GLCTP stated until GLCTP has been in place for nine years. Bhatt (2015) found GLCs financial performance measured by ROE had improved significantly since the year 2006 (p.157). However, a study conducted by Menon and Ng (2013, p.8) argued that the success of GLCTP with regards to the superior performance is potentially artificially generated due to preferential treatment accorded GLCs.

Other than the studies conducted by Bhatt (2015) as well as Menon and Ng (2013), several other studies also focus on GLCs' financial performance research within the GLCTP undertaken. These studies have been conducted by Abdul Hamid (2008) from

[80] The government also reported that the three largest contributors were Power (TNB), Telco (Axiata Berhad and TM) and Auto (Sime Darby and UWM Holdings) section (PCG, 2015, p.50). In addition of this, between the years 2004 to 2014, ROE for non-bank GLCs hit 10.6 percent on average. The 17-selected GLCs' total shareholder return rose 11.1 percent per annum, market capitalizations increase to RM 386.0 billion on 28 July 2015 by grew 2.9 times from RM133.8 billion in 2004 (PCG, 2015, p.9).

2001 until 2003, as well as Bin and Yi (2015) from 2007 until 2012. Other examples are a study conducted by Muhamed (2013, p.164), from 2004 until 2008, and a study by Amran, Md Yusof, Ishak and Aripin (2014, p.802) from 2005 until 2009. These studies make a comparison between GLCs and Non-GLCs[81] as well as GLCs controlled by different GLICs[82]. These studies also make a comparison of the relationship between both corporate governance and financial performance[83]. However, there were no attempts to study the GLCs achievements of GLCTP concerning financial performance, catalyzing nation building, and benefitting stakeholder interests.

3.3.2 Competitive Advantages

Apart from the research into the relationship between corporate governance and GLCs' financial performance discussed above, research into the financial performance of GLCs often compares GLCs and private companies/Non-GLCs. Past studies confessed that companies with government ownership might not be inferior and the idea of private ownership performed better than GLCs is arguable (Caves and Christensen, 1980, p.958; Martin and Parker, 1995, p.227; Kay and Thompson, 1986, p.23; Feng, Sun and Tong, 2002, p.20; Leuz and Oberholzer-Gee, 2006, p.436; Chen et al., 2009, p.180; Yeh, Shu and Chiu, 2013). For instance, Ramirez and Tan (2003, p.14) showed that Singaporean SOEs have consistently recorded a high financial performance and being rewarded in the financial market with a premium about 20 percent, which reflects the linkage between SOEs and the Singaporean government.

Feng et al. (2004, p.20) examined 31 SOEs in Singapore and supported them by demonstrating that there is no evidence that SOEs are less profitable than non-GLCs. Leuz and Oberholzer-Gee (2006, p.436) argued that high political connections are among the alternative means in creating a company's value, especially in countries with barriers to foreign investment, higher levels of corruption, and more transparent systems such as Indonesia. Yeh et al. (2013, p.1090) conceded that political connection companies in Taiwan have better financial performance than non-political companies, despite being low in the corporate governance index.

This scenario is also identical to Malaysia, as demonstrated by some studies such as Lau and Tong (2008, p.10) and Sulong and Mat Nor (2008, p.55) that government

[81] Mokhtar (2004, p.7); Fraser et al. (2005); Tam and Tan (2007, p.216); Ting and Lean (2011, p.137); Isa and Lee (2016, p.1).
[82] Muhamed (2013); Rasli et al. (2013).
[83] Abdul Hamid (2008, p.256); Bin and Yi (2015, p.399); Isa and Lee (2016).

ownership creates value in GLCs. As far as GLCs are concerned, Razak et al. (2008, 2011) performed two identical studies on the relationship between the ownership structure and performance (Tobin-Q) by using the data of 210 samples of listed GLCs and Non-GLCs in Malaysia for 11 years from 1995 to 2005. In the previous study, they suggested that GLCs performed better than Non-GLCs. However, in the latter study, they include more controlling company-specific characteristics (p.213) and excluded GLCs with monopoly status and found that GLCs performed worse than Non-GLCs. As mentioned earlier in this chapter, Bhatt (2016, p.150) concerted that there is no difference in the performance of GLCs and Non-GLCs measured by Return on Investment (ROI), by using a sample from 2007 to 2013.

Prior studies provided reasons for the indifference in the GLCs financial performance and private companies or Non-GLCs, i.e., because both companies suffer from agency problems (Martin and Parker, 1995, p.227) and because of competition (Caves and Christensen, 1980, p.958). Concerning competition, Goldend et al. (2004) found that compet itive market structure has a positive impact on the financial performance of a company. Muhamed (2013, p.148) also argued that monopoly status GLCs might benefit from government protectionist measures and these help in lowering their leverage and (Md Salleh, 2009, p.111) asserted that GLCs enjoy economies of scales due to their size and monopoly power. Thus, these studies support Goldend et al. (2004) as well as Caves and Christensen (1980, p.958) findings on the advantages of competitive structure on the financial performance and its impact on the competition faced by non-monopoly companies such as Non-GLCs.

Rajen and Zingales (1998, p.40) suggested that relationship-based systems function well when the contract is under-enforced and when there is a short supply of capital. As the government possesses a controlling stake in GLCs, they hold a vested interest to ensure that SOEs are financially sound. Among others, the government may assist SOEs by giving direct subsidies, credits from the government at below-market interest rates, preferential treatment by the government, monopoly rights, captive equity and exemption from bankruptcy rules (OECD, 2011). However, this phenomenon resulted in misallocate capital in the market when presented with sizeable external capital inflows, especially to SOEs (Rajes and Zingales, p.40). As argued by Fox (2007, p.10), it creates an uneven playing field in markets where an SOE competes with private companies.

The success of Sallie Mae in the U.S (Stanton, 2008) provides an excellent lesson to the government who intends to privatize SOE. In Sallie Mae's case, after its privatization, it still enjoying the privilege like any other GSE but can expand into an integrated firm and become dominant in providing student loans, servicing, and collections. Therefore, it monopolized the market for providing loans to students.

The Malaysian government has played an enormous role in internal resource configuration to achieve its national agenda through GLCs (Gomez, 2009). However, government ownership resulted in GLCs securing protection from market competition by obtaining industry-specific resources to outperform other local competitors. Prior studies argued that GLCs have better investment opportunities (Fraser et al., 2005), for example, accessibility of these companies to participate in government infrastructure projects (Sulong and Mat Nor, 2008, p.64), accessing company's specific resources and funds (Ting and Lean, 2011, p.138; Rasli et al., 2013, p.236).

As far as its impact in market concentration is concerned, Menon and Ng (2013, p.9) argued that GLCs enjoying less credit constrained than private competitors. This situation allows them to profitably increase investment in sectors where these GLCs already have a significant presence. This scenario led to market concentration, which Molyneux et al. (2004) explained as a factor that weakens competition in the market through cooperation among a few companies and resulting in above-normal profits. In other words, the degree of concentration is negatively impacted competition. However, the degree of concentration is positively associated with profits. Indeed, the more significant the market concentration, the less the degree of competition and the higher the profits.

Concerning the issue of crowding-out of private companies, Furceri and Sousa (2011) used sample data of companies in 145 countries to prove that the presence of SOEs stimulates a significant crowding-out effect by negatively affecting both private consumption and investment. A study conducted by Xu and Yan (2014, p.1) in China concluded that government investment in Chinese GLCs crowd-out private investment significantly. Focusing on the same issues, past studies on GLCs' financial performance, significant market presence (market capitalization), and its link with Non-GLCs' market capitalization and profitability, especially after GLCTP are somewhat limited. Only two studies by Menon and Ng (2012, p.12-13) and Menon and Ng (2013, p.9) were on Malaysian GLCs. They found that GLCs significant presence could deter private investment and the new private companies' entry. They further explained that this is due to the GLCs pervasiveness across almost all sectors. Other than that, they also explained that this is due to the GLCs enjoying exclusive access to government. The regulatory agencies to their advantages suggest that they may present a formidable barrier to both competition and the entry of new private companies. Although the study is of considerable significance as it marks the first attempt to assess the crowding-out of private investment in Malaysia, the study fails to examine the underlying causes of this issue.

3.4 Literature Relating to GLCTP Second Underlying Principle (Nation Building)

The secondary principle of the GLCTP is the GLCs should support the nation building and actively shape it. Figure 3.4 highlights on this secondary principle of GLCTP. In focusing on the performance under this primary principle, the GLCs are required to pursue GLICs' and GLCs' roles in the New Economic Model (NEM). These are including continuing to execute the three underlying principles of GLCTP and strive to become world-class companies and global champions. Besides, the GLICs and GLCs also require pursuing investments in new industries and sectors besides also collaborate and co-invest with the private sector. Finally, the GLICs and GLCs also need to focus on their core operations, operate on a level playing field, and exit both non-core and non-competitive assets.

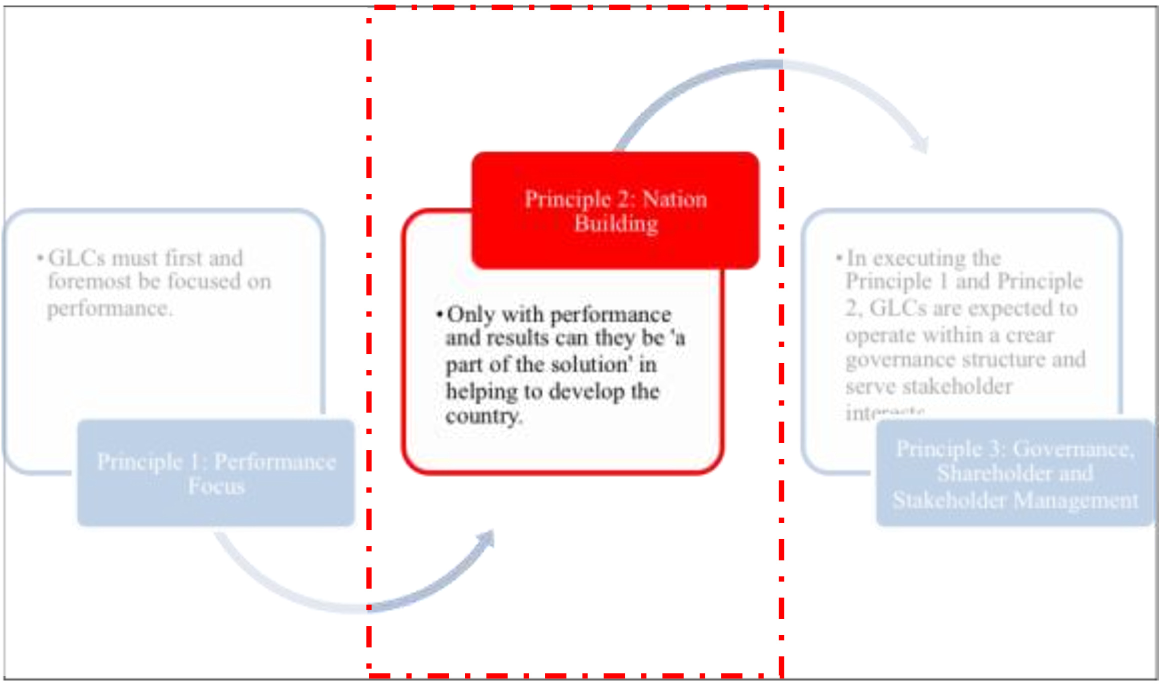


Figure 3-4: The Second Underlying Principle of GLCs Transformation Programme (Self-develop figure with adopted information from the GLC Transformation Programme Graduation Report)

Other than that, the GLICs and GLCs also require to support the other national priorities. The other national priorities are including spearheading the development of vital economic corridors being the contributors to the Malaysia Plans and establishing an excellent regulatory environment, including regulatory bodies. Finally, some GLICs and GLCs have participated in the Trans-Pacific Partnership Agreement (TPPA) in avoiding erosion of any national interests. As reported by the Graduation Report, GLCs and GLICs also have executed and delivered their five roles in supporting NEM launched in 2010. Figure 3.5 illustrates these five roles.

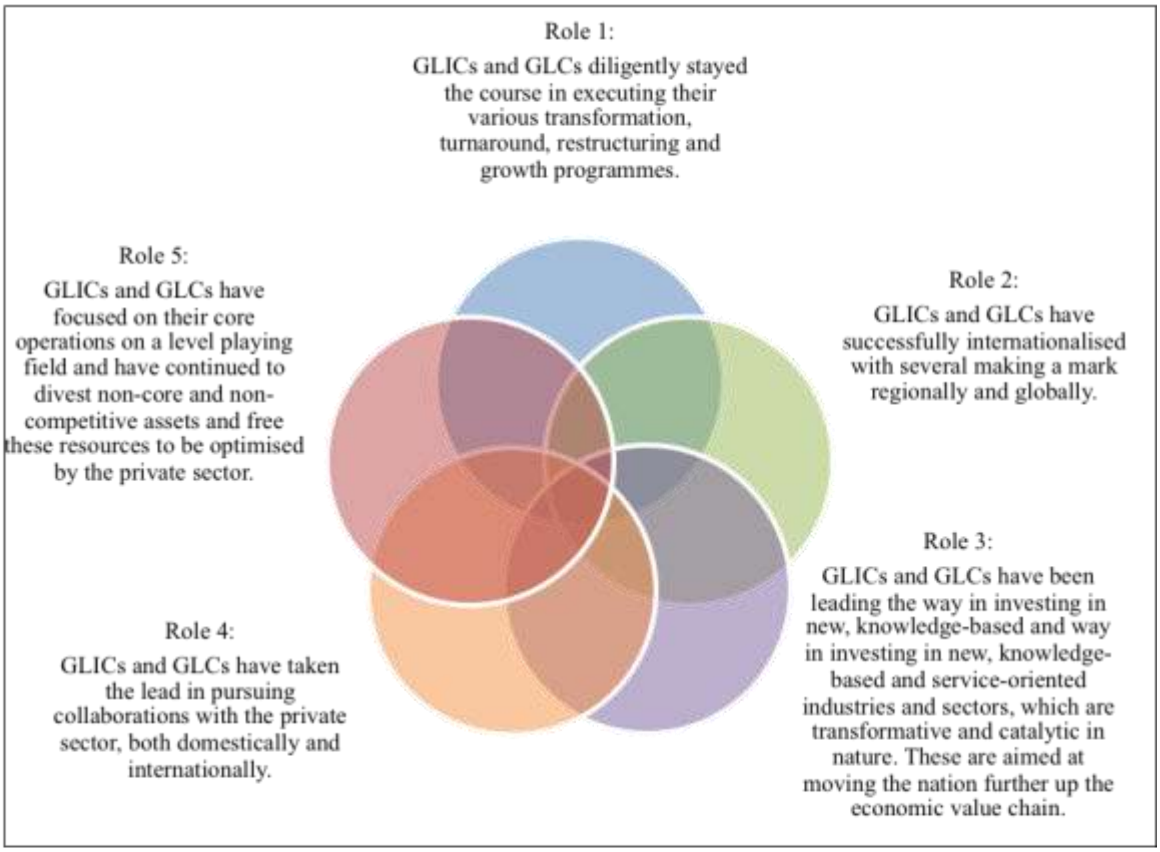


Figure 3-5: Five Roles of GLCs and GLICs in Supporting NEM (Self-develop figure with adopted information from the GLC Transformation Programme Graduation Report)

While role 1 demands the GLCs to sustain and build upon their various transformation and turnaround momentum, this primary role also requires the GLCs to restructure and grow the programs. Then, the GLCs also need to relentlessly drive in becoming regional champions in assisting the country in increasing Malaysia's Gross National Income (GNI) under the secondary role in supporting the NEM. Next, the GLCs also have to pursue investments in new industries and new sectors as addressed by the NEW in moving the nation's economic value chain under the third role. These new industries and new areas are including healthcare, technology, education, pharmaceuticals, leisure and tourism, creative media, life sciences, wellness, and sustainable development.

Then, under the fourth role, the GLCs need to support Malaysia's growth in becoming a high-income nation by collaborating and co-investing with the private sector. Indeed, this collaboration is believed to leverage the country's strengths and allow the country to grow faster. Not only that, but this collaboration also enables to strengthen the domestic industry and leverage economic scale that can create more participation and contribution opportunities by the private sector besides sparkling the entrepreneurial skills and efficient supply chains by GLCs. Finally, the GLCs need to focus on the core operations on a level playing field and exit non-core and non-competitive assets under their fifth role in supporting the NEM. Indeed, the GLCs require to have disposed of non-core and non-competitive assets on a merit basis and robustly and transparently.

3.4.1 Empirical Studies on GLCs Catalyzing Nation Building

Scholars often debate the impact of the success of government investment in GLCs. On the one hand, this investment's success will benefit the economy, as these companies would help the government in developing the country as well as encouraging foreign investment inflows into the capital market. GLCTP also introduced the same aspiration that by GLCs being first and foremost focus the performance, can they be part of the solution for the country.

On the other hand, the rapid growth of the strong GLCs financial performance has cautious the government that these companies are encroaching too many industries and effectively crowding-out the private companies/Non-GLCs (Menon and Ng, 2013, p.8). In addition to this, Menon and Ng (2013, p.8) argued that the success of GLCTP with regards to the superior performance is potentially artificially generated due to preferential treatment accorded GLCs. As mentioned previously, GLCTP said that through catalyzing nation building, i.e., be part of the solution, among others, for tackling the issue on private investments.

3.4.2 Social Obligation Discharged

As mentioned previously, the government recognizes that inequitable wealth distribution must be addressed for the nation to grow inclusivity. Thus, the purpose of the government maintaining control in GLCs among others is for pursuing political targets; to align with the government social welfare maximization (Lau and Tong, 2008, p.9; Shleifer and Vishny, 1994, p.995; Shleifer, 1998, p.15; Shen and Lin, 2009). In another aspect, the government is also an influential stakeholder that may impose regulation[84] and control to align GLCs objectives with the government agendas.

Nevertheless, up to now, there has been very little research directly investigating GLCs' social obligation and how it is related to GLCs' financial performance. Prior studies have only argued that there are several reasons behind the lack of financial performance in GLCs by comparing GLCs with private companies/Non-GLCs. In contrast, Wong (2004) opinionated that the purpose, objectives and mission of private companies are confined to being profitable and maximizing their shareholder's value, thus motivate them to be more competitive, innovative and costs conscious (Wong, 2004, p.6; Wei and Varela, 2003, p.65; Sun and Tong, 2002; Dewenter and Malatesta, 2001; Boubakri and Cosset, 1998; Shleifer, 1998; Boycko et al., 1996).

Najid and Rahman (2011, p.8) also argued that the government in any country would have long directed benefits to their political supporters and maximize welfare's state goal rather than profit maximization. As far as the financial performance of GLCs and Non-GLCs is concerned, several studies found GLCs' financial performance is inferior to private companies (Mokhtar, 2004, p.7; Fraser et al., 2005; Tam and Tan, 2007, p.216; Ting and Lean, 2011, p.137; Isa and Lee, 2016, p.1). In addition to this, Tam and Tan (2007) asserted that foreign companies performed best in both proxies, while GLCs have the weakest performance in ROA and trust fund companies in Tobin-q.

In terms of leverage, an earlier study by Fraser et al. (2005) discovered a positive relationship between political connections and leverage of GLCs. A more recent study by Ting and Lean (2011, p.137) compared the capital structure and leverage between 22 GLCs and matched-paired Non-GLCs according to their homogeneous sector and share price in the industry from the year 1997 to 2008. Their findings echoed Fraser et al. (2005) that indicated GLCs performed worse than Non-GLCs concerning capital structure and

[84] For example, GLCs with a monopoly license have to oblige to the government control on pricing its products or services to protect the welfare of the nation while the government may urge GLCs to hire more workers than needed or to maintain excess employment at the expense of companies' performance.

leverage (Ting and Lean, 2011, p.144). Isa and Lee (2016, p.1) assessed the financial performance of GLCs and matched-paired Non-GLCs during the period from 2008 to 2013. They used ROA, ROE and Tobin Q as performance measures. Similarly, the results strongly indicate that GLCs performed worse than their Non-GLC counterparts in all performance measures and both univariate and multivariate tests. By using a profitability ratio, Ting and Lean (2011, p.147) also found that GLCs performed worse than Non-GLCs from 1997 to 2008.

Most of GLCs' financial performance arguments suggested that corporate governance (agency theory) and government intervention (double agency theory) are the cause of its poor performance. However, this study goes beyond those arguments by examining GLCs role in nation building. Apart from this, most studies on GLCs' financial performance have been descriptive, for example, to compare it between GLCs and Non-GLCs or the relationship between corporate governance and GLCs' financial performance, which have been discussed previously. The only study that used an explanatory approach is Dahlan (2009, p.5), with the objectives to answer the critical factors for the effective performance of Malaysian GLCs. Through data collected from focus groups, his study asserted that there is a mixed view on GLCs operate as a profit-making entity and discharge their social obligations. They are facing the problem of balancing the profitable goals and social agenda mandated to them (Dahlan, 2009, p.194).

3.5 Literature Relating to GLCTP Third Underlying Principle (Governance, Shareholder and Stakeholder Management)

The third principle of the GLCTP benefits all stakeholders through good governance and excellent shareholder and stakeholder management. Figure 3-6 highlights this tertiary principle of GLCTP.

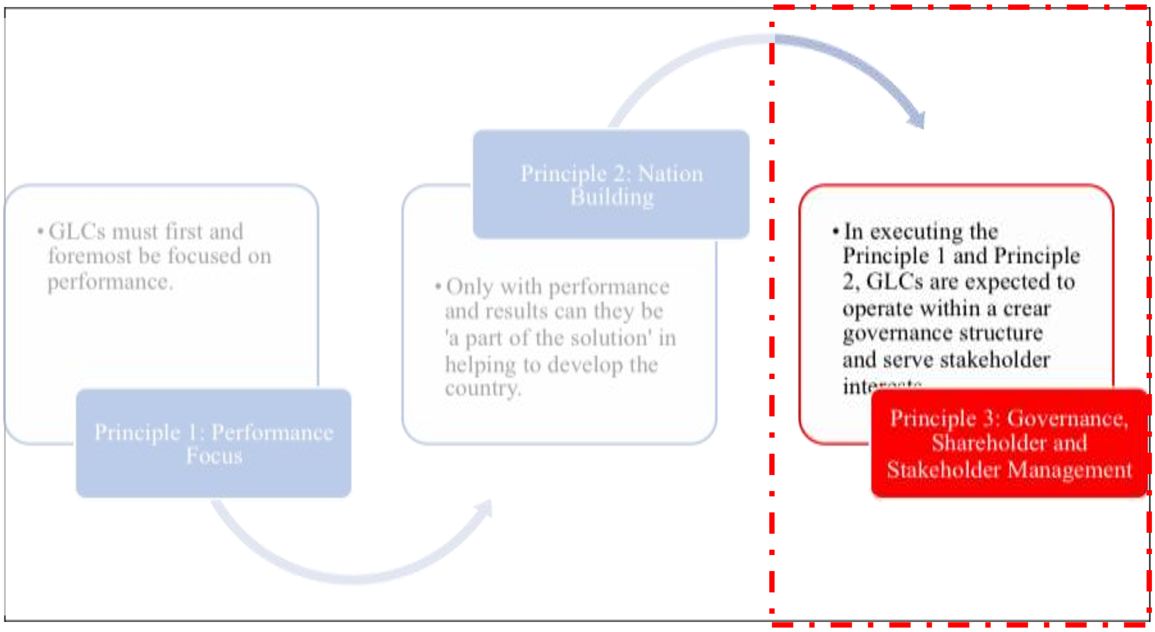


Figure 3-6: The Third Underlying Principle of GLCs Transformation Programme (Self-develop figure with adopted information from the GLC Transformation Programme Graduation Report)

Indeed, the example of the stakeholders includes the customers, employees, vendors and suppliers, and society. GLCs can benefit the customers directly and indirectly via their products and services that touch many aspects of the customers' life. The examples are building the physical infrastructure they use every day, enabling customers to stay connected, powering homes, and helping them manage finances. GLCs need to enhance their products and services' quality to improve their customers' lives and provide higher value to them. Then, GLCs also have to benefit their employees. This effort can be implemented in several ways, including by providing competitive compensation, investing in professional development and providing career progression, providing conducive work environments, and recognizing for the benefits they provide to their employees.

Next, GLCs also require to benefitting their vendors and suppliers. For instance, the VSP assists in building local vendors' capabilities to compete in domestic and regional markets and, thus, can provide GLCs with a more efficient service, better quality products, and reduce GLCs' dependency on imported goods. Other than that, GLCs also need to benefit society, and it can be implemented through several initiatives. These initiatives include community well-being and development, education and capacity building, as well as the environment.

3.5.1 Empirical Studies on GLCs and Operating Clear Governance Structure and Benefitting Stakeholders Interest

As mentioned previously, GLCs have a corporate structure comprised of the management, the board of directors and the shareholders. This structure might open for double agency problems between the shareholders and the management, and the shareholders and the public. Thus, corporate governance mechanisms could be the solution to addressing the issue experienced by the agency to ensure that GLCs have financial standing.

In addition to this, GLCs are not solely looking for profit but are urged to fulfill the government agenda at the same time. This study also highlighted that there are some cases of GLCs that have a significant presence in the market, which is due to government shareholding that enables GLCs to have competitive advantages over private companies. Therefore, the government also introduces corporate governance mechanisms in tackling this issue, for example, decreasing the percentage of government shareholding in GLCs and removing the numbers of regulators in the GLCs board.

As applies to every company, although the ultimate goal is to be profitable and return to shareholders, other stakeholders are related to GLCs that their interests have to be taken of, namely the society, the employees, the suppliers, etc. The implementation of corporate governance mechanisms and stakeholders' interests will be discussed in the next section.

3.5.2 Empirical Studies on GLCs and Governance Structure

In the UK, Cadbury Report addressed corporate governance as the system directed and controlled by companies (The Financial Aspects of Corporate Governance, 1992). In 2000, through the Finance Committee on Corporate Governance set up by the government, the Malaysian government had established the first framework to provide recommendations on good corporate governance practices. For this purpose, the committee has described corporate governance as 'the process and structure used in directing and managing the company's business and affairs so that the business prosperity and corporate accountability can be enhanced (The Finance Committee on Corporate Governance, 2001). By taking the definition given by the committees above, corporate governance is a process or structure in directing and managing the company's business and affairs. Its mechanisms are crucial in controlling the behavior of managers of a company. The ultimate corporate governance objective is to realize the long-term shareholder value while considering other stakeholders' interests.

Among all the corporate governance mechanisms, board mechanisms are the most prominent issues because the board of directors is the top level of the decision control device in financial mutual (Fama and Jensen, 1983, p.318). The board mechanisms could effectively influence the management in decision-making and serve as a control mechanism, thus mitigating agency cost (Fama and Jensen, 1983, p.311; Fama 1980, p.293). Due to its importance, it is crucial in determining the proper board mechanisms to be adopted by companies and GLCs.

The importance of enhancing corporate governance practice around the world has been brought up due to two significant events; the fall of Enron, which has bred a subsequent loss of global public trust in financial institutions and the AFC. In 2000, in 2007 and 2012, SC introduced the Malaysian Code on Corporate Governance (MCCG) 2007 and MCCG 2012 (The Codes). MCCG serve as a supplement explicitly to give guidelines for corporate governance in addition to the Malaysian companies' primary legislation, namely the Companies Act 1965. In terms of compliance, as opposed to the LR that imposed rules for the company listed on the board of Bursa Malaysia to be obliged to, the Code's recommendations are not mandatory for companies to observe. However, listed companies on Bursa Malaysia are required to explain how they have complied or give justifications for the non-observance of any of the recommendations in their annual reports (SC, 2007, p.4).

OECD has also touched on the importance of board mechanisms and provided guidelines on SOEs, with the premise that 'SOEs should be subject to best practice governance standards of listed companies.' The indication is that regardless of whether SOEs are listed or unlisted, they should always adhere to the national corporate governance code, irrespectively of how 'binding' there are (OECD, 2015, p.56). Hence, the OECD (2015, p.70-75) has sets guidelines on SOEs' corporate governance, among others, to have a small board size, which allows effective functioning, free from political interference, and the government representative should have equal legal responsibilities as other board.

The guideline also emphasizes balance board composition concerning age, geographical, gender, professional, and educational background. At the same time, regulators should not serve on boards since this would cast severe doubts on the independence of their judgment. The board should also have a certain number of relevant competencies and experience independent board members that the guideline defines as ‘free of any material interest or relationship with SOE. Apart from specific skills that the Chairman should possess, the Guidelines suggest that a separate role between the Chairman and CEO is a good corporate governance practice for SOEs, to empower the board’s independence from management. Other than this, the presence of executive directors on the board should contribute to the SOE boards’ independence, competence and information, and they should have the same duties and responsibilities as other board members.

Corporate governance is more importantly related to GLCs because these types of companies have commonly been regarded as natural monopolies, or established to pursue social targets. A market mechanism is limited for controlling purposes. Moreover, as mentioned by Wong (2004, p.6), government ownership in companies creates a double-agency issue in which the government, represented by politicians and bureaucrats, is acting as a principal to the managers and an agent to the public. This situation raises conflict of interest among the politicians and bureaucrats and the public, whereby the former may misuse GLCs asset at the expense of the public interest that weakens its financial performance. The Green Book suggested corporate governance mechanisms to improve GLCs’ financial performance, namely to have a proportion of one-third or more independent directors, a maximum of ten directors, non-role duality, to increase the number of professional directors, to decrease the presence of politician and to hold regular board meetings between six to eight times a year (Green Book, 2006, p. 14).

Apart from improving the financial performance, Gregory and Simms (1999, p.4, p.5) asserted that corporate governance mechanisms could attract lower-cost investment capital through the improved confidence of investors and the provision of oversight that increase the accountability in the board and managers. The tools could promote the efficient use of resources. Therefore, as explained in Chapter one, due to GLCs’ significant market presence[85], GLCs need to have corporate governance mechanisms that are essential for building an attractive market climate (Muhamed, 2013, p.318).

Most studies on SOEs aimed to see the state of corporate governance and to prove its relationship with companies’ financial performance. As far as the corporate governance of GLCs is concerned, past studies indicated that they are better governed (Kole and Mulherin, 1997, p.16-17; Ramirez and Tan, 2003, p.12; Lau and Tong, 2008, p.10; Ang

[85] In 2010, the 17 GLCs (less than 11 percent of the total number of all public listed GLCs) had an average market capitalization of USD 87 billion (PCG, 2015, p.13)

and Ding, 2006, p.64). The reason is that these companies have to be adequately managed, as they are not only answerable to the public as an ultimate agent and investors but also to the government as a shareholder. As a result, these companies' management will be more concerned about the interests of their shareholders than their interest (Lau and Tong, 2008, p.10). In the sections that follow, this study will discuss the findings from the previous literature regarding the state of corporate governance and the relationship between corporate governance mechanisms and financial performance.

3.6 Corporate Governance of GLCs: Achieving MCCG and LR

Corporate governance's ultimate objective is to realize the long-term shareholder's value while considering other stakeholders' interests. Among all the corporate governance mechanisms, board mechanisms are the most prominent issues about companies. The reason is that the board of directors is the top level of the decision control device in financial mutual (Fama and Jensen, 1983, p.318). The board mechanisms could effectively influence the management in decision-making and can serve as a control mechanism, thus mitigates the agency cost (Fama, 1980, p.293; Fama and Jensen, 1983, p.311). Due to its importance, it is crucial in determining the proper board mechanisms to be adopted by companies.

Corporate governance is more importantly related to GLCs because these types of companies have commonly been regarded as natural monopolies, or established to pursue social targets. A market mechanism is limited for controlling purposes. Moreover, as mentioned by Wong (2004, p.6), government ownership in companies creates a double agency issue. The government, represented by politicians and bureaucrats, acts as a principal to the managers and an agent to the public. This situation raises the issues of conflict of interest among the politicians and bureaucrats and the public, whereby the former may misuse the asset of GLCs at the expense of the public interest that weakens its financial performance. This situation does not seem to happen in Non-GLCs as conflict issues are solely between the shareholder and the management.

However, most studies in GLCs’ corporate governance have only focused on corporate governance mechanisms that intend to improve GLCs’ financial performance[86]. No single study has taken into account the suggestions on corporate governance mechanisms by GLCTP that take into consideration the GLCs’ role in nation building.

[86] These studies are include the studies conducted by Bin and Yi (2015, p.399) as well as Isa and Lee (2016).

Apart from this, most empirical studies[87] of GLCs' financial performance have relied upon small sample size.

3.7 Corporate Governance Mechanisms Related to National Priorities

From a different perspective, the government is aware that GLCs' significant market presence crowded out private investment in the market. Hence, the Malaysian government launched the NEM in 2010, among others, to reduce the government's role in business by using corporate governance mechanisms as a tool. Thus, NEM urged GLICs to reduce their shareholding and the number of regulators on the GLCs board. These recommendations are incorporated in GLCTP under GLCs' role in NEM. Besides, GLCs are expected to be the private companies' role models in promoting inclusivity regarding board members' gender. Through 30 percent of women on board[88] policy, the government proposed GLCs to increase the number of women on board.

Therefore, apart from the recommendations on corporate governance mechanisms that more inclined towards enhancing business prosperity and corporate accountability, GLCTP's suggestions on GLCs corporate governance mechanisms consider other government's agendas, such as promoting private investment and inclusivity in the workforce. The former includes reducing the government's role in business, and the latter is related to positioning women directors on GLCs' board.

3.8 Relationship between Corporate Governance Mechanisms and Financial Performance

A large and growing body of literature has investigated the relationship between corporate governance mechanisms and financial performance. There were contradicting findings on the impact of independent directors[89] on financial performance. While some studies revealed that it serves as a mitigating tool for agency problem that improves companies' financial performance (Agrawal and Knoeber, 1996, p.390; Baysinger and Butler, 1985, p.109). Baysinger and Hoskisson (1990, p.79) asserted that an independent director has limited access to information and little contact with the company's daily operation, thus restricting them from using their strategic control more effectively.

[87] For example, studies conducted by Bin and Yi (2015) and Isa and Lee (2016) employed a sample size of GLCs under GLCTP of 13 and 16 GLCs respectively.
[88] Ministry of Women, Family and Community Development (MWFCD), Women Directors' Programme.
[89] According to Bursa Malaysia (2006), independent directors are person not employed within the organization but appointed in the board to provide assurance and balance of power in protecting all stakeholders.

Johl et al. (2015, p.242) examined the relationship between corporate governance and companies' performance based on data of 700 listed public listed companies in Malaysia for the year 2009. They found that the relationship between independent directors and ROA is negative but not significant. Similarly, the latest study on the top 100 Malaysian public listed companies from 2008 to 2012 by Mohamed Zabri, Ahmad and Wah (2017, p.287) found no relationship between board independence and ROA and ROE. The reason is that in Malaysia's perspective, although outside directors may appear to be independent of management, the process of appointing outside directors to the board may not be truly independent and depends on the availability of talented individuals.

Other than this, Abdullah (2004, p.52) also argued that, due to CEOs' dominant role in the director selection process, the outside directors might be incapable of providing independent judgments, which raised concerns about the quality of the independent directors. It is noted that although all results showed insignificant results, these results were limited to all Malaysian companies and are therefore not representative of GLCs in Malaysia.

There is a relatively small body of literature on the proportion of one-third independent directors or more suggested by the MCCGs and GLCTP. The only study was done by Ponnu (2008, p.224), who investigated the 100 companies listed on the Bursa Malaysia for the financial years 1999 and 2005. He found that companies with more than 33 percent (one-third) independent directors had better ROA accomplishment of 12.9 percent than those companies with less than 33 percent with ROA of 11.6 percent for the financial year of 1999. Similarly, using the financial year 2005 data, companies with more than 33 percent independent directors achieved better ROA of 11.38 percent as compared to 7.1 percent for those companies with less than 33 percent independent directors (Ponnu, 2008, p.226).

Concerning GLCs, much of the current literature on independent directors and financial performance pays particular attention to the percentage of independent directors. Using a sample data of 162 Malaysian companies for two years, 2006 and 2008, Abdul Hamid (2011, p.128-131) found inconsistent results, where the percentage of independent directors is significantly negative with ROA for 2008 but insignificant in 2006. The same results were also found in Bin and Yi (2015, p.399) used cash flow and share price return as performance measures and Isa and Lee (2016, p.10). They found that the percentage of independent directors has an insignificant negative relationship with ROA and ROE.

Muhamed (2013, p.162-163) also exhibited a significant negative correlation between independent directors and ROA and ROE, after controlling the type of GLICs based on their investment objectives. It is noted that prior studies on GLCs have not been able to establish the relationship between the proportion of one-third or more independent directors and GLCs' financial performance.

3.8.1.1 Board Size

Concerning the board's size, Abdul Hamid (2008, p.190, p.256) studies the relationship between corporate governance variables and financial performance of 162 GLCs and private companies, measured by ROA and ROE in three years' period, 2001, 2002 and 2003. He found that board size has a positive relationship with ROA and ROE in all years, but for ROE, the link is significant and positive for 2001 and 2003. In contrast, Muhamed (2013, p.164) found that the associations are insignificant. The contradict result with Abdul Hamid (2008) could be due to the control in the investment objective of GLICs by Muhamed's study. Another study by Bin and Yin (2015, p.408) examines 16 GLCs under GLCTP between 2007 and 2012 and discovered that board size has a significant positive impact on cash flow. In contrast, Isa and Lee[90] (2016, p.7) asserted that the board size has a significant negative effect on ROA, ROE and Tobin-Q. However, both studies by Isa and Lee (2016) and Bin and Yin (2015) sample data only confined to the selected GLCs under GLCTP and regarding Bin and Yin (2015, p.408), their study used cash flow as a proxy of performance.

3.8.1.2 Role-duality

The problem of role-duality and its impact on financial performance has been extensively studied. Role-duality is a situation when an individual simultaneously holds two dominant posts in a company, namely the CEO and the Chairman of the board[91]. Data on several studies suggested that the separation between these two roles is indispensable to provide the essential check and balances over management's financial performance. Besides, it is

[90] In their study, Isa and Lee (2016, p.7) compared 13 GLCs under GLCTP and their matched-paired Non-GLCs during the period 2008 to 2013.

[91] Combining the CEO and chairman roles was common in UK corporations and US. Coles et al. (2001) found 80 percent cases of role duality for US boards while O' Sullivan (2002) found role duality to be present in 33 percent of UK boards. Only about 10-20 percent of Japanese, Italian and Belgium companies combine the roles of CEO and Chairman (Dalton and Kessner, 1987). As a brief explanation, a CEO is a full-time post and is responsible for day-to-day management of the company, which also includes setting and implementing corporate strategy. On the other hand, the critical role of the chairman is to monitor and evaluate the financial performance of executive directors, which also including the CEO.

challenging to avoid advancing personal interests to the company's disadvantage (Stiles and Taylor, 1993; Abdul Rahman and Mohd Haniffa, 2005, p.41).

A prior study conducted by Amran and Che Ahmad (2009, p.53) found that in both family and non-family businesses in Malaysia, role-duality has a significant negative relationship with ROA and ROE. Hussin and Othman (2012, p.1) supported this finding. They found a meaningful positive correlation between the non-role duality (Independent chairman) and both ROA and ROE of 77 non-financial companies between the years 2007 to 2009. Using Tobin-Q, a similar result was also revealed by Rasli et al. (2013, p.245). In contrast to this, some studies evidenced a positive relationship between role duality and financial performance (Haniffa and Cooke, 2002, p.320; Ibrahim and Abdul Samad, 2011, p.110).

Despite this, past studies have not established the relationship between role- duality and GLCs' financial performance. A study conducted by Abdul Hamid (2008, p.229) revealed that the relationship is negative but insignificant, while Isa and Lee (2016, p.9-10) asserted that role-duality has an insignificant positive connection with GLCs' financial performance.

3.8.1.3 Frequency of Board Meeting

A frequent board meeting may indicate a close observation of the manager's behavior to align with shareholders' goals, which may reduce agency problems and enhance the company's financial performance. Because of this, Al-Matari et al. (2012, p.328) suggested that the frequency of board meetings should be considered in research on company financial performance.

However, too frequent indicates inefficiency regarding time and cost, thus negatively affects financial performance (Vafeas, 1999, p.123; Evans et al., 2002, p.1). In Malaysia, Johl et al. (2015, p.242) found a negative association between a board meeting and the company's financial performance. Concerning GLCs, previous studies have failed to show any significant causal relationship between the frequency of board meetings and financial performance. Abdul Hamid (2008, p.257) and Bin and Yin (2015, p.411) found insignificant relationship between the frequency of board meetings in a year and GLCs' financial performance.

3.8.1.4 Politician Directors

Past studies have shown common phenomenon that the government pay particular attention to political goals and pressure SOEs to employ politically connected people rather than a qualified person (Boardman and Vining, 1989, p.9; Krueger, 1990, p.15; Shleifer and Vishny, 1997, p.767; Agrawal and Knoeber, 2001, p.195; Fan, Wong and Zhang, 2007, p.353; Chen, Firth and Xu, 2009, p.174; Yu and Zheng, 2014, p.182). Numerous studies have attempted to explain the relationship between politician directors and the company's financial performance. For example, Boycko, Shleifer and Vishny (1996, p.309) found that politicians cause SOEs to employ excess labor inputs – many of which may be negatively correlated with their financial performance.

Another study by Fan et al. (2007, p.353) pointed out that politically connected CEO in Chinese companies does not enhance a company's efficiency but rather confirms the politicians' goals. Carretta, Farina, Gon, and Parisi (2012, p.75) found that politicians with an influential position on the board harm banking activity and validate previous findings by Sapienza (2004, p.357), Dinç (2005) as well as Khwaja and Mian (2005). In China, Yu and Zheng (2014, p.182) found that politically connected directors without professional business background are negatively related to Tobin-Q.

Concerning GLCs, it is common practice for the government to appoint its board based on political and social objectives (Najid and Rahman, 2011, p.2; Muhamed, 2013, p.18). These directors are lack in capability to managers or providing advice due to lack of business expertise/professional qualification (Muhamed, 2013, p.5; Muhamed et al., 2014, p.65). As far as the presence of political directors is concerned, Abdul Hamid (2008, p.245, p.251) and Muhamed (2013, p.142) found that it has a significant negative relationship with financial performance. Razak et al. (2011, p.219) asserted that the significant factors on the lack of performance of GLCs compared to non-GLCs were the politician's influences on GLCs' decision-making, as well as protection from market discipline. An earlier study by Fraser, Zhang and Derashid (2005) examined the links between political patronage[92] and leverage of 257 companies over ten years from 1990 to 1999 discovered a positive relationship between political connections and leverage of GLCs.

3.8.1.5 Government Official Directors/Regulators

Apart from appointing directors from a political background, it is also common for the government to employ government officials to provide room for their self-interest[93] to

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[92] In their study, political patronage is are proxy by the percentage of direct government equity ownership of a company, the percentage of equity owned by 'institutional' investors (either controlled by the government or by government sponsored and supported *Bumiputera* agencies); and the informal ties a company may have with each of the three most powerful politicians in Malaysia in the 1990s.

[93] Acemoglu and Verdier (2000, p.195) argued that at least part of these bureaucrats is corrupt, in the sense that they are willing to give inappropriate information to their interests.

exert influence on SOEs (Wong, 2004, p.8-9). They have no personal interest in ensuring that the organization is operated efficiently or well governed by the board since they do not benefit from good governance (Wong, 2004, p.6).

In contrast to this, as was pointed out previously, the resource dependence perspective describes board appointments [94] as a mechanism for coping with the environment whereby appointing directors with influence and access to critical policy-makers and government is seen as an essential strategy for survival. Past studies have considered government official directors in research on company financial performance. On GLCs, Abdul Hamid (2008, p.261) asserted an insignificant negative relationship between senior government servant and performance. In a similar vein, Muhamed (2013, p.140) found that senior government servant [95] presence does not enhance GLCs' performance. Hence, both studies' results contradicted the resource dependency theory on the presence of government officials on the board of GLCs.

3.8.1.6 Professional Directors

Turning now to the professionalism of the board, Amran (2011, p.105) defined professionalism as directors that possess a professional qualification (Amran, 2011, p.105) while Johl et al. (2015, p.242) focused on a specific professional skill, namely accounting expertise. In China, Yu and Zheng (2014, p.182) defined professional qualifications as Certified Public Accountants, lawyers, or other professionals with experience working in accounting firms. For simplicity, this study follows Amran (2011, p.105) and Yu and Zheng (2014, p.182) definition.

The research to date has been concerned with the relationship between professional directors and the company's financial performance. For example, Amran (2011, p.109) examined the performance measured by the market value[96] of 424 Malaysian family and non-family companies between 2003 and 2007. Although the findings also indicate that professional directors have helped enhance the companies' financial performance, the relationship is insignificant. As far as accounting expertise is concerned, Johl et al. (2015, p.242) found that it positively affects the companies' ROA.

There are relatively few studies on the relationship between the boards'

[94] Hillman and Dalziel (2003, p.387) specified that board capital such as government officials on the board bring with them necessary expertise and connections that are important for company's financial performance.
[95] The senior government servant used in his study include officials from GLIC, who are civil servants but it excludes officials from the parent companies of GLCs who may not civil servants but has expertise related to GLCs.
[96] Market value of common equity plus book value of preferred shares and debt divided by book value of total asset.

professionalism and GLCs' financial performance. Amran et al. (2014, p.802) investigated the CEO and Chairman characteristics[97] and its impact on GLCs' financial performance measured by ROA by using a sample of 80 GLCs from 2005 to 2009. They demonstrated that there is a significant negative relationship between the professional qualifications of the CEO with GLCs' financial performance, which is quite baffling. On the other hand, they found that professional Chairman has a positive relationship with ROA, but it is insignificant. Nevertheless, the study does not attempt to consider the evidence for the professionalism of other board members.

3.8.1.7 Ownership Structure

Prior studies demonstrated that the percentage of GLICs' shareholding positively correlates with GLCs' financial performance or caused GLCs to have better financial performance than Non-GLC. Lau and Tong (2008, p.1) performed a statistical analysis of 15 listed GLCs under Khazanah from the year 2000 to 2005. They revealed a significant positive relationship between the degree of government ownership and GLCs' performance measured by Tobin's Q. They argued that this is because GLCs are answerable to the public as taxpayers, investors, and the government as a shareholder. As a result, these companies' management will be more concerned about the interests of their shareholders than their interests (Lau and Tong, 2008, p.10).

Najid and Rahman (2011, p.5) also found similar results. They investigated 46 GLCs under Khazanah and their matched-paired sample of Non-GLCs over six years from 2001 to 2006. However, both studies by Lau and Tong (2008) and Najid and Rahman (2011) include financial institutions as part of their sample selections, which is not comparable with other non-financial companies (Sun and Tong, 2002). Also, in their studies, they have overlooked the evidence for GLCs controlled by other GLICs than Khazanah. Besides, they used Tobin-Q as a proxy for financial performance.

In contrast to Lau and Tong (2008) and Najid and Rahman (2011), some studies demonstrated government shareholding negatively affects GLCs' financial performance. An early survey of the privatization in Malaysia by Sun and Tong (2002, p.82) used data on 24 privatized companies for the year 1997 discovered that the percentage of government shareholding harms GLCs' performance measured by ROA, Return on Sales (ROS) and ROE (p.97). Again, this study suffers from a limited sample size. In a similar

[97] The characteristics that they chose for the study are education level, professional qualification, age, gender and ethnicity.

vein, Fraser et al. (2005, p.11) examined the relationship between political patronage and a company's leverage. They discovered that the percentage of government shareholding increases the company's leverage. By using a more updated sample data of Malaysian companies between the year 2005 to 2010, Zakaria, Purhanudin and Palanimally (2014, p.32) investigated the link between ownership structure and ROA in the trading and service sector and asserted that the percentage of government shareholding has a negative relationship with ROA (Zakaria et al., 2014, p.38). Nevertheless, it can be seen that the years of observation used in this study includes the situation where the global financial crisis occurred, which is from 2009 to 2010.

However, another study by Sulong and Mat Nor (2008, p.55) examined the effects of dividend, type of ownership structure[98] and board governance (independent directors, board size) on Tobin-Q for the year 2002 and 2005 by using a sample of 406 listed companies on the Main Board of Bursa Malaysia. They found an inconsistent result, a positive relationship in the year 2002 but insignificant in 2005.

Past studies have also divided GLIC into their respective investment objectives. Rasli, Goh and Khan (2013, p.239) investigated the role of government ownership in corporate governance and company performance measured by Tobin-Q, using data of 192 manufacturing companies from 2004 to 2006. In their study, they divided GLCs according to the investment objective of their controlling GLICs as either profit-oriented (EPF, KWAP, LTAT, and LTH) and non-profit oriented (MOF(Inc.), Khazanah and PNB). They further explained that profit-oriented GLICs consider the return on investment as the primary objective, whereas the latter prioritizes socio-economic. Another study by Muhamed et al. (2014, p.453, 462-462) explored the performance of GLCs under three defined groups of GLICs: (i) federal government-sponsored pension and investment funds); (ii) federal government-owned investment organizations charged with promoting the federal government economic and social policies; and (iii) SEDC charged with promoting state governments' economic and social policies.

The first category contains MOF(Inc.) and Khazanah; the second group includes EPF, PNB, LTAT, and LTH, and the third group is SEDCs in respective states in Malaysia. The main difference between the two studies is the categorization of PNB in either GLIC with

98 They measured government ownership as the sum of all shares held by GLICs in the list of 30 largest shareholders (Sulong and Mat Nor, 2008, p.71). However, GLICs might also be in the top 30 largest shareholders, even though GLICs have no controlling stake due to limited number of shares held as well as the presence of majority shares of other shareholders.

a strategic or non-strategic investment objective. While Muhamed et al. (2014) classified PNB’s investment objective as non-strategic, as it is seeking a return from its investments, Rasli et al. (2013) considered it as strategic, based on the purpose of its creation and linkage with NEP.

3.8.1.8 Female Directors

GLCTP suggested the inclusivity in the workforce of GLCs, including increasing the number of female directors on its board. The suggestion is in line with the government’s establishment of 30 percent female board membership by 2016 following the prominent recognition of the gender balance of corporations around the world. Even some countries such as Spain, Norway, and Australia have legislated targets and quotas as a measure to change the mindset of male business leaders.

As a brief explanation, women represent almost half of the Malaysian workforce in 2011 (Azmi and Barrett, 2014, p.51). Although more women in Malaysia have higher educational attainment than men (EPU, 2010, p.179), they are under-represented on Malaysian's corporate boards (Ling, Selvadurai and Hamid, 2013, p.55). Hence, the government introduced the policy of women on board in 2011, under the Tenth Malaysian Plan. The objective is to increase the number of women in the decision-making process, among others, on corporate boards. However, as explained previously, the prevalence of women on boards is most apparent in GLCs, as they have been more responsive to the Malaysian government's recommendations to advance women on their boards.

There is a mixed finding on the impact on women on board and financial performance. Amran et al. (2014, p.802) found no significant relationship between the gender of CEO and Chairman of GLCs and GLCs’ financial performance. By using data of 855 listed companies for the year 2008, Abdullah, Ku Ismail and Nachum (2016, p.485) discovered that about all companies, women on board have a positive relationship with ROA. Still, the contrary result was found for GLCs. However, they failed to consider the robustness of their study as they only used the year 2008 in their study. Apart from these few studies on the effects of female directors on GLCs’ financial performance, there is no recent development using the data from the last seven years about this relationship.

So far, this chapter has reviewed past literature on the relationship between corporate governance mechanisms and financial performance. However, other than corporate governance mechanisms discussed above, other factors could affect GLCs’ financial performance. This is because GLCs have dual goal to deliver financial performance and support nation building. As government companies, GLCs might have competitive advantages in achieving the former, GLCs' role in the latter may not align with its profit motive. Hence, in the section that follows, past literature on both elements will be reviewed and discussed in detail.

3.9 Primary Arguments on GLICs and GLCs and their Achievement of GLCTP

The purpose of this section is to discuss several significant arguments on GLCTP that ended in 2015. The first argument is whether GLCs could transform with regards to financial performance and social objective. As already been discussed, GLCs in Malaysia have dual goals, to implement the government's social agenda and be profitable entities. In lieu of this, the government set for GLCTP to introduces conflicting objectives of financial performance and to catalyze nation building and GLCs have to give priority to former. This is showing that there is a case where government ownership did not promote level playing field to reenergize private investment for the country's growth. However, we also know that focusing on performance would not jive with investment in new industries as it involves certain risks. Besides, when GLCs are focusing on financial performance, it is difficult for them to benefit their stakeholders, as this would harm the financial standing of GLCs. For instance, applying the *Bumiputera* VDP would require GLCs to expense their budget on developing *Bumiputera* suppliers and vendors. CSR activities, such as adopting schools, also demand on GLCs' commitments to help the poor kids. Thus, we argue on the ability of GLCs to transform due to these conflicting objectives.

The second argument is whether GLCs corporate governance could transform, as been stated in GLCTP third underlying principle on having a clear governance structure by removing ex-civil servant, regulator and serving MP directors on the board. We argue that these actions are difficult to implement due to several reasons. Firstly, GLICs may tend to remain regulators on GLCs' board to assist in obtaining the special privileges to ensure that these GLCs are profitable for their benefit. Secondly, GLICs, who are the shareholders of GLCs that focus on the result and culture of performance might have difficulties in divesting their shares in these GLCs, as they view a high return on investment in these companies. Finally, this study argued that the corporate governance mechanisms about removing ex-civil servants and serving MPs could not be attained as GLICs intends to retain its control in GLCs through these directors due to its social agenda.

The third argument is whether NEM roles with regard to operating on a level playing field could be achieved. This is because, as GLCTP introduces conflicting objectives and GLICs assisted GLCs as they ought them to be financially performed, the role on operation on core-businesses on a level playing field could not be achievable.

3.10 Conclusion

In conclusion, this study found out there is three lacunas in the existing literature. Firstly, past literature reveals most studies in the field of GLCs' corporate governance have only focused on corporate governance mechanisms that intend to improve GLCs' financial performance, but there is no single study on how GLCs had transformed by investigating GLCs' achievements on the underlying principles of the program. Secondly, none of the studies had explored GLCs' corporate governance based on having clear governance structure exemplified by GLCTP, that is important in lessening the number of politicians and regulators on GLCs' boards (Prime Minister's Department). Finally, past studies on GLCs' financial performance ignores the discussion on the role of government ownership through the assessments of GLCs' achievements of GLCTP.

Therefore, this study aims to narrow all these three crucial lacunas in the literature by exploring all three elements of GLCTP principles: on performance focus, on national development foundation, and government shareholder and stakeholder management, starting from 2005 to 2014. This study also collects the data from multiple reliable sources, including the annual reports, interviews, and content analysis on newspaper cuttings, government report/Graduation Report, and GLCs' bulletin from public listed non-financial GLCs selected under the GLCTP. The following chapter highlights the methodology used in achieving the purpose and guiding the direction of this study.

4 RESEARCH METHODOLOGY

4.1 Introduction

The purpose of this chapter is to construct the analytical framework for the research of GLCs transformation program in Malaysia, based on the GLCs' achievement of the

GLCTP three underlying principles, by using the theories and the review of past literature discussed in Chapter three. This chapter also defines the issues, the construction of the research objective and research questions, assumptions, the research strategy and the methodology of each of the research question.

4.2 Statement of the Problem

In the post-AFC, there was a case of the poor financial performance of various GLCs[99]. From the author's initial observation, the average ROA and ROE of 25 non-financial listed GLCs on the Main Board of the Kuala Lumpur Stock Exchange[100] post-AFC were only at 3.79 and 0.4 percent, respectively[101]. Mokhtar[102] (2004) revealed that the AFC had hit some GLCs intensely due to poor cost management, failure to employ labor or capital as efficiently as their competitors, lack of focus on the bottom line, ambiguous social responsibilities, ineffective boards, and poor talent management among many others. Previous studies also have asserted that the vulnerability of the financial system and weak corporate governance was the cause for GLCs' poor financial performance during the crisis (Claessens, Djankov, and Xu, 2000, p.33; Ito, 2000, p.80). Suto, 2003; p.26 and Gomez, 2009, p.359-360 found that the government's social policy had weakened the corporate governance of GLCs during this period. Other study stated that SOEs/GLCs is facing double agency issues, namely the self-interest behavior of the managers and the politicians/bureaucrats that the public has to deal with. The politicians/bureaucrats are in a position to exert influence on managers at the expense of other shareholders by reducing the effectiveness of the monitoring capacity of the board.

However, other critiques showed strong domination of GLCs on the Malaysian economy, reflected in the GLCs market capitalization of Bursa Malaysia (Menon and Ng, 2013). The government had also admitted that the heavy presence of government and GLCs had discouraged private investment[103] (NEAC, 2010, p.5) that remains sluggish

[99] For example, after the crisis, Renong Berhad, a GLC now known as the UEM Group, was struggling to pay its debts (Yakcop, 2002). Also, the public's perception of GLCs and GLICs in Malaysia had deteriorated over the years due to the poor financial performance of some of the key GLCs such as Malaysia Airlines (MAS) and Proton Holdings Berhad (Lau and Tong, 2008, p.9). Apart from this, GLCs' financial performance lagged behind the private sector or non-GLCs (Mokhtar, 2004, p. 7; Tam and Tan, 2007, p. 216; Ting and Lean, 2011, p.137).

[100] The Malaysian stock exchange now known as the Bursa Malaysia Securities Berhad (Bursa Malaysia)

[101], the author's observation of the data of average ROA and ROE retrieved from the annual reports of GLCs between 2004 and 2015.

[102] Mr. *Azman Mokhtar* is the CEO of *Khazanah*.

[103]. Menon and Ng (2013, p.14) also argued that the privileges are given by the government to GLCs allow them to profitably increase investment in sectors where they already have a significant presence and have crowded out private investment.

after the AFC. Past literatures on SOEs argued on privileges enjoyed by these companies being government-owned companies had helped in their financial performance, but undermined the level playing field that crowded out private companies from the market. Menon and Ng (2013, p.8) also argued that the success of GLCTP with regards to the superior performance is potentially artificially generated due to preferential treatment accorded GLCs. This situation contradicted the government's intention to reenergize private investment for country's growth[104], as Malaysia requires an annual increase of 10.9 percent to become a high-income country (OECD, 2013, p.19) to tackle the issue of 'middle-income trap.' Besides, past studies also argued that the heavy government presence in term of certain type of directors positioned in GLCs' boards is because GLICs may want to provide the environmental linkages between the GLCs and outside resources through these directors for the GLCs to perform financially and undermine the level playing field in the market.

Though the government introduced GLCTP's in 2004, its first and second and third underlying principles are conflicting; upholding the principle of performance may not jive with GLCs' role to perform role under NEM and supporting ETP and other national priorities, as well as to have a clear governance structure. Under ETP that urges GLICs to divest their shares in GLCs, it maybe difficult to achieve, as GLICs might see the return on their investment in GLCs and intend to retain control in GLCs due to GLCs' development role, which is to support Malaysia's social and economic development. GLICs ownership in GLCs, make it difficult for GLCs to transform holistically, as suggested by GLCTP. Apart from conflicting objectives, GLCTP also described that priority must be given to the first underlying principle, namely to focus on performance that very could have an impact on privileges by GLICs, government presence through GLICs' shareholdings and specific directors presence on GLCs board, performing NEM roles and other national priorities.

GLCTP's first and second underlying principles requires them to operate within a clear governance structure and serve stakeholders' interests (PCG, 2015, p.17) that is under the third underlying principle. Benefitting stakeholders' interests mentioned under GLCTP are dividends to shareholders, taxes to the government, Corporate Social Responsibilities (CSR), customer award and Vendors and suppliers program. While the program also stated that the achievement of the result of performance could allow GLCs to

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[104]. It undermines the economic development of Malaysia through a private investment that is important to drive the growth

be part of the country's solution, benefitting stakeholders' interest could refrain GLCs from attaining financial performance. Therefore, it is important to analyze how GLCs achieved all the underlying principles and due to the shortage of information on GLCTP and GLCs achievements, a more in-depth study is necessary to understand how GLCs have transformed by examining their achievements of the three underlying principles.

4.3 Research Objective, Research Questions and Assumptions

The research objective is to analyze how GLCs have transformed through GLCTP, based on the assessment of how non-financial public listed GLCs achieved the three underlying principles. Then, this study discussed major issues of government ownership in GLCs.

As mentioned in the previous chapter, the government launched GLCTP in 2005 that stipulated Three Underlying Principles, Five Policy Thrusts, and Ten Initiatives. The three underlying principles are as follows:

1. GLCs must first and foremost focus on performance;
2. Only with performance and results can they be 'part of the solution' in developing the country; and
3. In executing the first two principles, GLCs are expected to operate within a clear governance structure and serve stakeholder interests.

The program indicated that focusing on performance is the priority for GLCs to achieve, which includes creating economic and shareholder value and upholding the principle of performance and meritocracy. The program alludes to the notion that the results of GLCs' excellent performance would be part of the solution in developing the country. Thus, the study intends to know the extent to which GLCs have achieved the first, the second and the third underlying principle under GLCTP. Therefore, the first research question is as follows:

1. To what extent GLCs have achieved the first underlying principle under GLCTP.
    a. To what extent GLCs have achieved the result of performance; and
    b. To what extent GLCs have achieved the culture of performance.

The action to achieve the result of performance is in line with a theory that a company must look at its bottom line first before taking into account other's interests. However, GLCs are government-owned companies that have different objectives about some aspects of public service or social obligations, rather than solely to achieve the financial goal. Consistent with this argument, GLCTP introduced conflicting principles that GLCs also need to catalyze nation building. Apart from this, we argue that financial performance is subject to other factors regardless of the implementation of GLCTP. Therefore, this study assumes that GLCs' achievements of the result of performance are varied and may not be achievable in totality, although GLCs may achieve certain indicators of performance to a certain extent. Regarding the culture of performance on the announcement of headline KPIs, we assume that the achievement is very much dependent on the GLCs achievements of the result of performance in a particular year, whereby it would announce the KPIs if the KPIs are achievable. The actions to appoint a new and competent CEO among GLCs are also varied because GLICs as shareholders power is beyond the program in appointing new CEOs to execute the program.

This study also plans to investigate the extent to which GLCs have achieved the second underlying principle of catalyzing nation building. Thus, the second research question is as follows:

2. To what extent GLCs have achieved the second underlying principle under GLCTP.
   a. To what extent GLCs have performed five roles under NEM; and
   b. To what extent GLCs have contributed to the ETP and other national priorities.

By putting performance as the priority, there is an issue whereby GLICs and GLCs may not perform their role under NEM nor contributing to the ETP and other national priorities. This study assumes that GLCs may perform activities that are profitable to their business and GLICs also view dividends in GLCs as one of their investment objectives. Besides, we assume that GLICs refuse to divest their shares because they want to be in control of GLCs for dividend purposes and for ensuring GLCs performing its social obligation. The findings from the previous literature were also inconsistent about the relationship between women directors and financial performance. Therefore, as GLICs also views GLCs performance as a priority, we assume that the percentage of women directors on the GLCs board would not increase, as GLICs and GLCs are reluctant to support the policy that is not contributed directly to the result of performance.

Then, for the third research question, this study intent to examine the extent to which GLCs had achieved the third underlying principle as follows:

3. To what extent GLCs have achieved the third underlying principle under GLCTP.
   a. To what extent GLCs have operated in a clear governance structure; and
   b. To what extent GLCs have served stakeholders' interests.

On having a clear governance structure, public listed GLCs need to adhere to corporate governance mechanisms suggested by the LR and MCCG. Thus, this study assumes that the corporate governance mechanisms under these guidelines are achievable, as the selected GLCs are public listed companies that are obliged to follow the LR and MCCG. Similarly, four board meetings a year suggested by the LR is achievable due to the requirement imposed on public listed companies. However, we assume that GLCs to have between six to eight board meetings a year as suggested by the Green Book could not be confirmed as this is not a requirement by the laws or guidelines and there was no empirical evidence that this could directly contribute to the financial performance.

Other than this, GLCs are urged to have a clear governance structure exemplified by GLCTP, by removing the number of the ex-civil servant, regulator and serving MPs directors from the boards, However, we assume that these directors could not be removed in totality, because GLICs may want to provide the environmental linkages between the GLCs and outside resources by appointing certain type of directors on GLCs board for the GLCs to perform financially. Besides, GLICs intends to remain in control in GLCs to ensure GLCs performed their developmental role. Therefore, we assume that the number of the ex-civil servant, regulator and serving MPs directors removed from GLCs' board in the transformation period are minimal.

In addition to this, for all companies, the stakeholder theory claims that whatever the ultimate goal of the company, managers, and entrepreneurs must take into account the legitimate interests of those groups and individuals who can affect (or be affected by) their activities (Freeman and Evan, 1990, p.352). In addition to this, our assumption supported the notion of GLCTP that said with performance and result, GLCs would be able to benefit its stakeholders' interests. Thus, as this study assumes as GLCs achieved the result of performance to a certain extent, it could be translated into GLCs benefitting its stakeholders. In addition to this, as we also assume that GLCs in this study could achieve corporate governance mechanisms by LR and MCCG as they are publicly listed companies, it would also help GLCs in benefitting stakeholders' interests. Clear governance exemplified by GLCTP that we assume GLCs failed to achieve could also help GLCs in benefitting the government, the society and the vendors and suppliers, the stakeholders that could benefit from GLCs' developmental roles.

4.4 Scope of GLCs and Timeframe Used in this Study

The GLCTP chose 17 GLCs out of 445 GLCs in Malaysia to undergo a reform program in 2004. Historically, after the AFC and before launching the program, the government had identified five causes of GLCs' underperformance, which are: (1)

ambiguity of GLCs' objectives, (2) clarity and transparency lacking on the authority of board and management, (3) ineffective board, lack of financial discipline culture and high-performance management, as well as (4) inactive GLICs (PCG, 2015, p.196). In addressing these issues, the government launched four strict measures in 2004 to mark the start of the transformation program, among others includes revamping Khazanah (PCG, 2015, p.196) and its GLCs namely UEM Group Berhad, TM, TNB, MAHB and Malaysia Airlines System Berhad.

Subsequently, the government further refined the program to include GLCs from four other GLICs (EPF, LTAT, LTH, PNB), as these GLICs would also benefit from their high performing GLCs (PCG, 2015, p.197). Hence, the program included another 15 GLCs that belong to these GLICs that formed 36 percent of the market capitalization or RM133.8 billion as of May 2005 (PCG, 2005, p.2, p.18). However, due to GLCs' merger and acquisition, only 17[105] GLCs remained throughout the program (PCG, 2015, p.38). The selected GLCs comprises of public and non-public listed (including GLCs that only being listed in the transformation program period) as well as financial and non-financial GLCs.

From the 17-selected GLCs selected under the program, this study chose only public listed non-financial GLCs (See Appendix A). The two non-public listed GLCs are UEM Group Berhad and Malaysia Airlines Berhad (MAS), which wholly-owned by Khazanah. As Khazanah was the secretariat of the program, it creates a conflict of interest in reporting and presenting the data in their reporting. Besides, MAS institutional memory had already gone, as the key management changed entirely after the MH370 and MH17 tragedies in 2014. Not to mention also about the financial standing that has sunk in the most rooted condition in the same year. This study also excluded the other two GLCs involved in plantations and telecommunication that were not public listed throughout the tenure of the program, as they were only listed starting from the years 2005 and 2008,

[105] In 2006, Guthrie Group Limited, Golden Hope Plantations Berhad and Sime Darby Berhad merged and became Sime Darby Berhad (The Star dated 27, Nov, 2006). Khazanah disposed its shares in Pos Malaysia Berhad to DRB-Hicom in 2011 (The Star dated 23 April 2011). Thus, Guthrie Group Limited and Golden Hope Plantations Berhad as well as Pos Malaysia Berhad was excluded from the 17 selected GLCs under GLCTP. Axiata Group Berhad was incorporated from the demerging exercise of TM International Berhad from Telekom Malaysia Berhad and was listed in Bursa Malaysia in 2008. Axiata was added as one of the 17 GLCs under GLCTP. The 17 GLCs consist of 15 public listed companies and two non-public listed companies. Also, it consists of five financial institutions which public listed companies namely CIMB Group Holdings Berhad, Malayan Banking Berhad, Affin Holdings Berhad, Bank Islam Malaysia Berhad, Malaysia Building Society Berhad

respectively. In this study, it is important to only focus on public listed companies, because for these GLCs, besides GLICs, other shareholders have vested interest in them. Thus, it is critical to study GLCs' achievements of GLCTP when they also have to take into consideration the interests of other stakeholders. The other reason is that these companies' annual report is scrutinized and audited and they are also required to publish their annual report by the Bursa Malaysia, thus enhances the reliability of information gained from the annual report. In addition to this, as reviewed in Chapter three, most studies [106] on companies in Malaysia, including GLCs, also focused on public listed companies. The exclusion of non-public listed GLCs discussed above left us with 13 GLCs. This study also excluded five Financial Institutions [107] GLCs because they are subject to different regulatory frameworks that do not apply to other companies[108], for instance, corporate governance guidelines by Bank Negara Malaysia (central bank of Malaysia). Also, consistent with past studies [109] where all studies on GLCs have excluded financial institutions GLCs.

By taking into all considerations above, eight[110] GLCs, namely Boustead Holdings Berhad (BHB), Chemical Company of Malaysia (CCM), Malaysia Airports Holding Berhad (MAHB), Malaysian Resources Corporation Berhad), Sime Darby Berhad (Sime), Tenaga Nasional Berhad (TNB), Telekom Malaysia ™ and UMW Holdings Berhad (UMW) meet the criteria for this study. In 2015, these GLCs' assets were RM239.6 million, 58.1 percent from the total assets of the 25 [111] biggest GLCs in Malaysia of RM412.7 million in the same year. Each of these eight GLCs' market capitalization is more than RM1 billion. The profiling of the GLCs is exhibited in Table 4-1.

The scope of the period chose for the study is between the FY2005 until the FY2014. For some of the assessments, this study breaks the period into two, namely the

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[106] Such as Johl et al. (2015), Mohamed Zabri et al. (2017), Ponnu (2008), Lau and Tong (2008), Sulong and Mat Nor (2008), Abdullah et al. (2008), Razak et al. (2008)

[107] For this study, the Financial GLCs are CIMB Group Berhad, Malayan Banking Berhad, Affin Bank Berhad, Bank Islam Holdings Berhad and Malaysia Building Society Berhad

[108]. They are heavily regulated under the Banking and Financial Act, 1989. Among others, the Act allows Fls to make portfolio investments in non-financial business up to a maximum of 20 percent of a Fl's shareholders' funds and up to 10 percent of the issued share capital of the company in which the investment is made. The Fls are not allowed to assume any management role or take up a board position.

[109] For example, the financial GLCs were excluded Razak et al. (2011, p.220), Razak et al. (2008, p. 436), and Muhamed (2013, p. 36) in their studies

[110] Several studies by also used a small number of GLCs such as Dahlan (2010) that used the case study of four GLCs. Other studies on GLCs under GLCTP by Isa and Lee (2016) and Bin and Yi (2015) use small data of GLCs

[111] These GLCs were selected by Menon and Ng (2014) in their study about the overview of GLCs in Malaysia

pre-period and the post-period. The first five years period starting from the FYs 2005 to 2009 is the pre-period and the period starting from the FY2010 until FY2014 is the post-period.

Table 4-1: GLCs Understudy Profile-Nature of Business, Major Shareholder in Percentage, Industry and Average Asset (RM Billion)

	Nature of Business	*The major shareholder in percentage*	*Industry***	*Asset (RM billion)*	*Market capitalization*** * (RM billion)*
GLC1	This company is a conglomerate involved in the Plantation, pharmaceutical, property, heavy industry, finance and investment, trading, and industrial business. Each business unit is operated by dedicated subsidiaries of this GLC, whereby three subsidiaries are also listed on the Main Board of Bursa Malaysia.	LTAT - 60 percent	Trading/ Services	15.13	1.23
GLC2	This company is a chemical company with a specialty in chemicals and polymers.	PNB-70.25	Industrial Products	1.74	0.4
GLC3	A company that manages 39 airports across Malaysia	Khazanah-36.71 Golden share*	Trading/ Services	13.99	9.04
GLC4	A conglomerate with four core activities, namely Property development and investment, Engineering, Construction and Environment, Infrastructure and Concession and Facilities Managements	EPF- 38.37	Construction	7.09	2.07
GLC5	A company involved in four core businesses; industrial, motors, logistic and healthcare industries and other businesses in Malaysia with operations in 18 countries and territories across the Asia Pacific	PNB- 53.39	Trading/ Services	61.81	14.62
GLC6	The largest electricity utility in Malaysia, with the core business of providing electricity to the country's businesses, homes and industries	Khazanah-29.66 Golden share*	Trading/ Services	99.07	66.29
GLC7	The company was incorporated to take over the operations of *Jabatan Telekom Malaysia*, as part of the government privatization exercise.	Khazanah – 28.65 Golden share *	Trading/ Services	22.52	15.63
GLC8	A conglomerate, which involves in automotive, equipment, oil and gas and manufacturing and engineering activities	PNB- 55.4	Consumer Products	18.23	2.98

Source: Author's compilation from various GLCs websites and Bursa Malaysia's websites (Source from the annual reports, Bursa Malaysia website and The edge)

*Held by MOF (Inc.)
** Based on Bursa Malaysia categorization

4.5 Research Strategy

This section explains how this study propose to answer the research questions on the extent to which GLCs have transformed based on the assessment of how non-financial public listed GLCs achieved the three underlying principles. It also assists this study to discuss major issues of government ownership in GLCs.

There have been a lot of literatures which analyze the performance of Sate-owned Enterprises (SOEs) /GLCs, and their focuses from the academic point of view are financial performance, corporate governance, government's control and social objectives. Most of the literatures analyzed one of them and discussed a specific aspect of SOEs. The GLCTP include almost all common aspects of SOEs. Financial performance and government's control is under GLCTP's first underlying principle. But government control are included in the second underlying principle, together with corporate governance and social objectives. Corporate governance and social objectives are also under the third underlying principle. In addition to this, we analyzed other criteria in GLCTP namely the culture of performance, the NEM roles that supports the objective to rationalizing the government's participation in business through GLCs and benefitting stakeholders' interest. The reasons are because instilling the culture of performance transforms GLCs from underperformance into high performing entities through ingraining a sense of accountability and ownership, implementing NEM roles showed that GLCs had transformed to become supportive on rationalizing the government's participation in business and reenergizing private investment by collaborating with private companies and operating core businesses on a level playing field. Benefitting stakeholders' interests transformed GLCs to be part of the solution in building the country through tax paid to the government, dividend paid to the shareholders, help the Malaysian society as a whole, cover many aspects of customers' lives through their enhanced service standards and products and build local vendors' capabilities by providing business opportunities. This study tries to analyze the performance of GLCs holistically, by focusing on major aspects of SOEs as above, and also develops multiple indicators to assess each of various kinds of performance. The next sections will discuss on the research design, philosophy, method, data collection, triangulation and its reliability. We will then compare the indicators used in this study with indicators used by the program stipulated in the Graduation Report.

4.5.1 Research Design

This section explains the design of this research. A research design presents the philosophy, method, approach, types of data, data sources, the purpose of the study, and the time horizon, which forms the basis for data collection needed for data analysis in this study. The details of the research design for this study are summarized in a tabular form as shown in Table 4-2.

Table 4-2: Research Design Summary for this Study

No	*Design*	*Description*
1.	Research Philosophy	Pragmatism which is a combination of the Positivist and Interpretivist
2.	Research Method	Mixed-Method (Quantitative and Qualitative)
3.	Research Approach	Deductive
4.	Type of Data	Primary Data Secondary Data
5.	Data Source	• Interviews • Secondary source • Literature Review
56.	Purpose of the Study	• Descriptive • Exploratory
7.	Time Horizon	A one-shot data collection

Source: Developed for this study by the author

4.5.2 Research Philosophy

Research philosophy is looking at the researcher's reason to do what is being done in this research. The philosophy can be divided into the Positivist, who interprets the finding of the study as a set of legal rules, the Interpretivist, who looks at the results to be construed as what the responses are suggesting. The Pragmatist is the combination between the positivist and the Interpretivist. In this study, the researcher takes the Pragmatist approach to deploy both the quantitative and qualitative methods for acquiring data and interpreting the data to answer the study's research questions and aims. (Tashakkori & Teddie, 2003).

4.5.3 Research Method

This study uses a mixed-method approach, as it is well suited for describing phenomena as they are situated and embedded in local contexts. In this study, the aspects to be described is on how GLCs have transformed through GLCTP, based on the assessment of how non-financial public listed GLCs achieved the three underlying principles. A mixed-method design is defined as ‘the collection or analysis of both quantitative and qualitative data in a single study in which the data are collected concurrently or sequentially, are given a priority, and involve the integration of the data at one or more stages in the process of research' (Creswell, Piano Clark, Gutmann and Hanson, 2003, p.212). Within this design, there is a combination of quantitative and qualitative methods, and the results from one method can be used to elaborate on results from the other method (complementarily) and to help develop or inform the other method (development) (Hanson, Piano Clark, Petska, and Creswell, 2005). According to the researchers, the combination of the two methods can also recast results from one method to those from the other method (initiation) and extend the inquiry range by using different methods for different inquiry components (expansion). In the current study, the rationale for using the mixed-method design is 'complementarily', in that this study used the results from the qualitative method to elaborate on the results from the quantitative method.

In a mixed-method design, data is collected either concurrently or sequentially. According to Creswell (2003), in a sequential procedure, both quantitative and qualitative data are collected in phases (sequentially). While a sequential-based method collects types of data sequentially, concurrent processes gather quantitative and qualitative data at the same time - concurrently - during the data collection phase. There are three types of procedure- the 'concurrent triangulation strategy,' the 'concurrent nested strategy,' and the 'concurrent transformative strategy' (Creswell, 2003, p.216). In the concurrent triangulation strategy, both quantitative and qualitative methods are employed simultaneously to confirm, cross-verify, or support findings within a single study (Greene, Caracelli, and Graham, 1 989; Morgan, 1 998). The priority may be equal between the two methods or may be given to either quantitative or qualitative methods. When this strategy is utilized, the results of the two methods are integrated during the interpretation phase. With the concurrent nested approach, one particular method (either quantitative or qualitative) is embedded within the predominant method. The data collected from both methods are mixed when the data is analyzed. Finally, the concurrent transformative strategy applies a specific theoretical perspective to guide the particular study.

This study employed the concurrent triangulation strategy, where qualitative and quantitative data were collected, analyzed, and integrated during the interpretation phase. Specifically, GLCs' financial and corporate governance data gathered from annual reports (quantitative data) were analyzed. These data complement the qualitative data from the interviews of the key personnel of GLCs, GLIC, MOF (Inc.) and ISIS, that the results may serve as confirmation (Denzin, 1970) and completeness (Jick, 1983) purposes. Besides, insights gained the interviews, annual reports, news cutting and companies' websites (qualitative data) (Appendix B) were used to further validated the data of the Graduation Report. In this regard, priority or relative emphasis given to the two types of data would be equal. By employing this design, the two forms of data were analyzed separately, and integration of the quantitative and qualitative results occurred in the discussion (Hanson et al., 2005).

4.5.3.1 Quantitative Data Collection

This study collected quantitative data from GLCs' annual reports. This report is the requirement set by the Companies Act 1965 for every company in Malaysia and public listed companies are required to publish the information on financial statements and other reports, namely the company's business, KPIs, the profiling of CEOs and directors, shareholdings etc., in the annual report. Since GLCs understudies are listed-companies[112] and they are required by law to publish their annual reports and accounts. Table 4-3 describes the summary of quantitative data gathered for this study.

4.5.3.2 Qualitative Data Collection

This study also analyzed content of the qualitative data retrieved the from government's/published documents[113], namely the Malaysian Plan, the Graduation Report, news cutting, GLCs' and organizations' websites and interviews. The government reports used are the Eleventh Malaysian Plan published by the Economic Planning Unit of Malaysia and the Graduation Report. It is a document that describes a five-year work plan for the implementation of government developments and the report by PCG[114] released in 2015, after the graduation of the 17-selected GLCs from the program, respectively. The Graduation Report stipulated the principles of the transformation program, the indicators and GLCs' achievements of the three underlying principles under GLCTP, that we used some of the indicators as a basis for the analysis in this study. The newspaper cutting is the mainstream media used as one of the sources of qualitative data. Besides, we also gathered information from GLCs' and organizations' websites. Finally, we held interviews sessions with the representatives from GLCs, GLICs and ISIS.

By July 2016, emails were sent and phone calls were made to request for interviews. This study then conducted eleven interviews sessions, face-to-face, semi-

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[112] and public-listed companies including GLCs in Malaysia are subject to government audit as well as private/external auditors

[113], among others, announcement and minute of meetings, written reports, administrative papers and news cutting, archival reports, and articles.

[114] As been mentioned earlier, PCG is a high-level committee chaired by the Prime Minister of Malaysia and its members is the high-level officers from the Ministry of Finance, GLICs, GLCs as well as the Prime minister's Office where Khazanah is the secretariat of the PCG.

structured interviews [115] to allow the interviewees to explain their opinions while emphasizing on any area of particular interest. In the interview, open-ended and probing questions have been designed in addition to questions related to the interviewees' demographic characteristics (namely education, position in the company, number of years in the position and organization, and other positions held in the last five years). The main scope of questions (the detailed list questions in Appendix C and D) used during the interview was as follows:

a) GLCs' performing the three underlying principle;
b) GLCs competitive advantages over private companies; and
c) GLICs' assistance to GLCs.

Before the session, the author circulated the information sheet about the aims of the study and the purpose of the interviews. The author made several phone calls to the interviewees to confirm their interest and participation. A discussion guide and topic agenda related to the themes will be drawn for each of the interviews. Table 4-3 describes the summary of quantitative and qualitative data gathered for this study.

[115]. A semi-structured interview is preferred as it gives the author more control over the timing, content, and sequencing of questions. Besides, when the author is also the interviewer, it allows for improvisation of suitable follow-up questions and a degree of freedom for the interviewees to explain their views

Table 4-3: Data from GLCs' Annual Reports, websites, the Graduation Report and the Malaysian Eleventh Plan between the year 2004 to 2014

Sources	*First Underlying Principle*	*Second Underlying Principle*	*Third Underlying Principle*
		Quantitative Data	
Annual reports	a) Dividend payout ratio; b) Revenue growth; c) ROA; and d) ROE	1. Contribution to ETP and other national priorities: a) The percentage of GLICs' shareholding in GLCs; and b) The percentage of women directors on the board of GLCs	a) Percentage of independent directors over total number member of the board; b) The number of board meetings a year; c) The number of board members; d) The number of an ex-civil servant, regulators and serving MPs; e) The amount of tax paid; and f) The amount of dividend paid
		Qualitative Data	
Annual Report	a) the KPI headlines; and b) Profiling of CEO –date of appointment and competency	GLCs core-operations for FY2005 and FY2014	Separation of functions between a Chairman and CEO
The Graduation report		The achievement of the five roles under NEM	The overall achievement of the 17-selected GLCs in benefitting the stakeholders in the GLCTP period: 1. Society- CSR activities 2. Supplier and vendors – Vendor Development Program Implemented; and 3. Customers-related award received
News cutting GLCs and organizations' websites		The achievement of the five roles under NEM	GLCs understudy achievement in benefitting the stakeholders in GLCTP period: 1. Society- CSR activities discharged; 2. Supplier and vendors – Vendor Development Program; and 3. Customer- customer-related award

Sources	*First Underlying Principle*	*Second Underlying Principle*	*Third Underlying Principle*
Interview	The GLCs KPIs	1. Theme – Competitive advantages, level playing field and crowding out of private investment Interviewees: a) GLICs - the MOF (Inc.), LTAT and EPF; b) GLCs in Appendix A; and c) the Institute of Strategic and International Studies (ISIS) 2. Theme – Exit non-core assets Interviewees: a) GLCs in Appendix A	1. Theme – Benefitting Vendors and Suppliers

Source: Developed for this study by the author

4.5.3.3 Comparison with the Indicators Used by the Graduation Report

As mentioned in the previous section, this study used Graduation Report as a basis for the assessments of the three underlying principles, with some modifications, to suit the scope of this study and the availability of the data. For the result of performance, we focus on profitability and revenue, similar to the Graduation Report, but we excluded financial community perception as this study eliminated financial institutions GLCs in the scope of the study. The indicators of ROA, ROE, DPR and revenue are of the used by past researchers[116]. For the culture of performance, we replicated the Graduation Report but minus the indicator on performance contract due to its data confidentiality.

Regarding the NEM roles, we chose the same indicators for the five roles as in the Graduation Report. However, as the report did not defined GLCs core-businesses and level playing field, we defined, identified and created the indicators. For the core-business of GLCs, we the core-business between FY2005 and FY2014, to ensure see any deletion or addition of each GLC core businesses. About level playing filed field, past literature asserted that SOEs enjoyed privileges due to government shareholding and OECD's study indicated that the presence of regulator directors could imply that GLCs have competitive advantages. Hence, to certify that GLCs are operating on a level playing field, this study defined them as not having any privileges or competitive advantages due to GLICs shareholding as well as the reduction of regulator on GLCs' boards.

Regarding the role to support ETP, among all ETP initiatives, the most important thing is to tackle the issue of government heavy presence in GLCs through the divestment of GLICs shares in GLCs and for GLCs to have a clear governance structure. As mentioned by Menon and Ng, (2013), there was a strong domination of GLCs on the Malaysian economy and the government had also admitted that the heavy presence of government in GLCs had discouraged private investment[117] (NEAC, 2010, p.5). Thus, it is important for this study to assess whether the government was moving away from business through divestment of shares that we chose as indicator for supporting ETP and also to replicate the indicators on a clear governance structure exemplified by GLCTP, namely the ex-civil servant, regulator and serving MPs directors. Besides, as mentioned previously, weak corporate governance was the cause for GLCs' poor financial performance during the

[116] These indicators is mostly used by past researchers
[117]. Menon and Ng (2013, p.14) also argued that the privileges are given by the government to GLCs allow them to profitably increase investment in sectors where they already have a significant presence and have crowded out private investment.

crisis. So, we also compare and chose the suggested corporate governance mechanisms by LR, MCCG and the Green Book, as the GLCs understudy are all public listed companies.

About other national priorities, as the government introduced the policy on 30 percent women in the Tenth Malaysia Plan[118], with the hope that the number of women in the corporate boards will increase, this study replicated this policy for the assessment for supporting other national priorities. On the assessment of benefitting stakeholders' interest, this study chose the government, shareholders, society, customer and vendors and suppliers to be GLCs' stakeholders, similar to list of stakeholders under the Graduation report, with the exclusion of employees due to unavailability of data. Table 4-4 below compared the indicators used in the Graduation Report and indicators used by the thesis and the judgment on for the usage.

[118] Malaysia development plan for the year 2011 to 2015

Table 4-4: Comparison between the Graduation Report and this Study

GLCTP			*Dissertation*	
Underlying Principles	Specific Objectives and requirements	*Specific indicators if used*	*How to analyze*	*Specific indicators and Judgment Criteria*
		First Underlying Principle		
Create economic and shareholders value	Result of performance	1) Delivering higher shareholder value; 2) Revenues and profitability; 3) Becoming a more resilient and more robust position as compared to 2004; and 4) Improvement in the financial community perception of GLCs.	Comparing GLCs' DPR, revenue growth, ROA and ROE in the pre and post-period A GLC had achieved the result of performance if each of the indicators is higher in the post-period than in the pre-period	We excluded no 3) as it takes one year as a baseline, which is the year 2004 and compared with the year 2014, thus not representing the actual scenario of a company's financial performance. Since we excluded GLCs in the financial institution, no 4) is irrelevant in this study. We added ROA as it was mostly used by previous researchers in their study of GLCs performance
Uphold principles of performance and meritocracy	Culture of performance	1) Performance contract for senior management; 2) Annual Announcement of headline KPIs; and 3) New CEO brought to execute GLCTP	Review the announcement of the headline KPIs and the date of appointment and competency of CEOs between FY2005 to FY2014. A GLCs had achieved the culture of performance if: a) It consistently announced headline KPIs (should be specific and measurable, can be financial and non-financial);	This study added competency of CEO about the level of education (at least Master Degree) and working experience in relevant field of more than ten years. We eliminate the indicator on performance contract because the contracts are Private &

GLCTP			*Dissertation*	
Underlying Principles	Specific Objectives and requirements	*Specific indicators if used*	*How to analyze*	*Specific indicators and Judgment Criteria*
			and b) New and competent CEOs brought to execute GLCTP.	Confidential and are not available from annual reports because the contract is between the company and the individual
Second Underlying Principle				
NEM Roles	Stayed the course	Strategic transformation, which includes program for value enhancement, regional expansion, financial restructuring, restructuring, and becoming more focused on core-business and merger synergies and continuous change to drive achievement and maintain landmark profits.	Reviewing the Graduation Report on the assessment of stayed the course similar to indicators used by the Graduation Report. Validated the data with the data from news cutting and other sources. Achieved if GLCs has performed any of the programs during the transformation period	
	Become regional champion	Internationalization through grown abroad and making inroads into local and global markets, with revenue-generating operations in other countries in the world.	Review data from the Graduation Report on GLCs joint ventures, mergers, and collaborations with companies in other countries as well as setting up branches abroad. Validated the data with the data from news cutting and other sources. Achieved if GLCs has performed any of the exercises during the transformation period	
	Pursue investment in new industries	Several areas of new industries namely education, healthcare,	Review data from the Graduation Report on GLCs pursuing	Evaluate whether the industries are new, i.e.,

GLCTP			*Dissertation*	
Underlying Principles	Specific Objectives and requirements	*Specific indicators if used*	*How to analyze*	*Specific indicators and Judgment Criteria*
		pharmaceuticals, technology, creative media, leisure, and tourism, sustainable development, life sciences, and wellness.	investment in new industries and validated the data with the data from news cutting and other sources.	catalytic and transformative. Catalytic means an industry that has the potential to exert the biggest change in the eco-system in the future. Must be the industry that the government want to nurture but less take up from private companies
	Collaborate and co-invest with private companies	Collaboration or/and strategic partnership, joint ventures, and mergers between GLCs and the private sector.	Review data from the Graduation Report on the assessment of collaboration and co-invest and employed similar indicators. Validated the data with the data from news cutting and annual report. A GLCs had achieved if it has performed any of the activities	
	Focus on core-operation on a level playing field and exit non-core and non-competitive assets	No definition of core operations and no specific indicators for level playing field Indicators of exit non-core assets are ceased operations, disposal of a stake in subsidiaries, divestment of shares in the company and closure of operation.	Identifying core-operation: Review GLCs' core-operations for FY 2005 and FY2014 from the annual report and see the differences in order to see any changes in GLCs core-operations in the transformation period Defining Level Playing Field: Following the CEO of EPF definition:	It is crucial that GLCs carried their core-operations hand-in-hand with the private sector or when performing its core-operations, there is no competitive advantages enjoyed by GLCs due to GLICs' shareholding, to prove that GLCs are operating on a level playing field. Both elements is to

GLCTP			*Dissertation*	
Underlying Principles	Specific Objectives and requirements	*Specific indicators if used*	*How to analyze*	*Specific indicators and Judgment Criteria*
			1) collaborate hand-in-hand with the private sector, as in the fourth role of NEM; or 2) no boundary between GLCs and Non-GLCs in performing core-operations: a) This study assesses responses from interviewees on whether GLCs are having competitive advantages; and b) Evaluate the presence of regulator directors in GLCs board in the post-period to see their trends Exit non-core assets Review the assessment of the Graduation Report, employed the similar indicators and validated the data with other sources of data, such as news cutting and annual reports and interviews. The data from interviews on GLCs mandated objective also serve the information on the reason for exiting its non-core business or vice versa, as indicated in the annual reports. Achieved if GLCs is operating its	ensure that GLCs and private sectors in Malaysia are operating on a level playing field and GLCs would not crowd out private investment from the market.

GLCTP			*Dissertation*	
Underlying Principles	Specific Objectives and requirements	*Specific indicators if used*	*How to analyze*	*Specific indicators and Judgment Criteria*
			core operations through collaboration with private companies and no competitive advantages through GLICs shareholding (finance, contracts, resources), the numbers of regulators is in declining trend and exit its non-core assets.	
A) Supporting national transformation program and other priorities	1) Supporting national transformation program (GTP, ETP) 2) Supporting Economic Corridors, major infrastructure projects and Malaysia as an Islamic finance hub 3) Inclusivity through workforce diversity and *Bumiputera* empowerment Agenda	GTP and ETP Competition, standards and liberalization; Public finance reform; Narrowing disparity; Reducing government's role in business; Human capital development; Public service delivery and other Inclusivity through workforce diversity and *Bumiputera* empowerment Agenda	Examine and compare the GLICs shareholding and the percentage of women directors in the pre and post-period Achieved if GLICs shares are smaller in the post-period than in the pre-period and the percentage of women directors is 30 percent or more	Support of ETP We assessed on whether GLCs operate on a strictly commercial basisi, free from governemnt interference, by using GLICs' divestment of shares in GLCs as indicator. The reason is because we forecast that this role is difficult to achieve due to GLICs intend to retain its shares in GLCs Other national priorities: We chose the policy on 30 percent women directors on GLCs board as national priorities as the policy was introduced during the GLCTP period. Furthermore, we

GLCTP			*Dissertation*	
Underlying Principles	Specific Objectives and requirements	*Specific indicators if used*	*How to analyze*	*Specific indicators and Judgment Criteria*
				foresee that this policy is difficult to be achieved, as there is not direct relationship between women directors and financial performance found by past researchers.
Third Underlying Principle				
A clear governance structure	To move the government away from companies in GLCs	The number of ex-civil servants, regulators and serving MPs directors removed from GLCs boards	Compared corporate governance by the LR, MCCG and the Green Book and examined GLCs' achievements on the following indicators in the pre and post-period: a) The number and proportion of independent directors; b) The separation of role of Chairman and CEO; c) The number of board members; and d) The number of board meeting in a year. Similar to the GLCTP, the number of ex-civil servants, regulators and serving MPs directors removed from GLCs boards by comparing their number in the pre and post-period A GLC had achieved if in the post-period:	This study expects some differences in the corporate governance mechanisms introduced by LR, MCCG and Green Book. As GLCs understudy are public listed companies, the LR and MCCG is achievable but not the mechanisms stipulated in the Green Book

GLCTP			*Dissertation*	
Underlying Principles	Specific Objectives and requirements	*Specific indicators if used*	*How to analyze*	*Specific indicators and Judgment Criteria*
			a) Minimum of two or at least 1/3 proportion independent directors; b) It separates the role of Chairman and CEO; c) The number of board member is ten or below; and d) It holds six to eight board meetings a year; and e) The number of ex-civil servants, regulators and serving MPs directors has reduced in the transformation period.	
Benefitting stakeholder interest	Government, shareholders, society, customer, employees and vendors and suppliers	Tax paid to the government, dividend paid to the shareholders, activities for the society, award received related to the customer, vendor and supplier program and number of employees	This study analyzed the trend of amount of tax and dividend paid by GLCs throughout the transformation period. Like the Graduation Report, the indicators used are CSR activities for benefitting the society, customer-related award received for benefitting the customer and vendor development program implemented by GLCs for benefitting vendors and suppliers. We validated the data on CSR activities, customer award and vendor development program from	The stakeholders are the government, shareholders, society, customers, employees, vendors, and suppliers. We excluded employees as there is no consistent data published on employees in the annual reports of GLCs to see the trend or to compares between the pre and post-period

GLCTP			*Dissertation*	
Underlying Principles	Specific Objectives and requirements	*Specific indicators if used*	*How to analyze*	*Specific indicators and Judgment Criteria*
			Graduation Report with the data from news cutting and interviews. Achieved if GLCs have benefitted all the stakeholders in the transformation period. In particular, for dividend and tax paid, GLCs has approved if there was an increasing trend in the tax payment to the government and dividend paid to the shareholders	

Source: Author's compilation from the Graduation report and developed for this study

4.5.3.4 Methodology for Research Question One

Research question one aims to see how GLCs have achieved the first underlying principle, namely the result of performance and the culture of performance. From the analysis of the indicators, this study also could discuss on government ownership in GLCs by assessing the culture of performance in bringing in the new CEOs.

In analyzing the result of performance, this study examined revenues and profitability. We employed DPR, Return on Equity (ROE)[119], revenues growth and Return on Asset (ROA)[120] as indicators. So, this study calculated the average of each of the indicators (DPR, Revenue growth, ROA and ROE) in both periods and make a comparison. The higher value in each of the indicator indicates a high financial performance. Thus, a GLC has a better result on performance if the indicator's value in the post-period is higher than in the pre-period thus achieving the result of performance.

We used DPR, as this is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. It gives investors an idea of how much money a GLC returns to its shareholders compared to how much cash keeps in hand to reinvest in growth, pay off debts, or add to cash reserves. DPR is the percentage of earnings paid to shareholders as a dividend. DPR is calculated as follows:

$$\boxed{\text{DPR= Dividend Paid/ Net Income}}$$

A company could obtain a DPR value of over 100 percent. It shows that the company is paying out more in dividends than its earning or total net income. This situation is typically not a proper receipt for the company's financial health, as it can be a sign that the dividend payment will be cut in the future. There are also cases that the DPR is negative due to the negative net income. It shows that the company with negative earnings still pays a dividend, even typically a bad sign. It means that the company is paying dividends from their cash.

Concerning GLCs' revenues and profitability, we used revenue growth, ROA and ROE as indicators for the assessment. ROA and ROE are the accounting-based financial

[119] Used by Isa and Lee (2016), Zabri et al. (2017), Muhamed (2013) and Hussin and Othman (2012)
[120] Used by Abdul Hamid (2011), Isa dan Lee (2016), Ponnu (2008), Johl et al. (2015), Zabri et al. (2017), Abdul Hamid (2008), Muhamed (2013), Hussin and Othman (2012) and Zakaria et al. (2014)

performance ratios that are the most common measurement used in gauging the financial performance of companies. Previous studies[121] have used these ratios on Malaysian companies as well as on GLCs[122]. They remain a critical dimension in helping a company to determine how well it is performing in the marketplace. The ROA percentage shows how profitable a company's assets are in generating revenue. ROA can be computed as:

$$\boxed{\text{ROA= Net Income/ Total Assets}}$$

The ROA indicates 'what a company can do with what it has,' i.e., how many dollars of earnings are derived from each dollar of assets that the company controls. It is an indicator of how profitable a company is before leverage and is a practical method for comparing competing businesses in the same industry. The ROA deals with return (profit) before tax and before financing charges and looks at total capital employed (net assets)[123]. A higher ROA indicates the effective use of companies' assets in serving shareholders' economic interests and has a high financial performance.

Meanwhile, the ROE is a measure for an investor to know how much profit can be generated from the money invested by the shareholders (Epps and Cereola, 2008, p.1139-1140), by measuring the rate of return on the shareholders' equity for the ordinary shareholders. It measures a company's efficiency in generating profits from every dollar of net assets and shows how well a company uses investment dollars to create earnings growth. Similar to ROA, the higher ROE means a company has a high financial performance. The difference between ROA and ROE is related to the denominator, whereby the latter's denominator is always smaller than the former due to companies' financial obligations such as loans, debts, and unpaid bills.

[121] For example, Abdullah (2004, p. 47), Abdul Rahman and Mohd Haniffa (2005, p. 40), Ponnu (2008, p.217), Ponnu and Karthigeyan (2010, p. 862), Hussin and Othman (2012, p.1), Mohamed Zabri et al. (2015, p.287) and Johl et al. (2015, p. 242).
[122] For example, Abdul Hamid (2008; p.105), Razak et al. (2008 (ROA)), Razak et al. (2011 (ROA)), Najid and Rahman (2011 (ROA and ROE)), Muhamed et al. (2014, p. 459 (ROA and ROE)), Amran et al. (2014, p.802 (ROA)) and Isa and Lee (2016, p. 7 (ROA and ROE)).
[123] Net income is primarily an accounting term used in the Unted States. In other countries (such as the UK), profit is the usual term. It is equal to the residual income that a firm has after subtracting costs and expenses from the total revenue.

$$ROE = Net\ Income/\ Average\ Shareholders'\ equity$$

This study ignored market-based measures as they are affected by many uncontrollable factors (Gani and Jermias, 2006). As Hutchinson and Gul (2004) argue, accounting-based performance measures mirror the implication of management actions. They are, therefore, preferable to market-based measures when investigating the relationship between corporate governance and company performance.

As for the culture of performance, this study utilized two indicators, namely the yearly announcement of headline KPIs and the new CEO brought into GLCs to execute the GLCTP and the competency of the CEO. The consistent KPIs announcement that is specific and measurable exhibits GLCs transparency on revealing its KPI to be achieved thus indicates GLCs instilling performance culture. Thus, for analyzing the indicator on the yearly announcement of headline KPIs, we examined theheadline KPIs in the annual reports that are sepcific and measurable, as well as the announcement should be consistent throughout the transformation period.

On the appointment of the new CEO to execute GLCTP, which also includes assessing the CEOs' competency, the appointment will prove that the GLCs tend to focus on the program by bringing new and competent CEOs with new ideas to inculcate the culture of performance in a company. For analyzing this, the new appointment should be in the year 2004, 2005, or 2006, which is the early point of time of the program period. Regarding the competency of the CEOs, we analyzed two elements to confirm it, that the CEOs must have at least a bachelor degree and working experience of at least ten years. To A GLC has introduced the culture of performance if it has yearly announced the healine KPIs and had broung a new and competent CEO to execute the program.

4.5.3.5 Methodology for Research Question Two

Research question two aims to see whether GLCs understudy has achieved the second underlying principle, namely catalyzing nation building. From the analysis of the indicators, it could provide the answer on to what extent the government ownership could steer GLCs to perform their role for the socio-economic development of Malaysia, by analyzing the achievement of NEM’s roles and the support for ETP and other national priorities. This study could confirm that a GLC had catalyzed nation building if it has completed the following:

a) Achieved the five roles under NEM that consist of i) stay the course of GLCTP; ii) becoming regional champion; iii) investing in new industries and sectors; iv) collaborate and co-invest with the private sector; and v) focusing on core-operations: level-playing field; and
b) Supported government ETP and other national priorities.

For some of the assessments on NEM, as stipulated in Table 4-5, the Graduation Report has provided the indicators for our consumption and validations. For analyzing the role on stay the course, we validated the Graduation Report assessment on GLCs performing strategic transformation towards value enhancement, regional expansion, financial restructuring with the data from GLCs' annual report, interviews and news cutting. As for the assessment of relentless drive to become a regional champion, similar to the analysis on the first role, this study validated the data on GLCs' internationalization through growth abroad with data from news cutting, and companies' websites. Regarding the third role of GLCs under NEM, the Graduation Report introduced several areas of new industries[124]. Therefore, first, we verified the investment made by GLCs presented by the Graduation report to ensure the investments are catalytic and transformative that we defined as an industry that has the potential to exert the biggest change in the eco-system in the future. It needs to be the industry that the government wants to nurture but less take up from private companies. Second, like the previous assessment on the first two roles, this study validated those valid investments presented in the Graduation Report, with the data from GLCs' annual reports, interviews, news cutting, and companies' websites. Finally, yet importantly, this study investigated the size of GLCs after the transformation period that could be due to the investment in new industries.

The investment the Graduation Report claimed to be GLCs new investment could be just new to a particular GLC, beyond their core-operations, but already been invested by private companies. In this scenario, the GLC is encroaching into the same sector as the private companies that are not in their core-operations, which they and GLCTP claimed new thus met the achievement of this role. If this is the case, a GLC is undermining the fifth role that GLCs are supposed to focus on its core operation by exiting non-core assets,

[124] namely education, healthcare, pharmaceuticals, technology, creative media, leisure, and tourism, sustainable development, life sciences, and wellness.

but not to pursue the investment that is not their core business, not catalytic and transformative. Another aspect worth to be analyzed in this role is the changes in the size of GLCs after the transformation period that could undermine the GLCTP that intends to reduce the size of GLCs in the market. This study calculated the amount of GLCs assets in both periods and compared them. A GLC has expanded in size if the amount of assets is larger in the post-period than in the pre-period.

For analyzing the role of collaboration with private companies, this study replicated indicators by the Graduation Report namely GLCs' strategic partnerships, joint ventures, and mergers with the private sector and validated the data with data from the annual reports, interviews, news cutting and companies' websites. The fifth and final role of NEM is for GLCs to focus on core operations on a level playing field and to exit non-core assets. First, this study identified GLCs core-operation for FY2005 and FY2014 and analyzed the changes between these two periods. Second, this study noticed that there is no indicator on the level playing field, set by the Graduation Report. Therefore, this study used the definition by the CEO of EPF, where he mentioned two elements, namely carry the responsibility of nation building hand-in-hand with the private sector, as in the fourth role of NEM and there is no boundary between GLCs and non-GLCs. As for the latter, the indicators are there are no government assistance/privileges as preferential access to contracts, finance/resources, and subsidies given to GLCs. The data to observe were from the interviews with the representatives from GLCs, GLICs and ISIS and validated the data with data from GLCs annual report and news cutting. Finally, this study investigated the presence of regulator directors in the GLCs board. The reason is that the review of the previous literature has shown that the government could act as regulators where their presence in GLCs may create privileges to GLCs to obtain preferential access to contracts and finance. So, in this study, the reduction of the percentage of regulators on the GLCs' board is one of the criteria that could reduce the competitive advantages for GLCs and vice versa. For the analysis, this study examined data on the number of regulator directors on the GLCs board between 2010 and 2014 from each GLC's annual report. A GLCs had achieved this role if it has operated its core operations through collaboration with private companies, no competitive advantages through GLICs' shareholding (finance, contracts, resources) and the number of regulators is in declining trend and exit its non-core assets. Regarding exit non-core assets, this study replicated the indicators used by the Graduation report namely exit operation, closure of unit/business, divestment of shares in companies, disposal of assets of non-core assets, as in Table 4-5 and validated the data with data from GLCs' annual report, news cutting, and interviews. Apart from this, we seek to know the reason for exiting or maintaining these activities from the interviews with GLCs and GLICs.

Pertaining to the role to support ETP and other national priorities, the Graduation report stipulated the indicators as in Table 4-5. We chose two indicators for the assessment of contribution to GTP and ETP and other national priorities, respectively. For GTP and ETP, we selected the divestment of shares of GLICs in GLCs since the government feels vital to reduce its role in the business by divesting stake in GLCs (Prime Minister's Department, 2011, p.228; NEAC, 2010, p.23; PCG, 2015, p.27). Thus, this study observed the changes in the percentages of shares of GLICs that hold majority shares. If in the post-period, the proportions of GLIC's shares are lesser, a GLIC and GLC are said to have contributed to ETP. For analyzing the support to other national priorities, we chose the policy on 30 percent women directors, as this policy was just introduced in 2011 and the government hopes that GLCs will move towards this policy and become an example for other private sectors. Besides, past researchers have failed to provide evidence on the positive relationship between women directors and a company's financial performance. Thus, as GLCs are urged to focus on performance, we expect it not to be materialized. We compared the percentage of women directors on the board of each GLC in both periods to see any changes. For confirming the contribution to this policy, this study looked at the post-period, whether the percentage of women directors over total directors achieved 30 percent for each GLC.

4.5.3.6 Methodology for Research Question Three

As stated in the third underlying principle (PCG, 2015, p. 24), in executing the first two principles, GLCs are expected to operate within a clear governance structure and benefitting all valid stakeholders. Regarding the former, for all public listed companies in Malaysia, as mentioned in Chapter two, there are two requirements/guidelines to be adhered to by companies, namely the LR and MCCG. The LR imposes rules for the public-listed company, for example, concerning the proportion of the independent directors on the board. In contrast, the recommendations in MCCG are not mandatory for companies to observe. However, all listed companies on Bursa Malaysia, including GLCs, are required to explain how they have complied with MCCG's recommendations or justify the reasons for non-observance of any of the recommendations in their annual reports.

Therefore, first, this study compared indicators on the corporate governance mechanisms in the Green Book that is comparable with the other guidelines, namely LR and MCCG. The reason is that we would like to see the differences in the guidelines if any and to analyze GLCs responses to the guidelines.

The other part of a clear governance structure is exemplified by GLCTP that had been silenced by the Green Book due to its sensitivity namely the number of ex-civil servants, regulators, and the serving MPs directors being removed from GLCs' board. We defined an ex-civil servant as a civil servant that has retired from government service since the year 2004. Regulators are directors who hold a position in GLICs, or any regulatory body such as the Ministry and commission while serving MPs is the person who is the Member of Parliament in GLCTP period. By examining the profile of each board member and information on corporate governance stated in GLCs' annual reports, GLCs had achieved a clear governance structure if it meets all the guidelines in the post-period.

The assessment on benefitting stakeholders' interests involved identifying GLCs stakeholders before analyzing how GLCs serving their interests. The Graduation Report offers a list of stakeholders for GLCs, namely the shareholders, the government, the society, the customer, and the suppliers and vendors and employees, but we excluded employees as there is no consistent data published on employees in the annual reports of GLCs. Consequently, we identified the stakeholders' interests, namely the dividend, taxes, Corporate Social Responsibilities (CSR) activities, customer award received by GLCs and the implementation of VDP, respectively. For the first two interests, data are sourced from GLCs' annual report for the FY2005 until FY2014, particularly from the cash flow statement and the notes to the account. For each year, we calculated the amount and sum up the total amount for the GLCTP period. A GLC had benefitted the government and shareholders if the trend of taxes and dividends paid are increasing each year.

The Graduation Report asserted that GLCs had benefitted the society at large through the program namely PINTAR Foundation, Yayasan Sejahtera, GLC Disaster Relief Network (GDRN), Graduate Employability Management Scheme (GEMS) and Skim Latihan 1Malaysia (SL1M) and other activities in Community Well-being, Education and Capacity Building and Environment. For benefitting customers, we analyzed the customer-related awards received by GLCs internationally and locally from the Graduation Report. For analyzing GLCs benefitting vendors and suppliers, this study obtained data on the implementation of VDP from GLCs' annual report, interviews, and the news cutting.

For all these data, this study validated this information with the data from GLCs' annual report, interviews, the news cutting and websites of GLCs and other organizations. A GLC had benefitted stakeholders' interests if it had performed the above activities in the transformation period.

4.5.3.7 Methodology for Each GLCs Achievement

We presented the methodology in examining the GLCs' achievements to conclude the GLCs' triumph of the three underlying principles. In doing this, we also identified two aspects of evaluation. The first is when a GLC achieved or not achieved an element in the underlying principle that undermined or assisted the achievement of the element in other underlying principles. The second is when the implementation of one activity meets two or more items under the same underlying principle or different underlying principles.

For achieving an element that undermines other underlying principles, the possible scenario is when a GLC pursuing investment in the new industry but is done with government assistance. As it achieved the NEM role regarding the former, the government assistance weakens the level playing field. Thus, we disregard the role of investment in a new industry as an achievement for the GLC. In contrast, for not achieving the NEM role for achieving other underlying principles, there is no penalty for this, and the particular GLC is deemed to had achieved the NEM role. Regarding the second case of attaining several NEM roles by performing one single activity, this study analyzed the advantage and disadvantages. The advantage is that GLCTP provides a platform for a GLC to implement an activity that meets two or more NEM roles. However, when assessing the GLC achievement, this study regards the activity as meeting only one role of NEM.

As we noticed that GLCTP failed to evaluate each GLCs achievements of the three underlying principles objectively, this study offered a methodology to assess the overall achievement of each GLC by putting a mark for each achievement. First we allocated weightages for each of the underlying principles. Since the GLCTP stated that GLCs must first and foremost focus on performance, we allocated a higher weightage for the first underlying principle, which is 50 percent, as compared to the second and third underlying principle, which we gave the same weightage of 25 percent, respectively. Second, as discussed previously on the selection of indicators, there are total of 20 indicators and one mark is allocated to each indicator. Mark allocation for each indicator varies, from 2.5 to 12.5. Table 4-5 presents the number of indicators and weightages for the three underlying principles.

Table 4-5: The Number of Indicators, Weightage and Allocation of Marks for Each Underlying Principle

	First Underlying Principle (Performance)		*Second Underlying Principle*		*Third Underlying Principle*		*Total*
	Result	*Culture*	*NEM*	*ETP and other National Priorities*	*Governance Structure*	*Stakeholders Interests*	
No of indicators	4	2	5	2	2	5	20
Weightage	25	25	12.5	12.5	12.5	12.5	100
Mark for each indicator	6.25	12.5	2.5	6.25	6.25	2.5	
For each underlying principle	50		25		25		100

4.5.4 Data Triangulation

Triangulation means observing something from different points of view to improve the accuracy of the analysis (Neuman, 2006). Yin (2014, p. 120) cited Patton (2002), who discussed four types of triangulation in doing the evaluation, namely data triangulation, investigator triangulation, theory triangulation, and methodological triangulation. For this study, the type of triangulation is data triangulation for the assessment of indicators within the same underlying principle, i.e., quantitative data collected from the GLCs' annual reports and qualitative data from GLCs' annual reports, interviews, government reports, and news cutting and GLCs and organizations' websites. The convergence of both quantitative and qualitative data in evaluating GLCs achievement on each of the underlying principles aimed at corroborating the same finding.

In addition to this, data triangulation also happens between the data retrieved for the assessment of different underlying principles. For example, this study triangulated data from the first underlying principle on the result of performance, with the data retrieved for the assessment of the second underlying principle about operating on a level playing field. Another example is the triangulation of data on the achievement of national priorities on the divestment of shares of GLCs and the assessment of the third underlying principle on dividend payment of GLCs to the shareholders. This data triangulation was used to enhance the robustness of the analysis of the study.

4.5.5 Data Reliability and Validity

The data retrieved from the annual report enhanced the reliability of information obtained since these companies are listed companies, and they are required by law to publish their annual reports and accounts. The financial data are authoritative and credible because they have undoubtedly passed the scrutiny of the audit process. Besides the financial data, the examination of the annual reports also allows further analysis of GLCs' profiling of the board members, CEOs and corporate governance mechanisms and activities of GLCs in each year of study. This is a reliable data as the report of a public listed companies/GLCs are being published and are assessable through the websites of the Bursa Malaysia, the regulator for all public listed companies in Malaysia.

In this study, we abstracted the data from the Graduation Report. The Graduation Report is a combination of a few assessment reports on GLCs achievements throughout the ten-year transformation program period. The report is published by the secretariat (Khazanah) upon approval by the PCG chaired by Prime Minister (see the governance of PCG as in Figure 2-2) and commented by academia, corporate figures, and government officials in a commentary document named 'The Voices.' The data from the Graduation Report will be used as a basis for our assessment in some of the underlying principles, where we validated these data with data from the government report, interviews, news cutting and GLCs and organizations' websites.

As mentioned in Section 4.4, this study interviewed the representatives from GLICs, namely the MOF (Inc.), LTAT, and EPF, the key person of GLCs and a researcher from a distinguished research institute in Malaysia. The information gathered from the interviews with the representatives from GLICs is valid and reliable, as they are well versed in their areas and role as shareholders thus could provide first-hand information on GLICs' aspirations towards their investments in respective GLCs. The key persons of GLCs are the ones who are responsible for the day-to-day business operations of GLCs and can provide data of GLCs' expectations on the transformation program, their understanding of the definitions of their role and achievements on the program. The researcher from the research institute, namely the ISIS, could provide information on GLICs' investment objectives and government regulatory backing as well as the status of private investment in Malaysia. The interview with the researcher could enhance the reliability of data gained, as this interviewee has more freedom to express his view.

The data from the Malaysian Plan is a reliable document produced by the Economic Planning Unit under the Prime Minister's Department for the Malaysian five-year development plan. The report gathered input from all ministries on their five-year development plan. The information on GLCs' and other organizations' websites is another reliable source that will be used for validation as the information is published and can be contested by the public, in case there are any discrepancies. Likewise, the data from the news cutting are a vital source of information for study in the field of social science and humanities and have been considered as a crucial material for the quality of the researchers as they have specific values to them (Krtalic and Hasenay, 2012, p.7)

4.6 Conclusion

This chapter discussed the statement of the problem, constructed a research objective and research questions, and assumptions for this study. It also explained the GLCs that are within the scope of the study, timeframe, the research strategy that includes its design, methodologies, data used for answering the research questions, data triangulation, reliability as well as comparison between indicators used in the Graduation Report with the one used in this study. In the next chapter, this study analyzed the data to produce the results on the achievement of GLCs underlying principles under GLCTP.

5 RESULT AND DISCUSSION

5.1 Introduction

The purpose of this chapter is to present the result of the data analysis based on the area of study using the framework illustrated in Chapter four. This chapter includes data elaboration, interpretation, and presentation of findings of the investigation.

5.2 Results on the Achievement of the First Underlying Principle

GLCTP clearly stated that GLCs must first and foremost, be focused on performance and create economic and shareholder value, through the introduction of the culture of performance in GLCs and the results of performance. A GLC has achieved the first underlying principle of it has reached the two elements under this principle.

5.2.1 GLCs' Results of Performance

This study chose the indicators on the result of performance, namely the DPR, Revenue growth, ROA and ROE and calculated their average in the pre-period and compares them with their average in the post-period.

5.2.1.1 Dividend Payout Ratio

The Graduation Report stated that GLCs have been returning profits to the investment community by increasing their dividend payouts. Based on the assessment of two FYs, which is FY2004 and FY2014, the report asserted that the 17-selected (bank and non-bank) GLCs' DPR increased from 45.3 percent in FY2004 to 58.4 percent in FY2014, averaging 57.2 percent over the period. From the analysis of GLCs' DPR laid down in the table below, it can be concluded that except for GLC2, all GLCs have increased their DPR in the transformation period. The table also shows that the average DPR for GLCs understudy in the pre-period and post-period is 31 percent and 45 percent, respectively, an increase of 44 percent.

GLC2 has the highest DPR in the pre-period of 64 percent, followed by GLC5 of 54 percent. However, as mentioned previously, GLC2 has decreased its DPR by 50 percent and GLC5 recorded a small increment of 11 percent in the post-period. In contrast, GLC4 has the lowest DPR in the same period of 0 percent. As for the post-period, GLC8 has the highest DPR of 69 percent, followed by GLC1 and GLC5 of 60 percent, respectively. Similar to the pre-period, among all GLCs, GLC4 has the lowest DPR of 17 percent in the post-period. On average, Table 5-1 also exhibits that GLC8 recorded the highest increase of DPR between the two periods, which is 146 percent, followed by GLC1 of 131 percent that both GLCs set themselves at the highest DPR in the post-period.

Table 5-1: GLCs' DPR Changes in the Pre- and Post-periods

GLCs	*DPR (%)*		*Changes (%)*
	Pre	*Post*	
GLC1	26	60	131
GLC2	64	32	(50)
GLC3	32	50	56
GLC4	0	17	Infinity
GLC5	54	60	11
GLC6	15	29	93
GLC7	30	42	40
GLC8	28	69	146
Average	**31**	**45**	**44**

*Negatives sign indicate negative changes

5.2.1.2 Revenue Growth

The Graduation Report segregated the 17-selected GLCs into bank GLCs and non-banks while adopting two FYs for the assessment, which are FY2004 and FY2014. The Graduation Report stated that the non-bank GLCs revenue grew at 8.9 percent per annum, from RM 73.9 billion in FY2004 to RM173.0 billion in FY2014. Based on the examination of revenue growth from the annual report presented in Table 5-2 above, we can see that all GLCs have achieved growth in revenue of 47 percent, between the pre and post-period, which is 4.7 percent per annum. GLC7 is the only GLC that has decreased its revenue. As mentioned in the previous section, this is due to the demerger of its international arm in 2007. On average, each GLC's revenue in the pre-period is RM20 billion, and in the post-period is RM29.3 billion. GLC3 recorded the highest growth of 141.8 percent, followed by GLC1 of 88.4 percent and GLC4 of 87.5 percent. This study also found that GLC2 has the lowest increment of revenues, which is less than two percent. Table 5-2 presents the analysis of GLCs' revenue in the pre and post-periods, each GLC contribution to the total revenues and the revenue growth.

Table 5-2: GLCs Revenue, Percentages of Contribution and Growth between the Pre- and Post-period

GLCs	*Pre (RM billion)*	*Post (RM billion)*	*Contribution*		*Growth (%)*
			Pre (%)	***Post (%)***	
GLC1	4.84	9.12	6.07	7.78	88.43
GLC2	1.41	1.43	1.77	1.22	1.42
GLC3	1.34	3.24	1.68	2.76	141.8
GLC4	0.69	1.20	0.86	1.02	73.91
GLC5	26.42	42.40	33.12	36.17	60.48
GLC6	23.24	35.67	29.13	30.43	53.49
GLC7	11.18	9.96	14.01	8.50	(10.91)
GLC8	10.66	14.21	13.36	12.12	33.30
Total	79.78	117.23			
Average	19.95	29.31			46.94

5.2.1.3 ROA and ROE

Concerning the assessment for profitability, based on the review of literature in Chapter three, ROA and ROE are financial performance indicators that have been commonly used by researchers in the investigation of companies and GLCs' financial performance. Thus, based on our evaluation, Table 5-3 presents the changes in ROA and ROE in the pre and post-period.

Table 5-3: GLCs' in ROA and ROE in the Pre and Post-period and its Changes

	ROA			*ROE*		
	Pre	*Post*	*%*	*Pre*	*Post*	*%*
GLC1	9.42	7.52	(20.17)	15.30	10.72	(29.93)
GLC2	4.95	0.76	(84.65)	10.61	2.09	(80.30)
GLC3	5.67	4.18	(26.28)	8.67	9.41	8.54
GLC4	1.48	1.26	(14.86)	6.28	4.11	(34.55)
GLC5	7.39	7.25	(1.89)	13.52	13.01	(3.77)
GLC6	3.30	4.32	30.91	9.91	11.03	11.3
GLC7	4.22	5.15	22.04	7.90	15.28	93.42
GLC8	13.08	12.66	(3.21)	13.84	13.78	(0.43)
Average	6.19	5.39	(12.94)	10.75	9.92	(7.67)

*Negatives sign indicate negative changes

Overall, the average ROA of GLCs understudy in the pre and post-period is 6.25 percent and 5.39 percent, respectively and for ROE, the results are 10.9 percent and 9.92 percent, respectively. In both periods for ROA, GLC8 recorded among the highest figure, as shown in Table 5-3. However, this GLC has a small declining trend by 3.21 percent and 0.43 percent, respectively, followed by GLC1, where the latter recorded the highest ROE in the pre-period of 15.30 percent. On the other hand, GLC2 and GLC4 have the lowest amount of ROA in both periods. The former recorded ROA of 4.95 percent and 0.76 percent, respectively, while the latter of 1.48 percent and 1.26 percent, respectively.

As mentioned before, GLC1 has the highest ROE of 15.3 percent, followed by GLC8 of 13.84 percent. In the post-period, GLC7 has the highest ROE of 15.30 percent, and GLC8 placed second at 13.8 percent. Similar to ROA, GLC2 and GLC4 have the lowest amount of ROE. GLC4's ROE is the lowest of 6.28 percent in the pre-period, while GLC2 recorded the most inferior ROE in the post-period of 2.1 percent. For the calculation of ROA and ROE, which involved companies' profitability, we can also see this is in line with the analysis of the revenue contributions and growth that both GLCs have the lowest contribution and growth, as in Table 5-2.

Comparing the figure in the pre and post-period shows that, on average, GLCs understudy has recorded a declining trend in ROA and ROE's by 13.73 percent and 8.9 percent, respectively. All GLCs, except GLC6 and GLC7, have negative changes in ROA and ROE. GLC2 recorded the most decreasing value in both indicators, by 84.7 percent and 80.3 percent, respectively. GLC3 is not consistent in both indicators, where it has recorded a decreased in ROA by 26.3 percent but has increased the figure for ROE by 8.5 percent, from 8.7 percent to 9.4 percent. Both GLC5 and GLC8 have recorded a small decrease of less than five percent in both indicators.

In contrast, GLC6 recorded the most significant ROA improvement, which is 30.9 percent, from 3.3 percent to 4.32 percent, followed by GLC7 by 22 percent, from 4.2 percent to 5.2 percent. For ROE, GLC7 has shown the most significant improvement of 93.4 percent, from 7.9 percent to 15.3 percent, followed by GLC6 by 11.3 percent and GLC3 by 8.5 percent. This result is in line with the analysis of the revenue contributions and growth that both GLCs are among the top three highest revenue contributors in both periods, as presented in Table 5-2.

By combining the result of DPR, revenue growth, ROA and ROE, it shows that the results of performance have increased, as presented in Table 5-1 and Table 5-2, respectively. However, Table 5-3 exhibited that all GLCs could not improve their ROA and ROE. By looking at the achievement of each GLC, this study concluded that only GLC6 achieved the four indicators, while other GLCs achieved at least two indicators. This GLC also contributed to shareholders value as the Graduation Report presented that its market capitalization increased by 200 percent, from USD8 billion to USD24 billion, from FY2005 to FY2014 (PCG 2015, p.57). GLC2 and GLC4 are relatively small in terms of assets that have performed the worst in both ROA and ROE, but had achieved indicators of revenue and DPR.

Based on arguments in Chapter two and three, SOEs are underperformed because of double agency issues that caused weak corporate governance and government social policy. When interviewed with the representatives from GLC6, GLC7 and GLC8, GLC6 and GLC7 commented on the CSR objective on the education sector. The respondents commented:

'There is a lot of emphasis on CSR, for example UNITEN.'

'*…The management has discussed divesting the university, as it is a non-core business to us. Still, the board agreed to maintain the university's operation as part of our social obligation.'*

Interviewee from GLC7 also responded that the collaboration with private companies on HSBB was done out of their non-financial objective to put in place the government agenda as he put it:

'High speed broadband was done under the PPP, stands for Public Private Partnership, this partnership is where our company teams up with the government to launch the broad band, it is a very high-capital intensive project, so we have to like we share the cost and of course the bulk come to our company.'

A respondent from GLC8 commented on the VDP that ate up the company's financial standing, as it has to incur the expenses. As one responded from GLC8 commented:

'We need identify Bumiputera vendor that display certain performance, we need to set aside certain fund allocated to develop Bumiputera Vendors, and the fund need to be utilized solely for developing the Bumiputera Vendors'.

However, other than social or government policy imposed on GLCs above, we received comments from GLCs that they operations were affected by the global economy. A respondent from GLC2, GLC3 and GLC8, respectively mentioned:

'Within the organization, our businesses had faced and will continue to face the effects of the declining economy and reduced demand.

‘*It is based on our external activities, our company is exposed to external factors, because we are under plantation, we are referring to CPO*[125] *prices, we are also on the properties market, where we involve in raw material from outside, we also involve in trading industrial, we have BH petrol where we buy the raw material in the external currency, we are varies, sometimes during the good day we are very well performed, but during the bad day we are affected by all the factors….’*

‘We got hit in the year 2008 and 2009 but the rest of the years were just up scaling, whereby the best year is recorded in 2013. Nevertheless, he also mentioned that there was a small hit in the years 2014 and 2015…’

5.2.2 GLCs’ Culture of Performance

Another element in upholding the principle of performance and meritocracy indicated by the Graduation Report is introducing the culture of performance. As presented by the Graduation Report, the 17-selected GLCs performance is underpinned by discipline in announcing headline KPIs on an annual basis since FY 2006, thus creating public accountability and adding pressure on GLCs to perform. We analyzed the annual reports and data from interviews and summarized them as in Table 5-4. The interviewees from all GLCs mentioned that they have KPIs and being monitored annually. Regarding whether GLCs announced the KPIs, from the annual reports, it shows that GLC3, GLC4, GLC6, and GLC7 started to inculcate the KPIs culture and announced in the annual reports since 2005. However, GLCs only started to announce their headline KPIs in the annual report in detail in 2006 or 2007. For instance, from the annual report, this study found that GLC3 started to introduce KPIs among top management and staff in 2005 but only started to announce the headline KPIs in the annual report in 2006. Some GLCs like GLC7 and GLC8 only mentioned their headline KPIs in the annual report on a later date, which is in 2007 and 2008, respectively.

Throughout the transformation period, this study found that two GLCs have consistently announced their headline KPIs in detail in the annual report until the end of the transformation period. These were the cases for GLC3 and GLC8. However, GLC8 only started to display in a later year, which is in FY 2008. Yet, some other GLCs have not consistent in making the announcement of their headline KPIs in particular years, although they did mention that they have headline KPIs in place or have already met their headline's

[125] crude palm oil

target KPIs. Examples are GLC7 in 2010 and 2011, whereby the annual reports indicated that it had exceeded headline KPIs targets of EBITDA and TRIM for 2010 and revenue growth, normalized EBITDA margin, and customer experience for 2011. Nonetheless, there was no headline KPIs specifically announced in those particular years.

GLC1 only announced its headline KPIs for a particular year when they meet the KPIs target, as we can observe that there was no announcement on headline KPIs in the annual report in FY2012 and FY2014. GLC2 and GLC4 only announced their KPIs in detail in two FYs, as they ceased to announce their headline KPIs in detail from 2009 onwards. Similarly, GLC1 was not consistent in announcing the headline KPIs since 2012, and we found this GLC is among the worse performer in terms of ROA and ROE.

The possible reason is the non-achievement of financial performance, as in Table 5-3 that shows that their performances concerning ROA and ROE have the highest declining trends. Thus, based on the above analysis, this study concludes that only GLC3 has achieved the elements of the culture of performance regarding the announcement of yearly headline KPIs. GLCs headline KPIs consist of at least one or two indicators, if not all indicators related to financial performance. For instance, GLC1, GLC2, GLC5, and GLC8 have all indicators related to financial performance, namely ROA, ROE, and DPR. On top of this, there was also non-financial headline KPIs announced, including airport ranking, service interruptions, and customers' satisfaction. Table 5-4 indicates the detail of GLCs' yearly announcement of the headline KPIs in the transformation period.

Table 5-4: A Yearly Announcement of Headline KPIs in the Transformation Period

GLCs	*Year*									
	'05	*'06*	*'07*	*'08*	*'09*	*'10*	*'11*	*'12*	*'13*	*'14*
GLC1	No							No		No
ROE		7.9	7.2	14	10	10	12		9.5	
ROA		7.6	7	11	7	7	9		6.5	
Dividend (sen)		32	32	40	15	18	30		30	
Interview: '*…we defined performance mainly through our Key Performance Indicators when people say they perform, there must be evidence and proof that they have delivered something, and the proof that of what they deliver normally come via the setting up and monitoring and tracking of KPI and that must be supported by evidence of result, not just of effort, both are important, but the result is paramount, and of course we have a proper performance appraisal proses which uphold the principle of meritocracy, if you performed you get rewarded, you must deliver the result, the output of course, but you must also demonstrate competency and leadership…*'										
GLC2	No	Not specified			Yes but not specified					
Turnover RM (Billion)			1.3	1.7						
PBT RM (million)			100							
ROE			12-15							
Interview: *'…KPIs for the company/CEO are Strategy, Human Resources, Sustainability, Bumiputera Empowerment Agenda (BEA), and Compliance. As far as the BEA is concerned, it is part of the CEO's KPI and monitored annually through their KPI. Despite being affected by the global condition, GLC2 has also introduced increment, bonus, and incentive packages for employees annually in recognition of their patience, dedication, and exemplary efforts that have helped the Group through the years…'*										
GLC3										
EBITDA (RM million)		-	441	577	591	620	773	822	751	861
ROE (%)		-	6.8	9.75	9.68	6.57	10	11.61	-	-

GLCs	*Year*									
	'05	*'06*	*'07*	*'08*	*'09*	*'10*	*'11*	*'12*	*'13*	*'14*
Airport Service Quality Awards	not specified	Top 3	-	-	-	Top 5 worldwide	-	-	25-40 mil pax category: Top 5	Above 40 mil pax category: top 5
Interview: '*…One thing to assess is the corporate performance and then another level to evaluate the individual. The company filed in KPI to each staff, from the lowest to the highest levels, and even the Managing Director, and even among the board of directors. In terms of incentives, he further commented that the company reviews the remuneration package so that it is a competitive and performance-based bonus. The appointment of the key position in GLC3, the same as other GLCs are also are under contract. If they do not perform, their contract will not be renewed. For those underperformance employees, they have to undergo training to address their weaknesses and are given up to specific years. However, if they did not perform, then the company has to find ways for them to exit the company, to maintain the excellent and performing workforce…*'										
GLC4 Revenue growth (RM) Profit before Tax (RM mil) New Property Development (RM) Engineering, Infrastructure and Other	not specified		800 million 60 700 million 1.5 billion	1.2 billion 90 1.3 billion 2.25 billion	Yes but not specified To also include sustainability as one of its KPIs					
Interview: '*…Performance appraisal system is that all staff go through. Overlays system KPI, starting from the very top, to develop individual KPI down to the operational level, the sites, and projects… Other financial KPI, like construction companies, so we have to make sure that we have the quality that the customer expects, safety, not just financial…*'										
GLC5 Net Earnings (RM Billion)	No	No	3.2	1.4	1.9	Not specified	2.5	3.3	3.2	2.8

GLCs	*Year*									
	'05	*'06*	*'07*	*'08*	*'09*	*'10*	*'11*	*'12*	*'13*	*'14*
ROE(%)			-	-	-		-	-	-	10
Return on Average Shareholders Fund			16.5	15	8.8		11.5	13.3	12	-
GLC6	not specified						Not achieved		Not specify- allocated to each division	Not specify - allocated to each division
ROA (%)		2.4	6.5	5.5	2.3- 2.8	-		2-3		
Gearing (%)		63	50-55	55-60	48-50	-		-		
Unplanned Outage Rate (%)		5	4.4	<3	3-3.5	-		-		
Transmission and Distribution losses (5)		9.5	10.5	<9.5	9.5	-		-		
Transmission System Minutes		7	<7	<7	6.6	-		-		
Distribution SAIDI Minutes/customer/year		133	95	78	78	72		-		
Cost per unit (Sen/kWh)		-	-	-	-	-		32.7-33.7		
Revenue from non-regulated business (RM Billion)		-	-	-	-	-		1.8-1.9		
GLC7	not Specified			Not specified	Not specified	KPI are revenue growth, normalized EBITDA margin and customer experience	Exceeded KPI (revenue growth, EBITDA and TRIM but not mention			
Revenue			17.7							
Revenue Growth			-					5	6	5-5.5
ROE			9.8							
Normalized EBITDA Margin (%)		45.9	44.5					32	-	-
Return on Capital Employed		10.6	-					-	-	-
EBIT Growth		-	-					-	3	5

GLCs	*Year*									
	'05	*'06*	*'07*	*'08*	*'09*	*'10*	*'11*	*'12*	*'13*	*'14*
TRI*M Index (Customer Satisfaction Measure)		-	-				the KPI specifically	72	72	72
GLC8 Return on Shareholder Fund (%)	No	No	No	14	10					
DPR (%)				50						
Interview: '*...Performance management system is already there but with GLCTP, we have adopted some best management practices…via GLCTP, all program management level from the secretariat has been coordinated and executed and adopted the best management practices, about seven, eight years ago…'*										

5.2.2.1 The New CEOs/President in GLCs in the Transformation Period

The Graduation Report also claimed that new CEOs were brought in to execute the GLCTP Program reforms, and greater emphasis was placed on succession planning. As we can see from the above Table 5-5, GLC2, GLC5, GLC6, and GLC7 have brought a new CEO in 2004 to implement the transformation program. Other GLCs, namely GLC3 and GLC4, had new appointments of CEO in the year before, which is in 2003, which explained the reason they did not appoint new CEO in 2004. Thus, this study considered that these CEOs are newly brought, as GLC2, GLC5, GLC6, and GLC7. In contrast, two GLC, namely GLC8 and GLC1, have not appointed a new CEO to execute the program. GLC8's appointed the CEO four years before the program's inception (2001) and he remained to be on the post until 2009. The new CEO was only be appointed in 2010. GLC1 continues to have the same person as CEO from 1998 until the end of the transformation period. When we connected these results to the result on DPR, we tend to agree that maintaining the CEOs resulted in the situation where GLCs could able to improve their DPR, as compared to other GLCs. The profiling of the CEO in the annual report also revealed that they are competent, who possessed at least a bachelor's degree and ten years' experience in relevant fields. The CEOs of GLC6, GLC7 and GLC8 are also qualified accountants and the CEO of GLC4 is a professional lawyer.

When investigating the appointment of CEOs of GLCs, this study also came across an interesting point about GLC1 and GLC4. The CEO of GLC1 was also holding the position of CEO of the shareholder, LTAT. Concerning GLC4, after retired as CEO in 2009, the CEO was appointed as one of the board members while being the Deputy CEO of the shareholder, i.e., EPF. Then later, in 2013, he became the CEO of EPF while maintaining his directorship in GLC4. The Chairman of the Board of GLC4 also is the CEO of EPF between 2001 to April 2013. Both situations indicated that the shareholders of these GLCs were placing the key position officer of the shareholder as board members in the transformation period. Hence, this study noticed that, although GLC4's result of performance concerning ROA and ROE has shown a declining trend, it has increased the DPR from 0 percent to 17 percent in the post-period. Therefore, by taking this result and the result of the announcement of headline KPIs presented in the previous section, this study concluded that GLC3 had achieved the elements of the culture of performance suggested by GLCTP. GLC3 has announced the headline KPIs from FY2006 throughout the transformation program while appointing new and competent CEO just before the inception of the program, i.e., in FY 2003. In contrast, GLC1 achieved none of the indicators. Table 5-5 presents the year of appointment of the new CEO and their competencies, based on the level of education and working experiences.

5.2.3 Conclusion on the Achievement of the First Underlying Principle

From the above analysis in section 5.6.1 and 5.6.2, this study concluded that overall, GLCs understudy could not achieve the result of performance in totality, as both indicators on ROA and ROE have declined in the post-period, although the revenue and DPR have shown increment. The only GLC that had achieved all the indicators under the result of performance is GLC6. This GLC also contributed to shareholders value as the Graduation Report presented that its market capitalization increased by 200 percent, from USD8 billion to USD24 billion, from FY2005 to FY2014 (PCG 2015, p.57). Other GLCs improved at least two indicators, as we can see in the revenue of each GLC that only GLC7 had decreased its revenue in the post-period and for DPR, only GLC2 showed the same trend. GLC2 and GLC4 performed the worst in terms of ROA and ROE, although these two GLCs could increase their revenue and DPR. From the interview sessions, we also encountered that some respondents point their views on the external factors that affected GLCs financial performance, as mentioned by respondents from GLC1, GLC2 and GLC8. Thus, we concluded that GLCs' changes in the result of the performance vary, regardless of the government introducing GLCTP. GLCs could not achieve the result of performance in totality, especially regarding ROA and ROE because other than weak corporate governance and implementation of social objectives, the performance of companies is also influenced by other external factors such as the global financial crisis that happened in 2008, especially for small GLCs.

As for the result of the culture of performance, only GLC3 announced the headline KPIs throughout the GLCTP period and appointed the new and competent CEO, while GLC1 performed none of the indicators on the culture of performance. GLC1, GLC2 and GC4 also ceased to consistently announced specific and measurable KPIs in detail from 2009 onwards due to the poor performance in ROA and ROE, as they included these indicators as one of their KPIs. There was no appointment of new CEOs in GLC1 and GLC8 to execute the program. Also, GLC1 continues to have the same person as CEO from 1998 until the end of the transformation period who is also the CEO of the shareholder. This is also the case for GLC4 that the CEO was also the key employee of the shareholder. The actions to appoint a new and competent CEO among GLCs are also varied because GLICs as shareholders power is beyond the program to control the appointment of new CEOs to execute the program.

Table 5-5: CEOs' Competency and Year of Appointment

<table>
<tr><th>GLCs</th><th colspan="10">Years</th></tr>
<tr><th></th><th>2005</th><th>2006</th><th>2007</th><th>2008</th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th></tr>
<tr><td>GLC1</td><td colspan="10">Since 1998 (also CEO of LTAT)</td></tr>
<tr><td>Competency</td><td colspan="10">Bachelor of Business Administration and Master of Business Administration
He has extensive experience in general management and fund management for 41 years</td></tr>
<tr><td>GLC2</td><td colspan="5">Since 2004</td><td colspan="5" rowspan="2">Bachelor of Science Economics (Accounting and Finance), London School of Economics, University of London
Fellow of the Institute of Chartered Accountants England and Wales
He has 23 years working experience in various departments within the Investment Banking Division including the Project Finance and Privatisation Department, Corporate Finance Group, Mergers & Acquisition Group and the Industrial/ Large Cap Group</td></tr>
<tr><td>Competency</td><td colspan="5">Ph.D. In Soil Fertility and Management Attended Advanced Management Programme (AMP) at INSEAD, France
He has 23 years' experience in Oil and Fats Division of Golden Hope Plantations Berhad. He held several other positions during his 26 year career stint in Golden Hope</td></tr>
<tr><td>GLC3</td><td colspan="9">Since 2003</td><td></td></tr>
<tr><td>Competency</td><td colspan="9">Bachelor of Arts Degree (Honors) majoring in International Relations, University of Malaya
He was aviation advisor to the Ministry of Transport (November 2001 to June 2003) and held various positions in Malaysian Airline System Berhad since June 1972 to November 2001 including Director of Corporate Planning, Commercial Director, Senior Vice President, Commercial and Executive Vice President Airline. He has vast experience in airline industry of 32 years</td><td></td></tr>
<tr><td>GLC4</td><td colspan="4">Since 2003</td><td rowspan="2"></td><td colspan="4" rowspan="2">Vacant</td><td></td></tr>
<tr><td>Competency</td><td colspan="4">Bachelor of Civil Law (1st Class) from Oxford University, England, a Master of Arts (1st Class) from Cambridge University, England and has been called to the Malaysian Bar and the Bar of England and Wales.</td><td></td></tr>
</table>

GLCs	*Years*									
	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
	He has ten years' experience in legal and business transformation									
GLC5	Since 2004									
Competency	He holds a degree in Industrial Engineering from the University of Wales. He has held many senior positions in the GLC5 since joining the Group in 1981 (23 years' experience).									
GLC6	Since 2004									
Competency	He is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and a member of the Malaysian Institute of Accountants. He has held several key positions in the private sector for 14 years in banking and was a CEO of Ranhill Utilities Berhad and KUB Malaysia Berhad prior to his appointment as President/Chief Executive Officer of GLC6									
GLC7	Since 2004									
Competency	He is a qualified accountant by training. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a member of the Malaysian Institute of Accountants. He has vast experience in Corporate Services and Capital Market. He was formerly the Managing Director/Chief Executive Officer of United Engineers (Malaysia) Berhad									

GLCs	*Years*									
	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
	and UEM World Berhad. He had served GLC7 as the Chief Financial Officer from March to September 2001.									
GLC8	Since 2001									
Competency	He received formal education from *Universiti Teknologi Mara* and Emile Woolf College of Accountancy (UK). He is a Fellow Member of the Association of Chartered Certified Accountants (UK) and a member of the Malaysian Institute of Accountants. He was conferred a Doctorate of Philosophy in Management and Organisational Development by the Irish International University, European Union in September 2001. rior to joining GLC8, he was the Managing Director of Klang Port Management Sdn. Bhd. and Klang Container Terminal Berhad.									

5.3 Results on the Achievement of the Second Underlying Principle

The three underlying principles under GLCTP stated that GLCs must first and foremost focus on performance (first underlying principle). Only with performance and results can GLCs be part of the solution in developing the country (second underlying principle). The Graduation Report has confirmed that the 17-selected GLCs have been actively catalyzing nation building and they are the critical drivers of the economy in executing their five roles in the NEM and have contributed to ETP and other national priorities.

5.3.1 GLCs Performing Roles under NEM

As mentioned in Chapter four, the assessment for catalyzing nation building includes GLICs and GLCs' role under NEM and the contribution towards the ETP and other national priorities. Concerning the former, the Graduation Report mentioned that over the ten years, GLICs and the 17-selected GLCs have executed and delivered the five roles under NEM. In the sections that follow, this study will present the result of the analysis of the Graduation Report on these roles.

5.3.1.1 Stayed the Course

The first role under NEM is to stay the course of GLCTP. It includes consistency and discipline in program management and execution to 'stay the course'. The Graduation Report asserted that GLCs had stayed the course through strategic transformation, which includes the program for value enhancement, regional expansion, financial restructuring, restructuring, and becoming more focused on core business and merger synergies and continuous change drive achievement and maintains landmark profits. The detail list of the activities by the Graduation Report and our validation with the data from the interviews and news cutting is presented in Table 5-6. All GLCs understudy have implemented GLCTP throughout the ten years. GLC1, GLC2, GLC6, GLC7, and GLC8 have introduced value enhancement in the organization by introducing policies on investor relations, productivity and work culture, corporate governance and best practices on procurement. GLC3 has implemented a financial restructuring program and the interview with the representative of GLC4 indicated that it has done a strategic merger with another developer company to bring the new management team to the company. From the news cutiing, GLC5 has executed merger synergies with two companies in the plantation industry to become Malaysia's largest plantation company. In short, it can be said that all GLCs have stayed the course of GLCTP throughout the period.

Table 5-6: Results on GLCs' Implementation of GLCTP and Other Transformation Initiatives in the GLCTP Period

GLCs	*Implement GLCTP (Graduation Report and News cutting)*	*Other Transformation Initiatives*	*Actions on Strategic Transformation*
GLC1	GLCs have graduated from the GLCTP program as stated in the Graduation Report published in 2015 The Sundaily newspaper dated 5 August 2015 stated that the Second Open Day Convention of GLCs includes a graduation ceremony of five GLICs and 17 GLCs that have completed a ten-year transformation program. This consists of the eight GLCs understudy.	Graduation Report: The introduction of Investor Relations Policy Framework, Procurement Framework, CSR Policy and Cost Saving Measures Initiatives	Value Enhancement
GLC2		Graduation Report: Pursuing an enhanced vision and mission, moving towards a new horizon of more productive and value-enhancing work culture Interview: *'Our Chemicals Division continued to expand our total solutions approach and build on the successes of our product portfolio. Our development of a comprehensive action plan which was incepted to mitigate the challenges from fluctuating chlor-alkali prices and included continuous improvement programmes to extract operational savings, bore the fruit of success. At the same time, our polymer coating business remains a stable profit contributor to the Division, as seen by the strong demand from the vibrant rubber and nitrile glove industry.'*	Value Enhancement
GLC3		Graduation Report: Financial restructuring; re-establish operator and manager roles, impose revenue sharing as payments, introduce Marginal Cost Support and establish framework or Passenger Service Charges Tariff and restitution News cutting: The Edge Markets dated 23 April 2009 mentioned: 'Under MAHB's restructuring plan unveiled in February, MAHB will pay the government RM1.01 billion, comprising RM508 million cash and the balance set off against the sale of NECC to the government and capital expenditure projects which include upgrading works at the low-cost carrier terminal and aero-train in KLIA.'	Financial restructuring
GLC4		Graduation Report: Increase focus on core business and merger synergies with Gapurna Group in 2013 propelling	Focus on Core Business and

GLCs	*Implement GLCTP (Graduation Report and News cutting)*	*Other Transformation Initiatives*	*Actions on Strategic Transformation*
		GLC4 to greater heights (include monetization and disposal of non-core assets). Interview: *'…The new management team came in 2013, as suggested by the shareholder, to oversee the business where it is heading strategically and profitability…The new management team had introduced corporate transformation program, activities that we control the benchmarks, long term sustainable matrix and financial targets, we have a policy of diversity (young, old, male and female), a gift point of doing business…'*.	Merger Synergy
GLC5		Graduation Report: Landmark merger of GLC5, Golden Hope Plantations Berhad and Kumpulan Guthrie Berhad to form Malaysia's largest plantation company News cutting: The Star dated 24 November 2006 reported that the three – Sime Darby Bhd, Golden Hope Plantations Bhd and Kumpulan Guthrie Bhd – along with six other public listed companies, either owned by these three companies or involved in plantations, will also undertake a merger that would likely create the country's fourth biggest company on Bursa Malaysia.	Merger synergy
GLC6		Graduation Report: Implemented 1TNB Transformation Program with six Key result Areas to become a robust domestic leader while growing as a regional champion News cutting: The Malaysian Reserves on 3 April 2017 stated that TNB had reported that the 1TNB Transformation Programme (1TTP), initiated in 2014, has reflected positively on its technical performance over the past two years as the initiatives become embedded in its daily operations. Under the programme, TNB has designed and implemented initiatives to enhance its plant's performance through the establishment of a CoE (Centre of Excellence).	Value Enhancement, Continuous Transformation and Regional Expansion
GLC7		Graduation Report:	Value

GLCs	*Implement GLCTP (Graduation Report and News cutting)*	*Other Transformation Initiatives*	*Actions on Strategic Transformation*
		Among the first that improve in corporate governance by appointing a consultant to assess the long-term performance improvement program which includes a board training program Transforming into Malaysia's Convergence Champion which focuses on productivity while managing key stakeholders Interview: *'…We did that together with Mc Kinsey, the consultant. It is a long performance improvement program, board-training program. Now is already embedded….we try every year to review Board operating mode. If there is a need to improve, we will do that. Initially, we have reached the benchmark, but we also been pressure because to champion on corporate governance…'*	Enhancement and Continuous Transformation to drive achievement
GLC8		Graduation Report: Adopt Best Performance Practices in 2012 and 2013, introducing new things aligns with best practices suggested by GLCTP. The procurement activities were previously is decentralized, according to core business and work. Following GLCTP, the procurement is centralized, safe quite of work and more transparent.	Value Enhancement

5.3.1.2 Becoming Regional Champion

As was mentioned in Chapter four, the indicators introduced by the Graduation Report on GLCs becoming a regional champion are joint ventures, mergers, and collaborations with companies in other countries and set up branches abroad as criteria in assessing GLCs' international presence. The report stated that the 17-selected GLCs have revenue-generating operations in 42 countries through joint ventures, mergers, and collaborations with companies in other countries. This study verified the data with the information from news cutting and websites, as laid down in Table 5-7. It shows that GLCs have an international presence mostly by obtaining contracts for infrastructure constructions in countries like India, Maldives, Turkey, Saudi Arabia, and Timor Leste. GLCs have also acquired hotels, airport automotive businesses in other countries such as London, Turkey, Vietnam, Australia, to name a few.

Besides, merger exercises with companies within Malaysia during the transformation program, resulted in these companies becoming a regional or world champion. For example, GLC5 has gone to a massive merger with two large plantation companies in Malaysia, which created the world's largest public- listed oil palm plantation company and is the world's largest producer of certified sustainable palm oil. Some of the GLCs have yet to become the regional champion, but their subsidiary has made way to become a more significant presence in its market through restructuring, as in the case of GLC2. However, this study could not find the information on GLC4's involvement in the region to become champion at the regional or national level. Therefore, from the data collected and presented in Table 5-7, this study can conclude that except for GLC4, other GLCs understudy has become a regional champion or at least a champion at the national level.

Table 5-7: GLCs' Became Regional Champion - Joint Venture, Branches Set up, Acquisition and Merger in GLCTP Period

GLCs	*Joint venture/ Merger*	*Branches*
GLC1	Graduation Report: Established joint venture company in Timor Leste in 2011 pertaining Malaysia Helicopter Services Aviation The signing of a JV agreement with Modern Healthcare Solutions Company Limited for the construction and operation of a pharmaceutical manufacturing plant in the Kingdom of Saudi Arabia in 2013 News cutting: The Edgemarket dated 3rd April 2014 stated that: 'Pharmaniaga Bhd is in discussion to set up a manufacturing plant in Saudi Arabia to produce various types of drugs to cater to the Middle East and North African markets, said chairman Tan Sri Lodin Wok Kamaruddin. According to Lodin, the plant will be a 50:50 joint venture with Saudi-based Modern Healthcare Solutions Co Ltd and Pharmaniaga is expected to incur an initial investment of about RM60 million over three years'	
GLC2	Graduation Report: GLC2 has revenue-generating operating operations and assets in Indonesia, the Philippines and Singapore Interview: *'…CCM Duopharma Biotech Berhad ('CCMD') has become Malaysia's largest generic pharmaceutical manufacturer and to export to various countries in the region such as Brunei, Vietnam, Myanmar, Cambodia) and beyond (e.g., Hong Kong, Taiwan, Bangladesh, Sri Lanka, Maldives, Mauritius'.*	
GLC3	Graduation Report: GLC3 has revenue-generating operating operations and assets in India, Qatar and Turkey.	

GLCs	*Joint venture/ Merger*	*Branches*
	In 2007, the Consortium consisting of MAHB, LIMAK Group and GMR Group won the tender for the Development, Management, and Operation of Istanbul Sabiha Gokcen International Airport (SGIA) in Turkey Execution of the Rehabilitation, Expansion, Modernization, Operation and Maintenance Agreement relating to Male International Airport, Maldives The Development, Construction, Operation, and Maintenance of the Hyderabad International Airport in 2004 in collaboration with GMR Group GMR-MAHB Consortium declared as the winner for the bidding of Male International Airport in the Maldives In 2006, MAHB-GMR Consortium won the bidding for the Development, Construction, Operation and Maintenance of the Delhi International Airport, India Execution of the Implementation Agreement in 2008 for the establishment of Sabiha Gokcen Airport New International Terminal Building in Turkey and its complementary via Built Operate Transfer model News cutting: The Edgemarket dated 1st Nov 2009 stated that: 'Currently, MAHB's other overseas ventures comprise the operations and management of the Rajiv Gandhi International Airport in Hyderabad, the Indira Gandhi International Airport in Delhi and the Istanbul Sabiha Gokcen International Airport in Turkey.'	
GLC4	None	None
GLC5	Graduation Report:	Graduation Report:

GLCs	*Joint venture/ Merger*	*Branches*
	Joint venture with Terberg Benschop B.V. of the Netherlands, one of the world's leading manufacturers of terminal tractors in 2005. Completed the Hyundai-Berjaya deal, where Sime darby Motor owns 51% controlling interest in Hyundai Sime Darby Berhad and Hyundai Motor Sdn Bhd as well as a 36 percent equity interest in Inokom Corporation Sdb bhd (Inokom) Graduation Report: A 50-50 joint venture between Sime Darby's Healthcare business and Ramsay Healthcare, which consolidates all Sime Darby's portfolio of healthcare assets in Malaysia with Ramsay's three hospitals in Indonesia in 2013 News cutting: The Edge Markets on 27 March 2013 reported that: 'Sime has a healthcare presence in Malaysia, Ramsay operates two hospitals in Jakarta (RS Premier Jatinegara and RS Premier Bintaro) as well as one in Surabaya (RS Premier Surabaya).'	In 2010, Shanghai Sime Darby Motors was the world's second-largest dealer of Roll-Royce motorcars by sales volume News cutting: The Edgemarket dated 6th June 2011 reported: 'China's thirst for luxury goods has made Sime Darby Bhd's motor business a surprise star performer for the conglomerate that is finalising its five-year strategic blueprint. "China bought about 20% of the 6,000 Rolls Royces sold worldwide last year. Our dealer in Shanghai sold close to 200 units, another [rival] dealer in Beijing sold about 220 units, so we were the second largest (Rolls Royce dealer in China)," Datuk Mohd Bakke Salleh, group CEO, said on the sidelines of Sime Darby's earnings conference recently'.
GLC6	Graduation Report: Malaysian Transformer (MTM) supply of transformers to the Kingdom of Saudi Arabia (KSA) Investment in the Kingdom of Saudi Arabia (KSA) via a Malaysian Shuoaiba Consortium Sdn Bhd together with Khazanah and Malakoff - the first Independent Water and Power Plant (IWPP) in KSA. News cutting: The Edgemarkets 15th July 2019 reported that GLC6 hold 20 percent of shares in Malaysian Shuoaiba Consortium Sdn Bhd (MSCSB) that holds a	Graduation Report: REMACO awarded the Operation and Maintenance (O and M) Contract of the 225MW Combined-Cycle Diesel in Narowal, Pakistan in 2010 News cutting: The Edgemarkets, 23rd Jan 2013 reported that TNB has announced that its wholly-owned subsidiary TNB Repair and Maintenance Sdn Bhd (Remaco), with joint venture partner Kharafi National of Kuwait, has been awarded an operational and maintenance contract for a

GLCs	*Joint venture/ Merger*	*Branches*
	50% equity interest in Saudi-Malaysia Water & Electricity Company Ltd (SAMAWEC), which in turn holds 60% of SIWPP and SEIWP in the Kingdom of Saudi Arabia (KSA). It is involved in the sale of desalinated water and power to Water and Electricity Company llc (WEC), wholly owned by the ministry of finance of the KSA. Graduation Report: Tenaga Switchgear (TSG) supply of switch gears to Pakistan	dual-fired natural gas and distillate plant owned by the Kuwait Ministry of Electricity and Water. Remaco has a strong track record in servicing Malaysian power plants (including TNB and independent power producers'), as well as winning some contracts in Pakistan, Myanmar and Indonesia. Graduation Report: REMACO awarded the Operation and Maintenance (OandM) Contract of the 84 MW New Bong Escape Hydroelectric Power Complex, Kashmir Pakistan. First Hydro IPP in Pakistan in 2011 Morakot Industries made history by being one of the first companies in Thailand to receive the Carbon Footprint Label Certificate from the Thailand Greenhouse Gas Management Organisation in 2012 Entered into a JV agreement with SP Setia and EPF to develop Battersea Power Station Property Project in London in 2012 Announced 5-Year Expansion Plan to develop 11 new berths, combined with the establishment of dedicated container shipping routes connecting Weifang Port in Weifang, Shandong Province in China in 2012 REMACO (JV) awarded the Operation and Maintenance (OandM) Contract of Shuaibah North Co-Generation (Power and Distillation) Plant in Kuwait in

GLCs	*Joint venture/ Merger*	*Branches*
		2013. 780MW of power and 45 Million Imperial Gallons Per Day (MIGPD) of distilled water Malaysian Transformer (MTM) awarded the contract for Remanufacturing of transformers in Indonesia in 2013 REMACO (JV) awarded the Operation and Maintenance (OandM) of 225MW Sabiya Power Generation and Water Distillation Plant in Kuwait in 2014
GLC7	Graduation Report: Acquisition of PT Excelcomindo Pratama in Indonesia in 2005 News cutting: The Star dated 13 January 2005 reported that GLC7, through its wholly-owned international investment arm, TM International (L) Ltd, announced on 12 January 2005 on the completion of 27.3% interest acquisition in PT Excelcomindo Pratama (XL), Indonesia's number three mobile operator. Graduation Report: Acquisition of a 12 percent stake in Singapore’s MobileOne Limited (M1) News cutting: Press Release by Khazanah dated 17 August 2005 stated that Khazanah and TM International to jointly acquire 12.06 percent stake in Mobileone Graduation Report: TM and Verizon Business built a new IP Hub to support the delivery of advanced data services to Malaysian-headquartered companies throughout the region.	Graduation Report: Launched the Jakarta IP Hub in Indonesia, that provides customized, cost-effective solutions of flexible bandwidth increments up to 1Gbps, catering to the needs of business enterprises in 2010 Completion of the Batam-Dumai- Melaka (BDM) cable system that enhances regional connectivity and facilitates future growth prospect between Indonesia and Malaysia in 2011 Website: The website of Submarine Cable Network reported on 11 February 2011 that Telekom Malaysia Berhad (TM) today sealed a Construction and Maintenance Agreement (C&MA) with PT XL Axiata Tbk and PT Mora Telematika of Indonesia to jointly build a high bandwidth optical fiber submarine cable system between Malaysia and Indonesia named the “Batam-Dumai-Melaka” Cable System (BDM).

GLCs	*Joint venture/ Merger*	*Branches*
	News cutting: The Edgemarket on 17 June 2009 stated that Telekom Malaysia Bhd's (TM) partnership with global communications, IT and security solutions company Verizon in producing a new Internet Protocol (IP) node will provide an impetus for the country to become a regional Internet hub. Graduation Report: Joins hands with regional telco players for the establishment of the Bay of Bengal Gateway (BBG) submarine cable system in 2013 News cutting: The Edgemarket dated 10 March 2014 stated: 'The participation of Telekom Malaysia Bhd in another submarine cable system is expected to lift the company's global and wholesale division's contribution going forward, said investment analysts. 'Based on the success of South East Asia-Middle East-Western Europe (SEA-ME-WE) 3 and 4 submarine cable systems in which TM also took part, we do not foresee major execution and funding risks given that it is usually backed by reputable telcos," said Hong Leong Investment Bank (HLIB) analyst Tan J Young.' Graduation Report: Teams up with Etisalat for SmartHub Data Centre, enhancing GLC7's reachability in the Middle East and Africa in 2014 News cutting: It was reported by The Edgemarkets dated 6 March 2014 that TM has entered into an alliance with Etisalat, a leading telecommunications company (telco) in the Middle East, for the SmartHub Data Centre.	Graduation Report: Establishment of TM Hong Kong Data Centre to cater for demand in enterprise hosting services and as a disaster recovery facility in 2012 News cutting: The Edgemarkets dated 1 June 2012 reported: 'Another area for growth for TM is its ICT-BPO segment, which includes cloud computing solutions and data centre. It recently launched a data centre in Hong Kong and the reception has been encouraging. Moving into the cloud computing space makes sense with the proliferation of smart devices.' Graduation Report: Establishment of TM Australia Regional Office in 2013 News cutting: The Edge Market on 18 December 2013 reported that Telekom Malaysia Bhd (TM) has set up a wholly owned subsidiary in Australia to grow the company's regional operations. The unit is known as Telekom Malaysia (Australia) Pty Ltd (TMA). Graduation Report: Completion of the Malaysia-Japan link for Cahaya Malaysia, its first private international submarine cable system providing industry-leading ultra-low latency connectivity in 2012

GLCs	*Joint venture/ Merger*	*Branches*
	Smarthub is the largest capacity, content, Internet and data hub in the Middle East and Africa hosting the region's first Internetwork packet exchange (IPX) for mobile operators. Its strategic partners include PCCW Global, China Telecom, Tata Comms, SAP, AMSix, Epsilon and Equinix. With the collaboration, TM is now able to extend its data network capabilities into Etisalat's global footprint such as Libya, Saudi Arabia, Pakistan, Afghanistan, Nigeria, Tanzania as well as enhance its reachability in the region.	News cutting: The Edgemarkets dated 8 November 2013 reported : 'Telekom Malaysia Bhd (TM) yesterday launched three initiatives — My1Hub, Cahaya Malaysia submarine cable system and the Iskandar International Gateway (IIGW) — which will facilitate Malaysia's aspirations to be a regional communications hub. Cahaya Malaysia submarine cable systems network, which provides 560 giga bits per second (Gbps) connectivity between Malaysia, Japan, and Hong Kong, is the company's first privately-owned system and spans a distance of over 6,800km. Graduation Report: GLC7 joins hands with regional and global telco players for the establishment of South East Asia – Middle East – Western Europe 5(SEA-ME-WE 5) submarine cable system, connecting three continents: Asia, Africa, and Europe in 2014 Acording to the website of Submarine Cable Network, the South East Asia-Middle East-West Europe 4 (SEA-ME-WE 4, SMW4) is an approximately 18,800 km submarine cable connecting Singapore, Malaysia, Thailand, Bangladesh, India, Sri Lanka, Pakistan, United Arab Emirates, Saudi Arabia, Egypt, Italy, Tunisia, Algeria and France.

GLCs	Joint venture/ Merger	Branches
		The SMW4 cable system consists of two fiber pairs, with intial design capacity of 1.28Tbps, upgraded to 4.6Tbps in 2015. The SMW4 cable system was ready for service on December 13, 2005. The SMW4 project costs about US$500 million, supplier by ASN and Fujitsu jointly. The SMW4 Consortium comprises 16 telecom operators: Algérie Télécom, Algeria Bharti Infotel Limited, India Bangladesh Submarine Cable Company Limited (BSCCL), Bangladesh CAT Telecom Public Company Limited, Thailand Emirates Telecommunication Corporation (ETISALAT), UAE France Telecom, France MCI, United States Pakistan Telecommunication Company Limited, Pakistan Singapore Telecommunications Limited (SingTel), Singapore Sri Lanka Telecom PLC (SLT), Sri Lanka Saudi Telecom Company (STC), Saudi Arabia Telecom Egypt (TE), Egypt Telecom Italia Sparkle S.p.A., Italy

GLCs	*Joint venture/ Merger*	*Branches*
		Telekom Malaysia Berhad (TM), Malaysia Tunisie Telecom, Tunisia Tata Communications, India
GLC8	Graduation Report: Set up UMW oilfield services for pipe inspection and repair services in Turkmenistan in 2007 News cutting: The Edgemarkets dated 5 July 2009 reported: ‘UMW’s main businesses include the manufacture of oil country tubular goods and line pipes, oil and gas exploration operations, fabrication and provision of oilfield services and supply of oilfield products. Its operations cover Asia-Pacific and Turkmenistan.’ Graduation Report: Set up India Ventures - Sathya, Castwell, Dongshin Motech - an automotive parts manufacturer in India News cutting: The Edgemarkets dated 22 June 2012 stated: ‘Its Indian unit UMW Dongshin Motech Pte Ltd supplies parts to Volkswagen and Tata Motors while Sathya Auto Pte Ltd supplies 100% of the jack requirements of Hyundai India. For 1QFY12, UMW registered a net profit of RM220.03 million, up 44.9% from a year ago while revenue rose 14.74% to RM3.7 billion.’ JV between UMW and Arabian Drilling Services (ADS) for onshore drilling activities in Oman in 2009 Graduation Report:	Graduation Report: Setting up of UMW Instep Drilling Academy - one of its kind of catering for ASEAN drilling competency enhancement program in 2012 News cutting: In the Edgemarket dated 1 November 2013, the UMW O&G president said the firm would establish the UMW Drilling Academy, scheduled to be operational in January next year. Graduation Report: GLC8's subsidiary supply the main power generation package in Turkmenistan News cutting: UMW’s main businesses include the manufacture of oil country tubular goods and line pipes, oil and gas exploration operations, fabrication and provision of oilfield services and supply of oilfield products. Its operations cover Asia-Pacific and Turkmenistan.

GLCs	Joint venture/ Merger	Branches
	JV with Japan Drilling Company (JDC) to operate and co-ownership of Semi Submercible Offshore Rig News cutting: The Edgemarkets dated 17 July 2009 reported that UMW's current JV partner, Japan Drilling Co (JDC), could expand its drilling rigs to Malaysian waters. On JDC, the research house said the company was Japan's sole offshore drilling contractor, which had been providing drilling services for more than 40 years. Among its notable shareholders were Japan Petroleum Exploration Co Ltd, with a 34.6% stake and Mitsubishi Materials Corp, with a 29.31% interest. UMW and JDC are currently in a 50:50 partnership for Naga 1, a rig deployed in the waters off Sarawak. Graduation Report: Opening of UMW Oil and Gas Bangkok Regional Office in Thailand News cutting: The Bangkok Post reported: 'In Thailand, UMW has partnered with PTT Exploration and Production (PTTEP), which is active in many areas worldwide. PetroVietnam, which is a new client, is also undertaking many projects, mainly in its home country. 'Oil and gas exploration and production activity is on the uptrend,' said Mr Rohaizad. 'PTTEP is moving everywhere and also is still active in exploration in the Gulf of Thailand, while PetroVietnam is exploring many areas. We expect to continue working with them.'	

GLCs	*Joint venture/ Merger*	*Branches*
	Graduation Report: Acquisition of PFP Holding Pte Ltd in Australia News cutting: The Edgemarkets dated 29 December 2017 stated: ‘UMW said its wholly-owned subsidiary PFP (Aust) Holdings Pty Ltd had entered into a share purchase agreement with Huang Hsueh Fang for the disposal of 375,000 shares or a 75% stake in PFP Taiwan Co Ltd.’	

5.3.1.3 Pursuing Investment in New Industries and Sectors

The Graduation Report stated that overall, the 17-selected GLCs have invested in new industries, which includes education, healthcare, pharmaceuticals, technology, creative media, leisure and tourism, sustainable development, life sciences, and wellness, and we validated the data with data from news cutting and interview. From Table 5-8, we can see that among GLCs understudy, the Graduation report asserted that GLC1 and GLC5 had made the most numbers of new investments, which are in four sectors. GLC1 has pursued in the education sector through the University of Nottingham, healthcare, and pharmaceutical through the construction of a plant in Riyadh, tourism, and leisure by constructing The Curve and hotels and establishing a maintenance, repair and operation (MRO) center for Euro copter. GLC5 has pursued education activity through Pagoh Education Hub, has ventured into healthcare industries outside Malaysia, performed sustainable development by enhancing the facility for public transport and agriculture through biomass initiative.

GLC7 invested in two new sectors, namely the healthcare and pharmaceutical, through its venture in Nusajaya and technology and creative media by launching the Unifi and HyppTV on High-Speed BroadBand (HSBB). Each GLC2, GLC3, GLC4, and GLC6 has invested in only one new sector, respectively. GLC2 is a catalyst for the halal pharmaceutical industry in Malaysia. GLC3 has a joint venture with a foreign company to establish a retail outlet that is the biggest in South East Asia while GLC4 has developed a green building named Platinum Sentral in the CBD of KL Sentral. GLC6 implemented strategic acquisition of Integrax provides coal handling services and port facilities for its coal-fired power plant in Perak in 2011. This move allows GLC6 to safeguard the supply chain of its coal-fired power plant operation in Manjung, Perak. GLC8 has no investment in the new industry in the transformation period, as we discovered that the investment on aerospace with Roll Royce was only started in 2015.

We also noticed that only two GLCs, namely GLC1 and GLC3's made investment in leisure and tourism industry and these GLCs perceived as 'new'. For GLC3, the investment is the only activity that was categorized under the third role to pursue investment in new industries. In the next session, we will argue that this industry is not catalytic and transformative.

Table 5-8: Result on GLCs' Pursuing Investment in New Industries in GLCTP Period

GLCs	*Education*	*Healthcare and Pharmaceutical*	*Sustainable Development*	*Leisure and Tourism*	*Others (Eurocopter, Agriculture, Innovation, Technology, and Creative Media)*
GLC1	Graduation Report: University of Nottingham Campus	Graduation Report: Construct and manage a pharmaceutical manufacturing plant in Riyadh News cutting: The Edge Market dated 3 April 2014 stated that Pharmaniaga Bhd, a subsidiary of GLC1 is in discussion to set up a manufacturing plant in Saudi Arabia to produce various types of drugs to cater to the Middle East and North African markets said chairman Tan Sri Lodin Wok Kamaruddin. The plant, which will be constructed in a special industrial zone in Riyadh, is entitled to incentives from the Saudi government.		Graduation Report: Enhancements to Curve and eCurve shopping centers, Expansion of the Royale brand of hotels with Royale Resort and Spa Cherating in development News cutting: The Star on 13 April 2012 reported: 'Boustead Holdings Bhd is teaming up with Ikano Pte Ltd to acquire land to build and manage a shopping centre here. Its unit, Mutiara Rini Sdn Bhd had on Friday inked a joint venture agreement with Ikano to set up a joint venture company to acquire land from Lembaga Tabung Angkatan Tentera (LTAT) to jointly develop and manage a shopping centre on the site'.	Graduation Report: Maintenance, repair, and operations (MRO) center agreement with Eurocopter and the appointment of its subsidiary as the Approved MRO Centre of Eurocopter News cutting: Media release dated 28 March 2011 stated that GLC1 has entered into the local aviation industry through its acquisition of MHS Aviation Berhad (MHS). The acquisition consisting of a 51 percent stake worth RM100 million was sealed in a sales and purchase agreement (SPA). A signing ceremony also took place between MHS and Eurocopter Malaysia Sdn Bhd to mark the delivery of the first of five EC225s acquired, adding on to MHS's current fleet of helicopters. The media release also captured an interview with the Deputy Chairman of GLC1 as he said, 'the company continuously seeks opportunities, be it organic or nonorganic and with the acquisition of MHS, we view this as a synergistic

GLCs	*Education*	*Healthcare and Pharmaceutical*	*Sustainable Development*	*Leisure and Tourism*	*Others (Eurocopter, Agriculture, Innovation, Technology, and Creative Media)*
				The Edge Markets dated 7 May 2009 stated that Boustead Holdings Bhd plans to develop a resort hotel in Kuantan to be known as Royale Cherating Resort and Spa Kuantan.	effort to strengthen our involvement in the oil and gas sector.' Interview: *'…We are also glad to note that MHS is the first helicopter operator in Malaysia to be certified by the Malaysian Department of Civil Aviation for its Safety Management System.'*
GLC2		Graduation Report: An award-winning leader in Halal Pharmaceutical **News cutting:** A media release dated 27th April 2011 stated that GLC2 is a pioneer in the production of halal-certified pharmaceutical products, is at the forefront of promoting the halal initiatives and was bestowed the inaugural Halal Recognition Award 2011 at the 2011 World Halal Research Summit. In the media release, the CEO stated: 'As one of the largest pharmaceuticals, chemicals,			

GLCs	*Education*	*Healthcare and Pharmaceutical*	*Sustainable Development*	*Leisure and Tourism*	*Others (Eurocopter, Agriculture, Innovation, Technology, and Creative Media)*
		and fertilizer manufacturers in the country, we have from the onset established benchmarks for responsible, sustainable and consistent compliance procedures implemented throughout our organization to manage a halal business.'			
GLC3				Graduation Report: Joint venture with Mitsui-Fudosan to open the largest modern retail outlet shopping center in South East Asia, Expanded involvement in the hotel business with Sama Sama Hotel, Gateway Integrated Complex @ klia2 **News cutting:** MAHB signed a joint-venture agreement with Mitsui Fudosan Co Ltd to undertake the largest factory outlet project in South-East Asia, worth RM335 million. Under the	

GLCs	*Education*	*Healthcare and Pharmaceutical*	*Sustainable Development*	*Leisure and Tourism*	*Others (Eurocopter, Agriculture, Innovation, Technology, and Creative Media)*
				agreement, MAHB and Mitsui would form a joint venture (JV) company, MFMA Development Sdn Bhd, to build the factory outlet. MAHB would hold a 30 per cent stake in the JV. Interview: *'…We do not invest in industries that are not related to aviation…we also have Mitsui Outlet Park, it is related to airport business, we have 30 percent JV with Mitsui Fudo san. We participate in that but not as a major shareholder because we believe that Mitsui Fudo san will be able to pull the public to use our airport. In addition to this, we develop MICE…which is also not related to aviation, but we believe, but we just JV company,*	

GLCs	*Education*	*Healthcare and Pharmaceutical*	*Sustainable Development*	*Leisure and Tourism*	*Others (Eurocopter, Agriculture, Innovation, Technology, and Creative Media)*
				we might be participating in the hotel…'	
GLC4			Graduation Report: Completion of Platinum Sentral in 2012, KL Sentral's Central Business District (CBD) became the first Green Office Campus News cutting: A media release dated 9 November 2013, it has also become Malaysia's first Smart plus Connected Real Estate (S+CRE) with its centralized network solution for integrating energy, building, facility, security, maintenance, and IT networks management. It		

GLCs	*Education*	*Healthcare and Pharmaceutical*	*Sustainable Development*	*Leisure and Tourism*	*Others (Eurocopter, Agriculture, Innovation, Technology, and Creative Media)*
			forms the internal structure that supports the green and sustainable features and functionalities of Platinum Sentral.		
GLC5	Graduation Report: Pagoh Education Hub; Malaysia's first multi-varsity development Serenia City; a greenfield development, aims to be Malaysia's first international center of excellence for knowledge supported by a destination commercial township concept	Graduation Report: Joint venture with Ramsay Health Care, the first expansion in healthcare outside Malaysia Announcement: AXN on 26 March 2013 announced that Ramsay Health Care Limited (Ramsay) and Sime Darby Berhad have entered into a joint venture to expand their healthcare businesses in Southeast Asia on 26 March 2013.	Graduation Report: Transit-oriented developments to improve urban public transport News cutting: The Edge Market dated 10 September 2013 reported that Sime Darby Property Bhd (SDP) has taken on the challenge of developing transit-oriented and transport-adjacent developments, or TODs and TADs. "What we realised is that many of our		Graduation Report: Co-leading Malaysia's biomass initiative with FELDA (AIM, MIGHT) to examine new economic opportunities from biomass. News cutting: The Edge Markets dated 1 July 2013 made a statement that TNB has a deal with Felda Global Ventures Holdings Bhd (FGV) on a 40:60 basis to operate a biomass renewable power generation plant. The plant, which was commissioned at the end of last year, has the ability to produce 12.5mw of energy.

GLCs	*Education*	*Healthcare and Pharmaceutical*	*Sustainable Development*	*Leisure and Tourism*	*Others (Eurocopter, Agriculture, Innovation, Technology, and Creative Media)*
	News cutting: The Star on 7 November 2012 reported that Sime Darby Property Bhd is set to build the country's first multi-varsity education hub. The hub, which will be built in Pagoh, Johor, will house four institutions of higher learning, namely the *Universiti Teknologi Malaysia, International Islamic University Malaysia, Universiti Tun Hussein Onn*		developments are TODs and TADs, which open up new opportunities for us," says Zulkifli Tahmali, head of property development at SDP. TODs and TADs are often defined as mixed-use developments designed to maximize transit ridership. The former should be situated 400m by foot from transit points and the latter, 800m.		

GLCs	*Education*	*Healthcare and Pharmaceutical*	*Sustainable Development*	*Leisure and Tourism*	*Others (Eurocopter, Agriculture, Innovation, Technology, and Creative Media)*
	Malaysia and Politeknik Pagoh.				
GLC6					Graduation Report: The strategic acquisition of Integrax, which provides coal handling services and port facilities for its coal-fired power plant
GLC7		Graduation Report: Integrated Smart City solution in Nusajaya News cutting: The Edge Markets dated 4 Dec 2012 reported that Telekom Malaysia Bhd (TM) has formalised two collaboration agreements to provide telecommunications and ICT infrastructure for the aim of creating a connected Nusajaya.			Graduation Report: Launched UniFi and HyppTV; TM’s triple-play offering of voice, internet, and video services on HSBB News cutting: The Edge Markets dates 18 January 2011 stated that TM's HyppTV service was launched in October last year and is available to all TM UniFi HSBB residential customers as part of the service's triple-play offering.
GLC8					Interview: *'…we are going to the aerospace…we got a contract with the Rolls Royce…we managed to secure the contract, starting from August 2015, for a 25 years contract to supply fan casing. Also in the pipeline, there is another program,*

GLCs	*Education*	*Healthcare and Pharmaceutical*	*Sustainable Development*	*Leisure and Tourism*	*Others (Eurocopter, Agriculture, Innovation, Technology, and Creative Media)*
					looking with other manufacturers for other parts related to aerospace…basically we are looking into IT security that that cover the area, where we can collaborate with other people who has name into the IT security that cover the forensic part of IT, investigations, how to protect hacking of websites…'

5.3.1.3.1 GLCTP and GLCs' Perception of New Industries

This study has examined new industries pursued by GLCs captured by the Graduation Report. However, we also found that there is a case that the industry is claimed by the report to be new, but it is just new to a particular GLCs, i.e., beyond their core-operations, or pursuing investments in new areas/location, but are being invested by the private companies. The industry is not catalytic or unique in the Malaysian context, that the government intends to nurture but less take-up by private companies. An example of this industry is an investment in leisure and tourism, whereby the Graduation Report stated that GLC1 and GLC3 are pursuing investment in this industry by constructing 'The Curve' and KLIA@complex, respectively. It could also be seen as a mere development of a new area/location regarding the former. Still, property development is not unique to GLC1, as in Table 5-11, when we discussed GLCs core-operations and the interviewee mentioned this is part of the core-business of GLC1.

Whereas, GLC3 airport operations that includes the lease of commercial space, duty-free, non-duty free and F & B outlets, management and operation of parking facilities, advertising, and free commercial zone, and the development of retail outlet shopping center, hotel business with Sama Sama Hotel, Gateway Integrated Complex @ Klia2 is not a new industry to GLC3. Thus, in this case, what the industry that both Graduation Report and GLCs perceived as new is not valid as it is not transformative and catalytic (event or person that causes excellent change) in nature.

GLCTP aspiration is that it is a good move if a GLC is venturing into a new sector that the government intends to nurture. These investments should have fewer uptakes by the private companies that see profit as their primary agenda. Otherwise, GLCs were encroaching into the same sector as the private companies and claimed to achieve its role to pursue investment in new industries and undermines the government aspiration to reduce GLCs' presence in the market.

Thus, to know GLCs and GLIC perception of new industries or sectors, this study also analyzed the data from the respondents' interviews. The respondent from GLC1 explicitly did not mentioned the development of the Curve as new industry as he stated:

> *'...For the past years, we actively invest new industries, we expand and enhance business in oil and gas industries, property development, pharmaceutical, and shipbuilding, we acquired 55 percent stake in MHS Aviation Berhad in 2011, this*

company is involved in providing air transportation, flight support and training to oil and gas companies…MHS became the first certified helicopter operator in Malaysia

The respondent from GLC3 commented that they have embarked on new industries through land development related to the aviation business, namely, the retail outlet, the convention center, and the hotel. He further commented that GLC3 venture with Mitsui Fudo san is an airport-related business to pull the public to use our airport. However, similar to GLC1, property or land development is a mature industry. The investments made are merely an expansion of businesses or encroachment in the same market as private companies but not transformative and catalytic. Similar to the case by GLC1, this investment can be done by the private companies but when it was implemented by GLCs, they encroached private companies' businesses.

5.3.1.3.2 The Expansion of GLCs' Size

We examined whether there is an expansion of sixe by investigating the changes in GLCs' sizes, proxies by the amount of assets in the pre- and post-period. Thus, this study found that on average, GLCs understudy had expanded their sizes by 34.4 percent, from RM18.9 billion to RM25.4 billion. Table 5-9 highlights the percentage of increased/(decreased) of GLCs' assets between the pre and post-period.

Table 5-9: The Amount of GLCs' Asset (in RM billion) in the Pre and Post-period and the Percentage of Changes

	Amount of Asset (in RM billion)		*Percentage Changes*
	Pre-period	*Post- period*	
GLC1	7.43	13.5	81.70
GLC2	0.98	1.90	93.89
GLC3	4.61	11.00	138.61
GLC4	2.43	5.88	141.98
GLC5	27.65	45.6	64.92
GLC6	67.70	90.82	34.15
GLC7	33.94	22.9	(35.18)
GLC8	6.53	12.63	93.42
Average	18.91	25.41	34.42

*Parentheses show a different direction

It can be seen from the table above that all GLCs have increased the number of assets except for GLC7, which recorded a decrease of 35.2 percent. The declining trend for this GLC is explainable, as there was a massive demerger of its international arms in the mid of the pre-period (2007). The highest growth on assets is recorded in GLC4 of 142 percent and followed by GLC3 of 138.6 percent. For the later, it also explained the negative change in ROA, although ROE have recorded a positive change, as presented in Table 5-3. Both GLC2 and GLC8 have increased the amount of assets by around 93 percent, but GLC2's assets are the lowest in both periods of less than 2 percent. Other GLCs that recorded a high increase in assets is GLC1 of about 82 percent. Table 5-8 explained that these GLC4, GLC3 and GLC1 pursued investment in new industries in the leisure and tourism industry/sector that have been mentioned in Section 5.3.1.3.1. When investigating the amount of assets of GLC8 in both periods, as in Table above, it is apparent that there is a huge increase of the amount of assets from RM6.5 percent to 12.6 percent that is almost doubled, even though this GLC was not pursuing investment in new industries. In short, the results from the analysis of the changes in the amount of assets shows GLCs are expanding, probably from the effect of pursuing new industries in the transformation period.

5.3.1.4 Collaborating and Co-Investing with Private Companies

In general, the Graduation Report confirmed that the 17-selected GLCs had taken the lead in pursuing collaborations by implementing strategic partnerships, joint ventures, and mergers between GLCs and the private sector to embark on projects domestically and internationally. Thus, we verified the data from the Graduation Report with the data from news cutting and interviews, as per Table 5-10. As we can see from the table above, the Graduation Report stated that all GLCs have collaborated and co-invested with private companies except for GLC8. Therefore, we gained more information through interview with the respondent from GLC8 on this and information from media release and confirmed that GLC8 has collaborated with private companies in lubricant business but this activity was not taken into accounts by GLCTP. Therefore, we concluded that all GLCs had taken the role to collaborate and co-invest with private companies.

Table 5-10: The Result on GLCs' Collaboration and Co-investment with Private Companies in the GLCTP period

GLCs	*Collaboration with Private Companies*	*Co-investment with Private Companies*
GLC1		Graduation Report: A joint venture (JV) with Ikano Pte Ltd to jointly develop and manage two IKEA franchises and a shopping center in *Jalan* Cochrane, Kuala Lumpur News cutting: The Edge Market dated 13 April 2012 stated that: 'Boustead Holdings Bhd has roped in Luxembourg-based Ikano Holding SA as a joint venture (JV) partner to acquire prime Kuala Lumpur land where both companies intend to develop and manage a shopping centre. Graduation Report: A JV with Kuala Lumpur Kepong Berhad to improve productivity and efficiency in estates News cutting: The Star dated 25 January 2014 stated that Boustead Plantations, which primarily sells CPO and palm kernel locally, is also exploring the export market. Nonetheless, it has no shortage of customers on home soil, with 54 palm oil refineries in Malaysia that buy CPO as feedstock for oleo chemical and edible oil products. And though small, its research and development joint-venture with Kuala Lumpur Kepong Bhd (KLK) is ramping up production of a compact palm seed, which allows for high-density planting to boost the number of palm trees planted per ha. Be that as it may, Boustead Plantations' operating statistics show that it not the most productive of planters. Graduation Report: A JV with DCNS S.A. for collaboration in industrial and engineering

GLCs	*Collaboration with Private Companies*	*Co-investment with Private Companies*
		activities News cutting: The Edgemarket dated 14 May 2009 stated that: Boustead Heavy Industries Corporation Bhd (BHIC) has proposed to collaborate with French-based DCNS SA in industrial and engineering activities on all operations that include maintenance, technical engineering and logistic engineering for the in-service support (ISS) of the Scorpene submarines in Malaysia.
GLC2	Graduation Report: Agreement with PanGen Biotech Inc. of South Korea to pioneer the development of biosimilars for kidney failure treatments in Malaysia News cutting: The Edgemarket dated 13 February 2014 stated that ‘Chemical Company of Malaysia Bhd (CCM) has acquired a 11.6 per cent equity stake in PanGen Biotech Inc (PanGen), a Korean biotechnology company to accelerate its foray into the biosimilars business. Graduation Report: Agreement with Biocon Ltd. India to market, sell and distribute a range of human insulin products in Malaysia and Brunei News cutting: The Edgemarket dated 14 December 2012 stated that 'Malaysian Biotechnology Corporation (BiotechCorp) hopes to bring in RM500 million in investments into the pharmaceutical park that will be built in Alor Gajah, Malacca. The park will be set up by BiotechCorp, DRB-Hicom Bhd, Melaka Public-private partnership (PPP) model	

GLCs	*Collaboration with Private Companies*	*Co-investment with Private Companies*
	through a participation of Biotechnology Corporation Sdn Bhd and Capipharm Development Sdn Bhd. BiotechCorp's chief executive officer Datuk Dr Mohd Nazlee Kamal said the pharmaceutical park will create a specialised ecosystem to support the country's bioeconomy. The conglomerate, through its local associate company, AJ Pharma Holding Sdn Bhd, is pledging US$100 million as an initial investment for biomedical projects in Malaysia. India's Biocon Ltd, through its unit Biocon SA, and CCM Pharmaceutical Sdn Bhd, also exchanged documents for the distribution of insulin and insulin products in Malaysia and Brunei.'	
GLC3		Graduation Report: A JV with Mitsui Fudosan to develop Mitsui Outlet Park KLIA News cutting: The Edgemarket dated 22 August 2013 stated that '*Alliance Research expects Malaysia Airports Holdings Bhd's (MAHB) non-aeronautical revenue to be boosted upon the completion of the Mitsui Outlet Park KL International Airport in 2015*.' MAHB signed a joint-venture agreement with Mitsui Fudosan Co Ltd to undertake the largest factory outlet project in South-East Asia, worth RM335 million. Under the agreement, MAHB and Mitsui would form a joint-venture (JV) company, MFMA Development Sdn Bhd, to build the factory outlet. MAHB would hold a 30 per cent stake in the JV. Graduation Report: A JV with WCT Holdings Berhad to develop Gateway@klia2 integrated complex News cutting: The Edgemarket dated 18 June 2009 stated that 'WCT Bhd is keen to

GLCs	*Collaboration with Private Companies*	*Co-investment with Private Companies*
		participate in the construction of the RM2 billion new low-cost carrier terminal (LCCT) in Sepang, said its deputy managing director Goh Chin Liong.
GLC4	Graduation Report: Collaboration with Ekovest in the KL city beautification project News cutting: The Edgemarket dated 25 August 2011 stated that 'The government has ordered a freeze on all transactions of government-owned land near the Klang River in the city centre pending efforts to clean up the river, according to Kuala Lumpur mayor Tan Sri Ahmad Fuad Ismail. In a recent interview, Ahmad Fuad said the move is to enable the government to extract better value from its land by doing deals only after it can factor in proximity to a beautiful riverfront as a value enhancer. The government has issued a letter of intent to a joint venture between Ekovest Bhd and Malaysian Resources Corp Bhd (MRCB) to act as the PDP for the river enhancement project over a three-year period. The Graduation Report: Merged with Gapurna Group in 2013, other Malaysian company to become greater heights in property construction and development. News cutting: The Star dated 20 June 2013 stated that 'Shareholders of Malaysian Resources Corp Bhd (MRCB) voted resoundingly in favour of its RM729 mil merger with Nusa Gapurna Development Sdn Bhd at an EGM on Thursday.'	Graduation Report: A JV with CMY Capital Sdn Bhd and Jitra Perkasa Sdn Bhd to acquire and develop St Regis Hotel development News cutting: The Edgemarket dated 29 October 2010 stated that 'Property is one of the main focuses of the recently-launched Economic Transformation Programme (ETP) roadmap, as the development of industrial, commercial, residential and even tourism centres are expected to help kick start the transformation of Malaysia into a high-income economy. Another notable project is what is touted as the first six-star hotel in Kuala Lumpur — the St Regis Kuala Lumpur, which involves a RM1.2 billion investment. Offering 208 hotel rooms and 160 serviced apartments in KL Sentral, the building will be managed by six-star luxury hospitality brand St Regis. Graduation Report: Co-invest in Gapurna Group which gave private sector management control of the GLC News cutting: The Edgemarket dated 31 July 2012 stated that MRCB is in negotiations to acquire private property developer Nusa Gapurna Development Sdn Bhd.
GLC5	Graduation Report: Collaboration with London Battersea Power Station redevelopment	Graduation Report: A JV with Tunas Selatan for the development of Pagoh Education Hub

GLCs	Collaboration with Private Companies	Co-investment with Private Companies
	project as a sustainable mixed development comprising residential and commercial units News cutting: The Edgemarket dated 8 June 2012 stated that ‘If successful, the purchase of the potential lucrative piece of real estate will boost Malaysia’s corporate standing in the UK. Sime Darby Berhad and SP Setia will join the ranks of other Malaysian groups. Real estate consultants said the Battersea Power Station assets would enable the developers to gain access to the lucrative prime central London property market where there is a shortage of sizable development tracts, and residential projects.	News cutting: The Edgemarket dated 8 Novermber 2012 stated that Sime Darby Bhd has entered into a joint venture (JV) with Tunas Selatan Pagoh Sdn Bhd (TSP) to undertake the Pagoh Education Hub project worth RM992.6 million under a Private Finance Initiative. In a filing with Bursa Malaysia yesterday, Sime said its indirect wholly owned unit Sime Darby Johor Development Sdn Bhd (SJD) has formed a 60:40 JV with TSP to undertake the project that will be based on the “build-lease-maintain-transfer” concept. TSP is a unit of little known Sungai Cerah Sdn Bhd. Graduation Report: A JV with Sunsuria to develop Xiamen University Malaysia campus News cutting: The Edgemarket dated 21 April 2015 stated that ‘Sunsuria Bhd has proposed to buy the half it does not own in joint-venture (JV) firm Sime Darby Sunsuria Development Sdn Bhd (SDSD) for RM173.4 million in cash. SDSD was incorporated as a 50:50 JV company between Sime Darby Property (Sungai Kapar) Sdn Bhd and Sunsuria’s unit Sunsuria Gateway Sdn Bhd (Sunsuria Gateway) to undertake a proposed property development project known as Suria Serenia on a 331.27-acre (134.1ha) plot of freehold land in Putrajaya. Graduation Report: A JV with CapitaMalls Asia to develop Melawati Mall News cutting: The Edge Market dated 25 September 2013 stated that ‘Bina Puri

GLCs	*Collaboration with Private Companies*	*Co-investment with Private Companies*
		Holdings Bhd announced it had secured a contract worth RM441 million from a Sime Darby joint venture (JV) company to undertake the construction of super-structure works. In a statement to Bursa Malaysia, Bina Puri said it had accepted a letter of award from Sime Darby CapitaMalls Asia (Melawati Mall) Sdn Bhd. The statement stated the contract period would be 24 months..
GLC6	Graduation Report: Collaboration with Khazanah and Malakoff to develop Shuaibah Independent Water and Power Project in Saudi Arabia News cutting: The Edgemarket dated 15 July 2019 stated that 'Khazanah Nasional Bhd clarified today that it divested its 40% stake in Malaysian Shoaiba Consortium Sdn Bhd for a "healthy profit", as the project was completed and fully operational and after Khazanah achieved its commercial objectives of its investment in the consortium.' Malaysian sovereign wealth fund Khazanah said in a statement today that it entered into a joint investment in 2005 with Malakoff Corp Bhd and Tenaga Nasional Bhd via the consortium, to support Malaysia's entry into Saudi Arabia's independent water and power producer market.	
GLC7	Graduation Report: Collaboration with industry players to provide open access to High-speed Broadband (HSBB) network to the industry Interview: *'High-speed broadband (HSBB) was done under the PPP, stands for Public-Private Partnership, this partnership is where our company teams up with the government to launch the broadband, it is a very*	

GLCs	Collaboration with Private Companies	Co-investment with Private Companies
	high-capital intensive project, so we have to like we share the cost, and of course the bulk come to our company. So the duty is together with the government, the government is not just the ministry but also the Cabinet who wants the broadband for the people...' News cutting: The Star dated 14th December 2010 mentioned that the CEO of GLC7, in the signing ceremony with Maxis Berhad on the agreement to provide HSBB access, mentioned that it is the beginning of the new era in industry collaboration, which further strengthens GLC7's position as a neutral wholesale service provider. News cutting: The Edge Market dated 20 February 2011 stated that 'Deals signed between Telekom Malaysia Bhd (TM) and Maxis Bhd, and Celcom Axiata Bhd and DiGi Telecommunications Sdn Bhd are a clear sign that things have changed. Apart from signifying collaboration and the sharing of infrastructure, the deals also show that TM is changing its previous stance and opening up the "last mile". The last mile is the final link between the network and the end-consumer an expensive piece of infrastructure that is usually undertaken and owned by the government, given its high price tag. When TM was awarded HSBB project in 2009, there were doubts that it would open up the last mile. But it has happened, with TM inking a deal with Maxis. On Jan 6, the telcos signed a 10-year agreement that allows Maxis to ride TM's HSBB network. Essentially, TM has given Maxis access to the last mile, which enables the latter to offer high-speed access to the Internet to more than 700,000 homes.' Graduation Report:	

GLCs	Collaboration with Private Companies	Co-investment with Private Companies
	Partnership with Green Packet and SK Telecom to deliver next-generation converged communications services News cutting: The Edge Market dated 28 March 2014 stated that 'Telekom Malaysia Bhd (TM), together with Green Packet Bhd and SK Telecom Co Ltd will further invest RM1.65 billion in Packet One Networks (M) Sdn Bhd (P1) in the next three to five years to fund the latter's business expansion. Graduation Report: Smart partnerships with property developers for in-built HSBB and increase broadband connectivity in properties News cutting: The Edgemarket dated 13 June 2017 stated that 'United Malayan Land Bhd (UMLand) will be launching its D'Lagoon serviced apartment project in Taman Seri Austin, Johor Bahru on June 17 with adjusted price points. Introduced two years ago, the 6.56-acre project has a gross development value of RM162 million and will comprise 204 luxury serviced apartment units in two 20-storey towers and 58 units of landed strata homes, said UMLand Seri Austin chief executive officer Wong Kuen Kong. Graduation Report: Partnership with Nusajaya Tech Park to develop a purpose-built data center News cutting: The Edgemarket dated 26 March 2015 stated that 'Telekom Malaysia	

GLCs	*Collaboration with Private Companies*	*Co-investment with Private Companies*
	Bhd (TM) has signed an agreement with Nusajaya Tech Park Sdn Bhd (NTPSB) for the purchase a 7.94-acre piece of freehold land within Nusajaya Tech Park in Iskandar Malaysia, Johor and the construction of a data centre and office infrastructure for RM137.9 million. In a filing with Bursa Malaysia today, TM (fundamental: 1; valuation: 0.9) said a service agreement was also entered between the two companies, which will see TM providing connectivity services into Nusajaya Tech Park. NTPSB is a joint venture between Ascendas Land (Malaysia) Sdn Bhd and UEM Land Bhd, where the equity ratio is 60% and 40%, respectively. The company is mandated to promote, coordinate and drive the overall development of Nusajaya Tech Park	
GLC8	Graduation Report: No info Interview: '*…we do have but not many…last time we have…we are selling lubricant, so the lubricate business that we have we need to do the blending, we do distribution, so private help us in distribution.'* Media Release: The media release dated 18th September 2012, GLC8, through its wholly-owned subsidiary, has been appointed as lubricant supplier to Perodua, an associate company with a 38 percent stake with a sales potential worth RM60 million for five years. As pointed out by the CEO that the agreement is in line with the GLC8's business strategy and marks a significant milestone in Lubetech's journey of growth and expansion. The media dated 13th March 2011 that GLC8 has embarked on a strategic business plan with Repsol Lubricants to penetrate target	

GLCs	*Collaboration with Private Companies*	*Co-investment with Private Companies*
	markets both in Malaysia and regional markets. GLC8 has announced that that it had identified several dealers to carry the Repsol brand name to make it more accessible and competitive in the target markets.	

5.3.1.5 Focusing on Core-operations: Level-playing Field and Exit Non-core or Non-competitive Activities

This section discusses the achievement of GLCs fifth roles under NEM, to focus on core-operations, 1) operating on a level playing field, and 2) exit non-core or non-competitive activities or businesses. However, as mentioned in Chapter four, the Graduation Report failed to explain GLCs' core-operations at the beginning and the end of the GLCTP period as well as to define the level playing field. Thus, for each GLC, this section analyzed the differences in the core-operations in FY 2005 and FY 2014, by examining their annual reports, presented in Table 5-11. Overall, GLCs' core-operations in FY2014 have not changed much from the one in FY 2005, except for the usage of different terminologies. For example, the term 'Building Services' that GLC4 used in FY 2005 has changed to 'Facilities Management and Parking' in FY2014 and 'Infrastructure and Concession' to a more specific term, namely 'Engineering, Construction and Environment'.

This study also discovered that GLC4 includes sustainability as one of its main KPIs since FY2010, but not before. GLC5 has also substituted the term 'heavy machinery distribution' used in FY2005 to 'industrial' in FY2014. Other than this, GLC3 and GLC7 have reclassified their core-operations from the one they had in FY2005. Apart from this, there are also additional core-operations indicated in FY2014, for instance, GLC1 has added three more core-operations in FY2014, namely Pharmaceutical, Heavy Industries as well as Trading and Industrial. GLC6 has added non-regulated energy businesses/core-operations to Generation, Transmission, and Distribution operations that have already been placed as its core-operations in FY2005. Hence, this study concluded that overall, GLCs understudy remained to have almost the same core-operations throughout the GLCTP period.

Table 5-11: GLCs' Core-operations in FY2005 and FY2014

GLCs	*FY2005*	*FY2014*
GLC1	Plantation, Property, Financial Services	Property, Pharmaceutical, Plantation, Heavy Industries, Finance and Investment, Trading and Industrial
GLC2	Chemicals, Pharmaceuticals, Fertilizers	Chemicals, Pharmaceuticals, Fertilizers
GLC3	Lease of commercial space, duty-free, non-duty free and F&B outlets, event management, hotel, agriculture and horticulture, others	Airport operations (lease of commercial space, duty-free, non-duty free and F & B outlets, management and operation of parking facilities, advertising, and free commercial zone) Non- airport operations (hotel, agriculture and horticulture, project and repair maintenance)
GLC4	Property Development and Investment, Building Services, Infrastructure, and Concession	Property Development, Engineering, Construction and Environment, Facilities Management and Parking (KL Sentral), Investment Holdings
GLC5	Plantations, Motor Vehicle Distribution, Heavy Equipment Distribution, Property, Energy Industries	Plantation, Industrial, Motors, Property, Energy and Utilities
GLC6	Generation, Transmission and Distribution of electricity	Generation, Transmission and Distribution of electricity Non-regulated Energy Businesses- business opportunities from upstream and downstream generation business
GLC7	Fixed line, Mobile, Internet and Multimedia, Other Telecommunication (include primarily recoverable works order (RWO), maintenance, broadcasting, restoration of submarine cable, managed network services, and enhanced value-added telecommunication services. GITN Sdn Berhad (GITN), Non-telecommunication (includes management and consultancy services, property management, education, trading in consumer premises equipment, etc.).	Fixed-centric Voice, Data and Internet offerings, Information Exchange Infrastructure
GLC8	Automotive, Oil and Gas, Equipment, Manufacturing and Engineering	Automotive, Oil and Gas, Equipment, Manufacturing and Engineering

5.3.1.5.1 GLCs Operating Core-operations on a Level Playing Field

When asked about whether GLCs compete in neutral with private sectors and whether GLCs benefit any legislative or fiscal program to advantage their position in the market, most of the respondents were firm with their stand that GLCs compete in neutral with private sectors or companies. As an example, GLC1 in his words offered that:

> *'...I think I do not agree with that because for example GLCs like us, we are facing the new challenges especially with the coming of the TPPA, as it provides a stiff competition between GLCs and international companies from other participating countries…. The competition effect could constraint the GLCs ability on the national agenda, because GLCs in Malaysia they have their national agenda, for example, we need to support the Bumiputera, the SME group because GLCs play an important role in the government to achieve the social and development goal where we develop certain sector viewed as strategic where the normal private company will not go into it…so if you say that we are to benefit, it is not, but we need to balance to make a profit and to provide a good and service to the public, so we are not benefitting, but we need to balance.'*

LTAT, the shareholder for GLC1 shared:

> *'…We compete fairly in the market or we are not getting any advantage from the government or whatever…So, maybe after the program, the company becomes stronger, and they have more advantage, I don't know so we have no control over this other private because previously they (GLCs) are not so strong, there are not so… to compete with private maybe, in terms of service, whatever we have GLCTP, so they are more focused on their operations, that may be how GLCs become stronger, it is fair, I mean, it is not what we called it, something that we get free. Still, we have improved ourselves in a way that we increase our competitiveness…'*

However, the representative also gave a contradictory view as he put it:

> *'…These two companies' subsidiaries have support from us, financially of course, because we are the shareholders, whenever these companies need some support, we have to come out with some scheme, for example, maybe they have to do the right issues so that we can put capital more in our companies…We want our company also to perform, for example, we have a new project that we think viable, or the company can do, if you want to borrow may be a quite high cost financially,*

of course, they come out with the right issues and we have to subscribe for the right issues in a way that we provide them with capital, in that way we are helping our GLCs to participate in viable projects.'

Hence, this study analyzed the documents, the annual report, and news cutting to seek information on GLICs/government assistance to GLC1's, particularly the new investment made mentioned in Table 5-8. Based on the year 1999 annual report, it reveals that it has acquired a freehold land in the prime area from its shareholder at RM246 million, in exchange for the issuance of new ordinary shares and cash of RM173.5 million from its shareholder. Thus, GLC1 has received preferential access in terms of the acquisition of the land banks from its shareholder, where it has enjoyed the profit from the development of the land later on. This scenario supported a statement by one of the interviewers mentioned previously. In the interview, a representative from the shareholder confirmed that the shareholder would come out with some scheme whenever GLC need some support, for example, in new projects that they think viable for GLCs to operate.

Further analysis on the annual report of GLCs showed that the land had been developed to become a township with housing and surrounded by commercial attraction. All housing units have been sold in the post-period, and the developed commercial area that enters into the second decade of operations is one of the property investments that contribute to its profitability. Therefore, the high profit from this division, especially in the post-period, is contributed by ongoing property development projects in this piece of land. The respondent mentioned the development of Curve NX in the interview with the author and that the development has been regarded as an investment in new industries, as presented in Table 5-8. Based on the analysis on GLC1's website, the sale of properties in Curve NX started in 2011.

Apart from this, the news cutting from The Star Online dated 26 December 2017, this GLC acquired a prime land worth RM143.5 million in Kuala Lumpur from its shareholder in June 2016, intending to expand its land bank and investing in strategic property projects in the capital. The 6.59-acre land in Cochrane Road will be acquired at a discount of 0.35 percent or RM500 thousand to its market value. Thus, the above analysis explained that GLC1 is not competing on a level playing field with its competitor. It has competitive advantages from LTAT through land acquisition for the development project.

Another respondent from GLC2, EPF (the shareholder of GLC4), GLC6, GLC7 and GLC8 confirmed that they are operating on a level playing field and there is no competitive advantage by GLIC, as they said clearly:

'*…We are conducting our business in a level playing field environment as we were initially a private-owned entity from a Management Buy Out (MBO) exercise in 1995 (the MBO of shares from ICI Plc). Permodalan Nasional Berhad (PNB), Malaysia's premier investment institution, had increased its shareholding in CCM in 2005 to more than 70 percent and has since retained its investment around that level, thus making CCM a GLC but operating as a private sector.'*

'*…They don't really have competitive advantages; they are like any other companies competing in a market. Competing with anyone can compete in tendering for a project… EPF is not helping the company by subsidizing any loan. There is no advantage in a sense that increasing stake is a view that I take to make money for myself.'*

'…. For TNB, the element of level playing field was already practiced even before NEM…when we introduced Independent Power Producer (IPP) for the power generation, the government introduces the bidding process, we have to compete with the rest of the player.'

'…. No, I do not believe in that, because we compete competitively with the other private, but that some private companies, I think because they are more profit-driven.'

Nonetheless, this study examined the comments from GLC8 on competitive advantages obtained due to GLCs size and branding that he stated:

'…We are operating at the level playing field because we have the brand and financial standing…'

On the resources, the respondents from ISIS and MOF (Inc.) supported the notion that GLCs had more financial resources to implement government policies, when we asked about competitive advantages. The respondent from ISIS mentioned that the financial resources that GLCs have to implement government policies, as in his words offered that:

'*…I don't think ownership matters here… perhaps because of a couple of reasons…whether government-owned or not, whatever entities based in Malaysia would have to sources its resources from Malaysia… because it is cheaper…However, it seems like GLCs have a lot more firepower in getting things done because; one, they have the government backing. Secondly, they have the financial resources also, and it may seem as if they are the ones who are leading the drive in the economy…'*

A representative from MOF (Inc.) confirmed that MOF (Inc.) companies have a strategic mandate by the government but is being backed by the government in terms of resources, as he indicated that:

'*…In terms of high investment, some of the high investment Khazanah boleh buat (can do) but other private companies can't compete with Khazanah because Khazanah has more resources. Same like MKD (MOF (Inc.) companies probably it is backed by the government, in terms of resources probably is bigger compared to other SMI companies (SMEs)…that is why dia boleh (they can) go to the business that the private sector cannot go...especially benefit to rakyat (people) as a whole…'*

GLC7 viewed level playing field from a different angel and mentioned that the playing field is not level to GLCs. The respondent said:

'…. there are other things they (private companies) do not want to do,' by giving examples of rural broadband and university… on the education side, who want to go to education because it is a high investment, normally GLCs play the important role to go because we have a dual role, one to make a profit, one to provide education and also to provide benefit to the public, so on certain business and industries, GLCs has to balance the profit and to provide services to the free public, so I don't agree that we have a competitive advantage, we compete in a level playing field. '…. the word level playing field…. Being a GLC is also negative to us because we have to perform a certain function that the private does not have to

…for example, university graduates under the SL1M program, it is a necessary chore as a GLC… and there is a certain cost that we have to incur.'

This is supported by our assessment on CSR activities named SL1M, whereby this study discovered that the Sun Daily dated 12 October 2016 quoted the statement by the Prime Minister's Department Economic Planning Unit director, Datuk Seri Dr. Rahamat Bivi Yusoff that the private sector is not supportive of the SL1M, unlike that of many GLCs.

A respondent from GLC8 firmly assured that they refused to receive any assistance from PNB, the shareholder and clearly stated:

'*…even though we are under PNB, whenever we bid for a contract, we hardly use the rights from that we are under PNB and utilizing them…that has been the practice (not using PNB name or being GLC) unless absolute necessary then we find the networking with PNB, we go on my own, my chairman says we don't want if we get the job via the cable that we have… at the end of the day, we don't want to have the 'cable' that helping us, disturbing us. Even though we have the link to access that cable, we don't want.'*

The respondent from EPF argued that the playing field is becoming leveled due to GLCTP, from the aspect of the improvement of GLCs performance. As he mentioned:

'…before the transformation program, many GLCs are underperforming companies and could not be able to cope in the existing market. By giving an example of UEM that is wholly owned by Khazanah, now could compete with the largest contractors in Malaysia and became one of the largest contractors when this GLC implement initiatives under GLCTP'

Some respondent relates the level playing field with the implementations of activities to benefit other stakeholders. For example, a respondent from GLC3 alludes to the notion of implementing VDP and CSR programs:

'*As GLC, we also support the government model, the level playing field, we are, we do participate, one example, we have VDP in developing small vendors to become a medium and large and successful vendor, we nurture them, guide so that they could compete with external market… He added: 'some of them involve in our CSR* *program, so there is a certain type of business …airport commercial retail outlet because of the high cost, we give a special consideration…we develop them to be successful business entities.'*

5.3.1.5.2 GLCs Crowding-out Private Investment

This study also interviewed representatives from GLCs and GLICs and mentioned the study by Menon and Ng (2014) that GLCs crowd out private investment from the market. The responses were inclined to denying Menon and Ng (2014) findings. LTAT, EPF and MOF (Inc.) responded respectively:

'Crowd out is something that we can't control, maybe they feel that because of these GLCs become stronger when they… you know, adopt this GLCTP, or they implement the program, they become stronger, that become the advantage…'

'…I wouldn't really say it is so big enough that crowding out anyone, there is still a room, but at the same time this institution has a social role to play, by giving an example of Maybank, a PNB's GLC that PNB needs to hold a majority of the shareholders of Maybank to protect the interest of the Bumiputera. He also argued on who has been crowded out because of GLCs presence, as he mentioned: 'who are we crowding out. For example, in the telecommunication industry, we have Telekom, Maxis, Digi…so are we crowding out others? I disagree they (GLCs) crowding out anyone.'

'…we are not competing with other private sectors because the private sector doesn't want to involve in this kind of business…part of the national services and CSR of the government… perhaps they are, but there is a limitation to that because there is a lack of competition because competitors are not interested in coming here, again for various reasons'.

Some (GLC8) are not sure about this as they answered:

'As far as crowding out, depending on the industry we are in, as far as operating on a level playing field…'

Talking about the term '*strategic investment*' by the government and protected industries, a representative from ISIS stated that over the years, this terminology strategy, which is commonly used by Khazanah and MOF (Inc.), might evolve depending on the reasons of the government to be protective over a particular industry. As he emphasized:

> '*...At the end of the day, it is about the bottom line of the companies. If the company is not profitable, then it could not be considered as strategic, for example in the case of PROTON. The terminology 'strategic investment' could be disputed, anything can be strategic to anyone; the strategic area to you might not be strategic to me. The government would have to draw a line between the commercial interest and regulatory interest, the problem with us is we mixed between the two and we called it strategic, at the end of the day, that 'strategic' in the economics mean the government intervention, and it cost money'*

The protective industries mentioned above are related to the monopoly status enjoyed GLC7 in a telecommunication business, that we feel that it will give competitive advantages to this GLC. However, when asked about it, a respondent of GLC7 clearly denied:

> *'...It started yes, but our share has been eroded.' He added: 'monopoly... it was before, but now, because of the regulator, the stakeholder is requesting level playing field, and we have to abide regulators' requirement.*

He further commented that GLC7 shared the High-Speed Broad Band congestion to other operators as he mentioned:

> *'we charged them, but it is a negotiated rate, but still, the price is a wholesale deal, by having that pack into our company platform, they can sell the same services that our company provides to outsiders, so its depend on the competitiveness.'*

Therefore, from the above comments received from GLCs and GLICs, it is clear that all GLCs claimed that they are operating on a level playing field. However, for GLC1, our further investigation on GLIC and news cutting, as well as the annual reports, discovered that it has a competitive advantage in terms of obtaining the land from the shareholder for its property development business. When discussing the level-playing field, this study also came across comments on operating an uneven level playing field that harms GLCs. For instance, GLC3 and GLC7 relate level playing field with the implementation of VDP and CSR, whereby GLC7 claimed that the playing field is uneven, as the private companies are not obligated to implement program/activities, for example, with regards to *Bumiputera* agenda in education and supplier segment. This is because GLCs have a dual goal, to be profitable, and to fulfill the government agenda.

5.3.1.5.3 The Presence of Regulators on GLCs' Board

As mentioned in Chapter four, regulators are the nominee directors, who hold a position in the government agencies, GLICs, or any regulatory body. Through ETP, the government intends to move away regulators on the GLCs board to rationalize the government's participation in GLCs (NEAC, 2010). Besides, the OECD's study indicated that the presence of regulator directors could imply that GLCs have competitive advantages (OECD, 2019). So it is also crucial to examine the regulator directors' presence and trends in GLCs' board in the post-period.

From Table 5-12 below, we can see that the trend is decreasing throughout the five years, from 14 to 12 members. Regardless of this, five GLCs maintained the number of regulators on the board. They are GLC1, GLC3, GLC4, GLC5 and GLC6. Regarding government ownership, we can see that Khazanah's GLCs, namely GLC3 and GLC6 maintained the numbers of regulator directors, while GLC3 has the highest number of three directors. On the other hand, GLC2's trend was inconsistent, where it has reduced the number of regulators in 2011 and increased it to become two members in 2013. GLC7 and GLC8 have decreased the number of regulators by one member in the post-period. Thus, it can be concluded that there is not enough evidence to prove that the regulator board members had increased to help GLCs in gaining preferential access to government contracts and finance in the transformation period.

Regardless of this, some evidence could be used to support our previous findings on the level playing field and competitive advantages, as well as the level of governance. From our analysis on the CEO of these GLCs in Table 5-5, GLC1's CEO was also holding the position of CEO of GLIC1. For GLC4, after retired as CEO in 2009, he was appointed as one of the board members while being the Deputy CEO of GLIC2, until 2012. Then later, in 2013, he became the CEO of GLIC2 while maintaining his directorship in GLC4. The Chairman of the Board of GLC4 also held the position of the CEO of GLIC2 between 2001 to April 2013. In contrast, GLC8 had reduced the number of regulators, consistent with the interview data, that this GLC is not relying on its shareholder's assistance, thus could improved the level playing field.

Table 5-12: The Number of Regulators on GLCs' Board in the Post-period

GLCs	*2010*	*2011*	*2012*	*2013*	*2014*
GLC1	1	1	1	1	1
GLC2	2	1	1	2	2
GLC3	3	3	3	3	3
GLC4	2	2	2	2	2
GLC5	1	1	1	1	1
GLC6	2	2	2	2	2
GLC7	2	2	2	1	1
GLC8	1	1	1	0	0
Total	14	14	13	12	12

From our analysis on GLCs focusing on core-operation by operating on a level playing field, we found that first, although the result from the interviews with the representatives from GLCs indicated that GLCs were operating on a level playing and were not crowding out private investment, GLC1's shareholders admits that they supported GLCs in its operations and this is supported by the information gained from the annual reports and news cutting. Our assessments on the CEOs of GLCs throughout the transformation period also exhibited that GLC1 maintained the same CEO that is also the CEO of its shareholder, thus we could conclude that there is a case by GLC1 that it has competitive advantage due to government ownership, thus not operating on a level playing field.

5.3.1.5.4 Exit Non-Core or Non-Competitive Assets

The Graduation Report stated that the non-core assets are resources that could be optimized by the private sector, and the divestment of these assets could create a more conducive ecosystem for entrepreneurship and innovation. In addition, the Graduation Report further asserted that exiting these assets would make GLCs more focus on core-operations and non-competitive areas of the business, which is vital for high-performance and capability building in GLCs. In Table 5-11, we have analyzed GLCs core-business for FY2005 and FY2014. In Table 5-13 below, this study also extracted information from the Graduation Report on whether GLCs understudy had exited non-core or non-competitive activities or businesses in the GLCTP period, and validated the data with data from news cutting and organization websites. It can be seen from the Table that all GLCs had exited its non-core or non-completive businesses, but no information about GLC6. In terms of numbers, GLC1 and GLC3 have shown the most divestments, which are four, followed by GLC4.

This study also analyzed the reasons for exiting or maintaining non-core assets. From the interviews and media release data, we found that there are GLCs that exit the non-core business due to profit. The media release dated 2nd March 2010 stated that GLC1 had disposed of its 80 percent stake of BH Insurance (M) Berhad to AXA[126] Affin General Insurance Berhad at the amount of RM363 million on the same day. The move is in line with the Group's decision to streamline its insurance business. According to YBhg Tan Sri Dato' Lodin Wok Kamaruddin, Group Managing Director, GLC1:

'…Strategic decision to dispose of its equity in BH Insurance bodes well for us given the positive impact to our bottom-line and the fact that this will help pare-down our gearing as well.'

GLC2 stated a similar reason, when we asked about how economic and the volatility in the financial and market affects its financial condition:

'…CCM had ceased its operation in fertilizer in Shah Alam in 2014, which has continued operation in lost until 2013 and focus on Pharmaceuticals and Chemicals Divisions. The above move will allow the Company to place greater attention on enhancing the business profitability of our Pharmaceuticals and Chemicals Divisions.'

The representative of GLC3 gave another example, where the management divested the Sepang International Circuit (SIC) out of shareholder's concern:

'…We do not invest in industries that are not related to aviation, and because it is non-core and non-competitive, operating cost is higher than the revenue generated.'

The divestment of DUKE by GLC4 was made as part of its strategy to finance working capital and repay part of its borrowings while bringing focus to its resources on property development and urban regeneration, together with specialized infrastructure and environment projects. Commenting on this move, MRCB's Group Chief Operating Officer Imran Datuk Mohamad Salim said in a media release dated 29 January 2014:

'…We have monetized a premier infrastructure asset in the Klang Valley, which is part of an overall initiative to align our business direction…we believe that the

[126] Also one of GLCs under LTAT

timely sale of our shares in this project bodes well for our strategy to bring gains in other areas of our current set-up while focusing on the Group's core competencies.'

A representative from GLC8 alludes to a notion that they had also exited its non-core or non-competitive business to focus on core-operations, as he mentioned:

'…We did dispose of as part of GLCTP… we have a travel company, we have an insurance company, and we are still carrying out now, but just want to focus on core activities.'

Therefore, it is apparent that GLCTP serves as a platform for GLC to review its operations, including exiting their non-core and non-competitive business for the benefit of their financial standing. Therefore, it could be concluded that the NEM role through GLCTP provides an avenue for GLCs to exit non-core asset for profit and business motive as the program asserts GLCs to first and foremost focus on performance.

On other nexus, this study also encountered cases where GLCs maintained their non-core and non-competitive assets. Examples are the operation of two universities established by GLC6 and GLC7, where we have identified in Table 5-11 that education is not the core business of these GLCs., the representative of GLC6 and GLC7 stated that:

'There is a lot of emphasis on CSR, for example UNITEN.'

'*…The management has discussed divesting the university, as it is a non-core business to us. Still, the board agreed to maintain the university's operation as part of our social obligation.'*

Thus, this study could conclude that for the above GLCs, although there was a direction to exit the non-core and non-competitive business, they maintained to have these businesses that they consider their prominent CSR for the public and society, regardless of the business profitability.

Table 5-13: Result on GLCs Exiting Non-core or Non-competitive Activities/Businesses

GLCs	*Activities*
GLC1	Graduation Report : Divested BH Insurance, Rich Monde Sdn Bhd, and Boustead Oil Bulking News cutting: In an interview with The Edge, dated 24th October 2010, the CEO of GLC1 mentioned: '*…We have been consistent in our stand that non-core assets will not have a role in Boustead as we are focused on concentrating our energies on what we do best. For example, we have disposed of or divested our interests in Boustead Emasewa Sdn Bhd, Boustead Emastulin Sdn Bhd, PT Anam Koto estate in Indonesia, Boustead Bulking Sdn Bhd, Riche Monde Sdn Bhd and BH Insurance (M) Bhd.*'
GLC2	Graduation Report: Closure of Polyurethanes Operations in Chemicals Division News cutting: The Edge Markets dated 1st September 2015 reported that Chemical Company of Malaysia Bhd (CCM) is closing down its fertilizer plant in Shah Alam and retrenching 230 staff amidst the weak demand market demand for ammonium nitrate (AN) based fertilizers as oil palm planters opt for cheaper fertilizers given the low crude palm oil (CPO) prices.
GLC3	Graduation Report: Divested National Exhibition and Convention Centre (NECC), Sepang International Circuit, the operations of automotive vehicle workshop and the management and operations of an auction center News cutting: The |Edge Markets dated 23rd April 2009 reported that Malaysia GLC3 has entered into agreements to sell its non-core assets in National Exhibition and Convention Centre Sdn Bhd (NECC) and Sepang International Circuit Sdn Bhd (SIC) to the government for the sale of 162.39 million shares in NECC and 10 million shares in SIC for RM159.63 million and RM1 cash, respectively. GLC3 said the proposed non-core disposals would enable it to streamline its businesses and manage its resources more effectively.
GLC4	Graduation Report: Monetization exercise of non-core assets, disposal of Duta-Ulu Klang Expressway (DUKE) and divested stake in Nu Sentral News cutting: Media Release dated 23rd January 2014 stated that GLC4 has entered into a sale agreement today with Ekovest Berhad and its subsidiaries

GLCs	*Activities*
	for the disposal of MRCB's 30% equity in the Duta-Ulu Kelang Expressway (DUKE). The Edge Markets reported that In April 2015, GLC4 disposed of its 51% stake in Nu Sentral Sdn Bhd to Pelaburan Hartanah for a total consideration of RM120 million.
GLC5	Graduation Report: Rationalization by the divestment of power business exited Oil and Gas business by disposing of oil and gas fabrication yards in Pasir Gudang and Teluk Ramunia, Johor News cutting: The report from Offshore Energy dated 27th May 2011 stated that Sime Darby Engineering Sdn Bhd has entered into two separate non-binding memoranda of understanding (MOUs) for the proposed disposal of its assets in the Oil & Gas business unit with Petroliam Nasional Bhd (Petronas) and Malaysia Marine and Heavy Engineering Holdings Bhd (MHB). The MOUs, signed involve, among others, the disposals of Teluk Ramunia fabrication yard to Petronas for a provisional disposal price of RM296 million (97.8million U.S. dollars) to be satisfied entirely in cash and Pasir Gudang fabrication yard to MHB for a provisional disposal price of RM399 million (131.8 million U.S. Dollars) to be satisfied entirely in cash.
GLC6	Graduation Report: No info
GLC7	Graduation Report: Divested Resorts on TM's land in Port Dickson and Langkawi
GLC8	Graduation Report: Disposed of interest in U-Insurance and in Cladtek Group (Australia)

5.3.1.6 GLCs Activities in Achieving NEM Roles

Overall, from the analysis presented in Table 5-6 to 5-13, we concluded that only three GLCs had met all NEM roles, namely, GLC2, GLC3 and GLC5. GLC1 and GLC3 misperceived the term 'new' in the industry that they have pursued and GLC1 also could not meet the fifth role on the level playing field. Also, GLC4 failed to meet the second role on the regional champion, while GLC8 did not pursue investment in new industries. Other than this, GLC6 and GLC7 did not exit their non-core business in education, and GLC6 did not exit any of the businesses in the transformation period. It is also interesting to note that GLC3 and GLC5 that had met all NEM roles could meet two or three NEM roles, by implementing a single activity, but each of GLC2's activity met each of the role, respectively. There are also cases where the GLC1, GLC6 and GLC7 single activity met more than one NEM roles. Table 5-14 presents GLCs that implemented activities that achieved more than one NEM roles.

Table 5-14: GLCs Activities and NEM Roles

GLCs	*Activities/projects*	*Roles under NEM claimed by the Graduation Report*
GLC1	Enhancements to Curve and eCurve shopping centers, Expansion of the Royale brand of hotels with Royale Resort and Spa Cherating in development	New industries Co-investment with the private sector
GLC3	Joint venture with Mitsui-Fudosan to open the largest modern retail outlet shopping center in South East Asia, Expanded involvement in the hotel business with Sama Sama Hotel, Gateway Integrated Complex @ klia2	New industries Co-investment with the private sector
GLC5	Joint venture with Ramsay Health Care, the first expansion in healthcare outside Malaysia. which consolidates all Sime Darby's portfolio of healthcare assets in Malaysia with Ramsay's three hospitals in Indonesia in 2013 Pagoh Education Hub, Malaysia's first multi- varsity development Serenia City, a greenfield development, aims to be Malaysia's first international center of excellence for knowledge supported by a destination commercial township concept (Joint venture with Tunas Selatan)	New industries Regional champion New industries Co-investment with the private sector
GLC6	Collaboration with Khazanah and Malakoff to develop Shuaibah Independent Water and Power Project in Saudi Arabia. - the first Independent Water and Power Plant (IWPP) in KSA.	Regional champion Collaboration with the private sector
GLC7	Integrated Smart City solution in Nusajaya through the partnership with Nusajaya Tech Park to develop a purpose-built data center	New industries Co-investment with the private sector

5.3.2 GLCs’ Contributions to ETP and Other National Priorities

One of the ETP's aspirations under NEM is to ensure that the GLCs operate on a strictly commercial basis, free from government interference (NEAC, 2010, p. 118), for GLICs to divest their non-strategic GLCs and improve the governance of the remaining GLCs by lessening the number of politicians and regulators on GLCs’ boards (Prime Minister’s Department, 2011, p.228; NEAC, 2010, p.23; PCG, 2015, p.27). Thus, this section examined the divestment exercise by GLICs, as the suggestion of lessening the number of politicians and regulators on GLCs' board will falls under the third underlying principle.

From the ETP Annual Report 2011 (p.2130) produced by the Prime Minister Department, it was stated that in July 2011, the government announced that it would speed up the reduction or disposal of its equity in 33 GLCs either through listing, pare-down, or outright sale. Five GLCs had been identified for stake pare-downed, seven for public listing, and 21 for outright sale and 24 GLCs were identified for divestment in 2011 and 2012. However, according to Maybank IB research reported in The Edge Markets, only 15 GLCs had been divested from 2011 to 2012. The then Deputy Prime Minister, Muhyiddin Yassin in 2011, in rationalizing this scenario mentioned that:

> *'at this level, we still acknowledge that GLCs still have their role to play, in terms of the relationship between the government and the economy because they explore a lot of important industries in the country, they play important roles other than generating revenues than can be used for the country's development.'*

As discussed in Chapter three, one of the arguments for this study is that due to GLCs’ dual role as well as GLCTP urging GLCs to focus on the result of performance, the role under NEM on the divestment of shares may not be materialized. The reason is that like mentioned above on the role of GLCs for country development, the government/GLICs might want to retain control through its shares in GLCs. On the other nexus, GLCs first and foremost have to focus on performance might lead to better financial performance. As GLICs view dividend payments as their primary investment objective in GLCs, they may not divest their shares in GLCs. Thus, to identify whether there was a divestment of shares in GLCs, from data retrieved from GLCs' annual reports, this study examines the percentage of GLICs shareholdings in GLCs in the pre and post-period and Table 5-15 presents the result as follows:

Table 5-15: The Change in the Percentage of GLICs' Shareholding in GLCs in the Pre- and Post-periods

GLCs	*GLIC*	*Pre-period*	*Post-period*	*Changes*
GLC1	LTAT	61.19	59.94	(2.04)
GLC2	PNB	67.30	71.19	5.78
GLC3	Khazanah	70.19	44.98	(35.92)
GLC4	EPF	32.10	40.63	26.57
GLC5	PNB	46.40	53.39	15.06
GLC6	Khazanah	37.26	34.01	(8.72)
GLC7	Khazanah	39.02	29.48	(24.45)
GLC8	PNB	57.34	50.00	(12.8)
Average		51.35	47.95	(6.62)

From Table 5-15, this study notices that despite the aspiration of ETP for GLICs to divest their shares in GLCs, overall, GLICs' shares in GLCs recorded only a small decreased of 6.6 percent, from 51.35 percent to 47.95 percent. From the table above, it is also apparent that there are also GLICs (PNB and EPF) that have increased their shares in GLCs, namely GLC2, GLC4 and GLC5. The highest increment was by GLIC of GLC4, EPF, which is 26.6 percent, followed by GLC5 of 15 percent and GLC2 of 5.8 percent. The rest of GLCs shows otherwise. Khazanah divested its shares in all of its GLCs, namely GLC3, GLC6 and GLC7 where the highest divestment is in GLC3, amounting to 35.9 percent, followed by GLC7 and GLC6 of 24.5 percent and 8.7 percent, respectively. PNB, the shareholder of GLC2, GLC5, and GLC8, only made divestment in GLC8, which is 12.8 percent. Therefore, we concluded that government ownership failed to fulfil the aspiration by ETP to divest their shares in GLCs in the GLCTP period. On average, there is only a small divestment of 6.6 percent and Khazanah is the only GLIC that divest its shares in its entire portfolio GLCs under this study.

5.3.2.1 GLCs Contribution to other National Priorities

GLCTP also urged GLCs to promote growth with inclusivity by enhancing their workforce diversity in terms of gender, ethnicity and age. Given this, the Graduation Report indicates that the 17-selected GLCs have increased the inclusivity in terms of workforce, whereby there were 38 percent females, 79 percent *Bumiputera*, and 30 percent Gen-Y in 2014 (PCG, 2015, p.23). In 2011, the government introduced the policy of 30 percent of women on board by 2016. The policy spirit was to increase the number of women in the decision-making process for companies in Malaysia.

The Graduation Report alerted that in the 17-selected GLCs and its subsidiaries, women directors accounted for 16 percent of the board positions in the year 2014.

Therefore, this study examined the presence of women directors on GLCs understudy board by observing their percentages in the pre and post-period to understand the extent to which they had contributed to this national priority. Table 5-16 highlights the percentages of women directors on the board of GLCs in the pre and post-period and the changes between these two periods.

Table 5-16: The Changes in the Percentages of Women Directors on the GLCs' Board in the Pre- and Post-period

GLCs	*Pre*	*Post*	*Percentage of changes*
GLC1	0	0	0
GLC2	11.11	20	80.02
GLC3 (S)	27.27	33.33	22.22
GLC4	0	0	0
GLC5	9.09	9.09	0
GLC6 (S)	20.00	27.27	36.35
GLC7 (S)	9.09	21.42	135.64
GLC8	0	11.11	Infinity
Average	9.57	15.28	59.64

In the table above, on average, in both periods, each GLC has 9.6 percent and 15.3 percent women on board, respectively. As compared to 30 percent national target in 2016, on average GLCs understudy percentage failed to achieve this target. Nevertheless, the percentage of women directors on the board of GLCs has increased by 59.6 percent.

The investigation on each GLC showed that in the pre-period, none of the GLC had met the national target. In the post-period, only GLC3 met the target. There is 33 percent of women directors on its board in this period. GLC1 and GLC4 maintained not to have women directors on their boards from the pre-period to the post-period, while GLC5 maintained the percentage in both periods of 9.1 percent. GLC2, GLC3, GLC6, GLC7 and GLC8 have increased the proportion of women directors on their boards. GLC7 has the highest increment of more than two folds, from 9.1 percent to 21.4 percent. It is followed by GLC6 and GLC3 of 36.4 percent and 22.2 percent, respectively. GLC8 has improved the proportion from none to 11.11 percent. Overall, except for GLC3, this study concluded that the contribution towards other national priorities has yet to be achieved.

To summarize the analysis of GLCs’ contribution to ETP and other national priorities, from the above analysis, this study asserted that overall, like mentioned by Muhyiddin Yassin, GLCs have their role to play in economic development that rationalized the government ownership in them. However, this statement and the result of the analysis showed that government ownership had failed to resolve the issue of a strong presence of GLCs that gave them visibility in the market. Only GLC3 had contributed to both policies, namely GLIC's divestment of shares in GLC3 as well as the achievement of 30 percent women on boards in the post-period.

5.3.3 Conclusion on the Achievement of the Second Underlying Principle

This study had analyzed the result of fulfilling roles under NEM in section 5.7.1 and the contribution to GTP and other national priorities in section 5.7.2. From the above analysis, this study concluded that none of the GLCs achieved all the elements of the second underlying principles. GLCs' performing NEM roles differ from one GLC to another GLC, most depends on whether the roles are related to GLCs' profitability. Thus, we found that all GLCs had stayed the course and had collaborated with private companies. but not other roles. Overall, four GLCs, namely GLC2, GLC5, GLC6 and GLC7 met all the five roles of NEM. GLC2 and GLC5 are owned by PNB and the only PNB's GLC that did not perform all its NEM roles is GLC8 that we mentioned above only started its new industry in 2015. GLC6 and GLC7 are owned by Khazanah and GLC3 is the only Khazanah's GLC that failed to achieved NEM role in totality as it was lacking in the role to pursue investment in a new industry, the only investment claimed as new is in leisure and tourism industries that is not catalytic and transformative.

GLC1 operated its core-operation with GLICs' assistance and GLC4 did not perform the role to become a regional champion. Two GLCs, GLC1 and GLC3 had misperceived the term 'new industry', which was supposed to be catalytic and transformative by investing in the leisure and tourism industry. Representatives from both GLCs mentioned in the interviews that the development of the shopping complexes is their core-business or in support of their core-businesses. However, leisure and tourism is not a catalytic and transformative industry that could also be invested by the private companies. Thus, investing in these industries, although profitable, creates a situation where GLCs are encroaching on the business of private companies. GLC8 did not pursue investment in new industries as only started the investment in 2015. GLC6 did not focus on core-operations to exit non-core businesses, because its only non-core business is in the education sector and is considered its huge CSR.

GLC1 did not operate on a level playing field, as LTAT assisted its property development business. The representative from LTAT commented that it supported its subsidiaries in terms of financial support because it wants them to be profitable. Through the analysis on the number of regulators also showing that GLC1 has the highest regulators' presence and LTAT maintained the numbers for the last five years of the transformation program. Besides, from our analysis on the appointment of new CEO to execute the program, we discovered that GLC1 maintained the same CEO throughout the program period, who is also the CEO of LTAT.

This study encountered that there are cases that GLCs exited its non-core business that is not profitable, thus showing that the program provides a platform for GLCs to cease operations that are at loss. The interviewees from GLC1, GLC2, GLC3, GLC4 and GLC8 also have the same opinion. On the other hand, GLC6 did not exit any non-core and non-competitive assets in the transformation period. Besides, GLC6 and GLC7, both majority-owned by Khazanah, maintained their non-core businesses in the education sector for CSR, although it is not profitable. As commented by the interviewees from both GLCs, the education sector is being seriously emphasized for discharging CSR, although the business is non-core, as it is the direction given by the board. Thus, there is a government ownership issue in implementing the role to exit non-core businesses as in this case, Khazanah directed GLC6 and GLC7 to maintain the business in the education sector. Consequently, it is also worth noting that representatives from these GLCs commented that the playing field is uneven, as it has to fulfill the social obligation, but not the private sectors. On other nexus, GLC3 responded that the playing field is level, as it has to implement specific programs and CSR activities directed by the government.

We also analyzed the changes in GLCs assets after the transformation program and the result showed that there is an increase in the amount of assets, especially for GLC3 and GLC4, that are comparatively small GLCs. Overall, it showed that GLCs are getting bigger after the transformation program. Respondents from GLICs (LTAT and MOF (Inc.)), GLC1, GLC8 and ISIS claimed that GLCs have competitive advantages due to their size and branding. By taking their view on this, we could expect that GLCs would have competitive advantages over private companies in the future. Regarding how the implementation of all roles under NEM was made, although the four GLCs, namely GLC2, GLC5, GLC6 and GLC7 have met the five roles of NEM, we noticed that some GLCs were taking advantage by performing a single activity that met more than one NEM roles. Though it is a good move, this study ranked GLC2 the first, as it achieved each of the roles by implementing different activities.

On contribution to ETP and other national priorities, GLICs actions to divest their shares in GLCs and to support the government policy on women on board was because of

GLCs' dividend and developmental roles. There is only a small divestment of GLICs shares of 6.6 percent. Khazanah being the only GLIC that divested its shares in all its GLCs (GLC3, GLC6 and GLC7), but it maintained the highest number of regulator directors in these GLCs' boards. The presence of regulator boards indicated that Khazanah wanted to control these GLCs, as shown in the analysis above that the board directed GLC6 and GLC7 to maintain the business in the education sector. As presented above, our analysis also discovered that EPF had increased its shares in GLC4 that could be the reason for DPR increase from 0 percent to 17 percent, as found in the analysis of the first underlying principle. As explained in Section 5.3.2.2, EPF was placing the key position officer of the shareholder as GLC4 board members. The result from the interview in Table 5-6 also shows that the new management team came into GLC4 in 2013, as suggested by the shareholder, to oversee the business where it is heading strategically and profitability. The introduction of the culture of performance embedded in GLCs through GLCTP makes it difficult for a GLIC, in this case, EPF, to divest its shares as it views dividends as the main investment objectives. LTAT made a small divestment of 2 percent, which supported our previous analysis that it wants to control GLC1. In it was seconded by the finding on the CEO that wearing two hats, who assisted GLC1 in its operation, as LTAT want GLC1 to perform for dividend purpose.

Regarding the target of women directors, as the program introduced a conflicting objective of performance focus and catalyzing nation building, we found that GLICs refused to implement a policy that is not siding to their GLCs' profitability. A good example is in implementing this policy, as we can see that only GLC3 met the target. All in all, we concluded that GLC3 is the only GLC that had performed all NEM roles and had met the target of 30 percent of women directors on their board, thus achieving the third underlying principle.

We could conclude that the principle of first and foremost to focus on performance is applied when GLCs performing roles under NEM. This is true as we found that the GLCs' actions on performing NEM roles considered financial performance as their priority, where all GLCs performed the role to stayed the course and collaborate with private companies. We also found cases where GLCs exit non-core businesses to be profitable, considered leisure and tourism as a new industry, performing roles in collaboration with private companies, operated core-business not on a level playing field and performed a single activity that met more than one NEM roles. Consequently, GLCs' assets have also increased, showing that GLCs were getting bigger after the transformation period that could allow GLCs to have competitive advantages over private companies in the future.

As for supporting ETP and other national priorities, GLICs view dividends as one of their investment objectives in GLCs. Following this spirit, we found GLICs refused to divest their shares because they want to be in control of GLCs, evidenced by the small divestment of shares in the transformation period and there are also cases that GLICs increased their shares in GLCs. EPF had increased its shareholding, instead of divesting and LTAT only divested a small amount of shares. The findings from the previous literature were also inconsistent about the relationship between women directors and financial performance. Our analysis showed that the percentage of women directors on the GLCs board did not increase which supported our assumption that GLICs and GLCs are reluctant to support the policy that is not contributed directly to the result of performance.

5.4 Results on the Achievement of the Third Underlying Principle

The previous section has analyzed the extent to which GLCs have achieved GLCTP's first and second underlying principles. Overall, the Graduation Report indicates that the Green Book's adoption has shown some positive changes in terms of GLCs Board and Chairman compositions. In the first two years after the program's announcement, 58 board member changes were made to the 17-selected GLCs and subsequently, there was constant board renewal with 195 board member changes at GLCs and their listed subsidiaries.

5.4.1 Corporate Governance Mechanisms- Board Composition under LR, MCCG and the Green Book

This study evaluated corporate governance mechanisms offered by the three guidelines namely LR, MCCG and the Green Book. Based on our observations, four corporate governance mechanisms have been touched by the three guidelines. Firstly, the LR, MCCG and the Green Book stated that a public listed company must ensure that at least two directors or one-third of its board are independent. Secondly, the three guidelines insist on companies to separate the role of a CEO and Chairman. Thirdly, the three guidelines also emphasize on the number of board meetings to be held in a year. For this, while both LR and MCCG recommend for a meeting to be held at least four times a year, the Green Book is more specific in that it emphasized GLCs' board to have regular meetings between six to eight times a year. Finally, although the LR and MCCG are silenced on the number of board members suitable for public listed companies, the Green Book insists on the maximum number of the board size of ten members for GLCs.

From the analysis of GLCs' achievement on the corporate governance mechanisms presented in Table 5-17, this study discovered that overall in the pre and post-period, GLCs have achieved the governance mechanisms of independent directors, the separate role between the Chairman and CEO, and the maximum number of the board member. In the pre-period, the number and proportion of independent directors to the number of directors is five and 51 percent, respectively. In the post-period, the number maintained at five, but the proportion has decreased to 46 percent. On average, GLCs have also separated the role of the Chairman and CEO and fulfilled the recommendation to have a maximum of ten board members in both periods. However, concerning the number of board meetings held in a year, although each GLC has achieved the minimum number of four meetings required by the LR, they have failed to have a regular number of board meetings between six to eight meetings a year in both periods. The table shows that the average board meetings in the pre and post-period were nine and ten times, respectively.

Through our investigation on each GLC, Table 5-17 exhibits that GLC3 has less than one-third of independent directors in the post-period. GLC1's board meets five times in each period, less than the suggestion by the Green Book but other GLCs held more than eight meetings in a year in the post-period. The boards of GLC2, GLC4, and GLC8 held meetings of six to eight a year in the pre-period but have increased the number to ten or more times in the post-period. GLC1, GLC2, GLC4, and GLC8 have complied with GLCTP's recommendation on having a maximum of ten board members in both periods. However, GLC6 achieved the target in the pre-period but increased the number of members to 11 in the post-period. The rest of the GLCs namely GLC3, GLC5 and GLC7, have more than ten board members in both periods. Based on the analysis, this study concluded that GLCs had completed the guidelines laid down by the LR and MCCG, but failed to achieve the suggestions of having between six to eight times boards meeting in a year, as required by the Green Book.

5.4.2 A Clear Governance Structure- Indicators Exemplified by GLCTP

As we can see from Table 5-18, in the pre-period, the number of ex-civil servants, regulators and serving MPs directors on GLCs' board are 17, 16 and 3 members, respectively, while in the post-period, the numbers have been reduced to 15, 14 and 1 members, respectively. GLC5 has the highest number of ex-civil servant directors in both periods of four and five members, respectively, followed by GLC7 and GLC3 with three directors in this category, respectively. On the other hand, GLC4 has the lowest number, which is nil. About the regulator director, GLC3 has the highest number of three and maintained the figure in both periods. In contrast, GLC1 and GLC5 have the lowest regulator board of one, although we also found that GLC5 has the highest number of ex-civil servant directors on its board. All GLCs, except GLC6 and GLC7, have no serving MP directors on their boards in both periods.

On the action to remove these directors, Table 5-18 indicated that overall, GLCs have removed two ex-civil servants, regulators, and serving MPs directors, respectively. GLC8 and GLC1 removed the most numbers of ex-civil servants of two and one members, respectively and both GLCs have no serving MPs director in both periods. In contrast, GLC5 is the only GLC that increased this number from four to five members. It is interesting to note that the rest of the GLCs did not remove the directors in this category. We also found that only GLC2 and GLC8 had removed one regulator director, respectively. Another thing to note is that GLC3, GLC6 and GLC7 that are majority-owned by Khazanah did not remove any ex-civil servant and regulator director from the board where two serving MP directors were maintained in GLC6's board while one serving MP director was removes in GLC7's board to become nil in the post-period. GLC6 is also the only GLC that has serving MP director in the post-period.

The last column of Table 5-18 presents the total numbers of the ex-civil servant, regulator and serving MP directors in the post-period and the removal made by each GLC. In total, GLCs understudy has 30 directors in these categories and had removed six directors. Thus, we concluded that GLCs understudy fulfilled the suggestion by the GLCTP in removing the ex-civil servants, regulators and serving MPs directors in the transformation period. If we look at each GLC, GLC8 ranked first in taking this action. It has the lowest number of directors, which are two directors in the post-period, had removed three directors and does not have Serving MPs director in both periods. Thus, this study concluded GLC8 had achieved a clear governance structure with regards to mechanisms exemplified by GLCTP. This is consistent with the response from the interview by the representative from GLC8 that GLC8 does not want the shareholder to disturb in their operations. In contrast, GLC5 performed the worst as it has the highest number of these directors and it has added one ex-civil servant director in the post-period. Both GLC3 and GLC7 also made the least effort, as in total, these GLCs removed none of the directors and have the highest number of directors in these categories.

However, by combining the result of the previous analysis on the fulfillment of LR, MCCG and the Green Book discussed in section 5.8.1, this study found that none of the GLC has achieved both elements of the clear governance structure. The reason is that none of the GLC has fulfilled all suggestions on board mechanism under GLCTP, especially about holding between six to eight times boards meeting in a year.

Table 5-17: The Achievement of Corporate Governance Mechanisms under LR, MCCG and GLCTP

	At Least Two or One-third of the Board Members are Independent - LR, MCCG and GLCTP		*At Least Four Times board meetings a year -LR Six to Eight Times/a year –GLCTP*		*Separate Role of Chairman and CEO -LR, MCCG and GLCTP*		*Maximum Board Member of Ten – GLCTP*	
	Pre	*Post*	*Pre*	*Post*	*Pre*	*Post*	*Pre*	*Post*
GLC1	4 (68)	2 (33)	5	5	Yes	Yes	6	6
GLC2	6 (58)	4 (50)	7	10	Yes	Yes	9	8
GLC3	4 (39)	3 (29)	13	16	Yes	Yes	11	12
GLC4	4 (52)	4 (50)	8	10	Yes	Yes	8	8
GLC5	6 (57)	7 (54)	10	10	Yes	Yes	11	13
GLC6	4(44)	6 (54)	15	15	Yes	Yes	10	11
GLC7	5 (47)	7 (50)	12	10	Yes	Yes	11	14
GLC8	4 (42)	4 (46)	8	13	Yes	Yes	9	9
Average	5(51)	5(46)	10	11	Yes	Yes	9	10

*The percentage are shown in parentheses

Table 5-18: The Average Numbers and the Removal of Ex-civil Servants, Regulators and Serving MP directors on GLCs' Board

	Ex-civil servants		*Removed*	*Regulators*		*Removed*	*Serving MPs*		*Removed*	*Total numbers of ex-civil servants, regulators and serving MPs in the post-period /removal*
	Pre	Post		Pre	Post		Pre	Post		
GLC1	2	1	1	1	1	0	0	0	0	2 /1
GLC2	1	1	0	3	2	1	0	0	0	3/1
GLC3	3	3	0	3	3	0	0	0	0	6/0
GLC4	0	0	0	2	2	0	0	0	0	2/0
GLC5	4	5	(1)	1	1	0	0	0	0	6-added 1
GLC6	1	1	0	2	2	0	2	0	2	3/2
GLC7	3	3	0	2	2	0	1	1	0	6/0
GLC8	3	1	2	2	1	1	0	0	0	2/3
Total	**17**	**15**	**2**	**16**	**14**	**2**	**3**	**1**	**2**	**30/6**

*Parentheses show a different direction

5.4.3 Benefitting Stakeholders' Interests

Apart from having a clear governance structure, GLCTP also mentioned that in executing the first and second underlying principles, GLCs are expected to serve stakeholders' interests. The GLCs' stakeholders are the shareholders, the government, the society, the consumers, and the suppliers and vendors. Therefore, in the sections that follow, this study will analyze data gathered from the annual report, interviews, and news cutting on GLCs benefitting the stakeholders in the transformation period.

5.4.3.1 The Shareholders

This study analyzed the data from the Graduation Report, and it indicated that the 17-selected GLCs had benefitted the stakeholders, namely the shareholders and the government, by contributing the amount of RM108.6 billion in dividends and RM62.7 billion in taxes from the FY2005 to FY2014. The report also asserted that the GLCs had provided returns to the investing public (including contributors to trust agencies such as EPF and PNB) and the people and country. Therefore, this study further explored the financial data from their annual reports to gauge the changes/improvement of dividends paid by each GLC throughout the transformation program.

We can see from the above Table 5-19 that in totality, GLCs understudy has paid about RM38.7 billion amounts of dividends to their respective shareholders throughout the transformation period and has served the stakeholder's interests, i.e., the shareholders. The amount of dividend has increased from RM2.49 billion in FY2005 to RM5.64 billion in FY2014. GLC5 paid the highest amount of dividend of RM14.4 billion, followed by GLC6 and GLC7 of RM9.7 billion and RM7.6 billion, respectively. These GLCs are the top three GLCs in term of assets owned that consist of 78 percent of the assets of GLCs understudy. They are also the achiever of the result of performance whereby GLC6 and GLC7 recorded an increased in ROA and ROE while GLC5's ROA and ROE decreased is very minimal of five percent. GLC2 and GLC4 paid the lowest amount of dividends of RM34 million and RM14 million, respectively. GLC3 is the third-lowest dividend payer. If we look in detail, the result presented above is in line with the result of DPR shown in Table 5-1, whereby GLC2 has decreased the amount of dividend paid towards the end of the transformation program. At the same time, GLC4 increased the amount of dividend paid from zero in FY2005. As presented in Table 4-1, all these three GLCs are considered among the four smallest GLCs in terms of the amount assets. All GLCs paid the highest amount of dividends to the shareholders in the last three years of the period, making up 40 percent of the total dividend payments by GLCs in the transformation period.

5.4.3.2 The Government

The second stakeholder is the government that benefitted from the yearly tax paid to the government. This study retrieved the annual report from FY2005 to FY2014 on the amount of tax paid to the government, presented in Table 5-20. This study discovered that GLCs understudy had served the government interest through yearly tax payment totaled RM24.5 billion in the transformation period. Hence, GLCs understudy has served the government in terms of tax payment in the transformation period. By observing two-point of times, i.e., FY2005 and FY2014 and compare, this study could conclude that the amount of tax paid has increased from RM1.87 billion to RM2.57 billion, 37.43 percent increase. Table 5-20 highlights the total amount of taxes paid by GLCs understudy to the government in the GLCTP period.

Like the dividend payment, GLC5 paid the highest amount of taxes to the government, which is RM8.9 billion, GLC6 went second with 6.9 billion and followed by GLC7 of RM3.2 billion. As mentioned in the previous section, they are GLCs with huge assets and the achiever of the result of performance. Throughout the period, likewise, GLC2 and GLC4 paid the lowest amount of taxes among all the GLCs. In particular, GLC2, GLC4 and GLC1 paid less than RM1billion amount of taxes to the government. GLC2 was the lowest taxpayer with the amount of RM200 million, followed by GLC4 of RM230 million and GLC1 of RM900 million. Also, as presented in Table 4-1, all these three GLCs are considered among the four smallest GLCs in terms of the amount assets. When we look at the amount paid in each year of the transformation period, GLCs paid the highest amount of taxes to the government in the last four years.

Table 5-19: Payment of Dividend to Shareholders for Respective GLC in GLCTP Period (RM million)

GLCs	*Year*										
	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*Total*
GLC1	68	80	138	145	184	367	375	336	310	269	2,270
GLC2	68	75	47	48	32	11	12	26	10	11	340
GLC3	32	32	144	153	189	163	187	166	153	86	1,310
GLC4	0	0	8	0	10	16	21	26	17	45	140
GLC5	789	577	1,261	2,296	1,144	601	1,803	2,103	1,622	2,183	14,380
GLC6	376	963	1092	843	477	850	838	1103	1,460	1,636	9,640
GLC7	1,016	750	582	688	707	698	702	701	787	932	7,560
GLC8	139	154	112	205	226	348	245	584	514	479	3,000
Total	2,490	2,630	3,380	4,380	2,970	3,050	4,180	5,050	4.87	5.64	38,650

Table 5-20: Payment of Taxes to the Government Throughout the Transformation Period (RM Million)

GLCs	*Year*										
	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*Total*
GLC1	41	35	174	11	83	101	99	94	148	152	940
GLC2	24	17	22	35	11	27	19	19	10	14	200
GLC3	95	92	114	123	98	156	169	199	172	81	1,300
GLC4	8	(3)	26	20	9	24	32	44	12	53	230
GLC5	431	430	489	1,400	669	906	1,603	1,308	708	953	8,900
GLC6	431	439	666	417	690	823	838	1380	542	660	6,890
GLC7	658	830	511	65	24	116	242	239	260	263	3,210
GLC8	181	55	167	317	199	340	412	432	350	394	2,850
Total	1,870	1,890	2,170	2,390	1,780	2,490	3,410	3,720	2,200	2,570	24,500

5.4.3.3 The Society

The Graduation Report reported that GLICs and GLCs have spent over RM6 billion from 2004 to 2014, benefitting society. From 2009 to 2014, 6,458 low-income families have benefitted from Yayasan Sejahtera[127] (YS) that was funded by GLCs and other companies. The report also mentioned that GLCs had helped 184,052 students in 326 schools from 2007 to 2014 through the education program. About on-the-job placement opportunities, 4,589 unemployed graduates were trained under Graduate Employability Management Scheme (GEMS), launched in 2009, and Skim Latihan 1 Malaysia (SL1M)[128] from 2009 to 2014 by the 17-selected GLCs. From both government programs above, it clearly shows that GLCs understudy had performed CSR activities in the transformation program. Apart from this, GLCs have also performed individual CSR activities that have been categorized by the Graduation Report into three groups, namely community well being, education and capacity building, and environment. Data from the Graduation Report and interviews are stipulated in Table 5-21 where it shows that all GLCs have performed their CSR activities in the transformation program.

This study also gained views from GLCs on the extent to which GLC run their CSR activities. To achieve both conflicting underlying principle, namely, performance focus and CSR activities, a GLC commented that they had implemented business-related CSR activities. As respondent from GLC7 put it:

> *'…we look at how to integrate social objectives within some of the businesses that we do, while still making money, because we profit-seeking organization, we are not a charity organization otherwise we have to pay a dividend to Khazanah, and at the same time to deliver the value that society will enjoy…'*

GLC1 mentioned that the CSR is in line with its objective, as the respondent mentioned:

> *'…Other than that, the company has to provide CSR in line with our objectives, provide facilities and assistance to the arm forces, which is our contributors. Although to the public sometimes but more focus to the arm forces'.*

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[127] Based on the report from the New Straits Time (NST) dated 7 October 2019 explained *Yayasan Sejahtera* as a non-profit and non-governmental organization established by Khazanah on Aug 7, 2009, to carry out CSR initiatives concerning poverty eradication for GLCs.

[128] The Sun Daily dated 12 October 2016 mentioned that it is a program to enhance the employability or the ability of graduates to gain employment in collaboration with GLCs and the private sector as part of its CSR.

Table 5-21: CSR Activities on Community Well-being, Education and Capacity Building and Environment by GLCs in GLCTP Period

GLCs	*Community Well-being*	*Education and Capacity Building*	*Environment*
GLC1	Interview: *'…we upgrading roads in the estate…yes give scholarship to arm forces student…we adopted 10 PINTAR school…'*		Promoted awareness and educated more than 1,500 students from 14 schools nationwide, from 2010 to 2014, on the importance of preserving the environment, particularly in conserving Malaysia's rivers
GLC2			Interview: *'…we uphold effective economic, environmental and social ("EES") practices as well as undertaking measures that fostered the sustainable growth of our businesses.'*
GLC3		Interview: *'…Other than that benefitted from our financial performance, those that involve in CSR program, each airport we adopted some of the schools, we build nursery and preschools for the kids we can do that if we have financial capability…'*	
GLC4		Provided access to education for the *Bumiputera* community to enable them to secure high-income employment through their RM1 million donation in four annual between 2011 and 2014	
GLC5		Committed RM131 million to funding athletic training programs as well as supporting the participation of athletes at international competitions since 2009	
GLC6	Renovated dilapidated houses into comfortable homes equipped with basic amenities for 177 underprivileged families from 2007 to 2014	Interview: *'…There is a lot of emphasis on CSR. There is a number of CSR that people take for granted….UNITEN, giving back to society, this is*	

GLCs	*Community Well-being*	*Education and Capacity Building*	*Environment*
		a university fully funded by TNB, of course, some student pays something, but at the end of the day, we sponsored the education for the students…'	
GLC7		Interview: '*…in community services, you can say CSR, but now I think it is more of providing supports to the school, we have sekolah angkat* [129] *, we have MMU*[130]*, our college, we provide services to the community in flood season, for example, we have our teams that go to those affected areas because they are indirectly our customers, and employees of course, suppliers, partners, the trade union, professional bodies…so is quite wide I would say, in terms of providing values of our company, as we evolved and moving towards this becoming convergence broadband champion from just a pure fixed line service providers, to ensure that the value is being spread to all our stakeholders'.*	Conducted a series of camps that is based on the five key elements (i.e., humans, earth, water, air, and energy) for 6,383 participants since 2010 to instill awareness of Malaysia's rich biodiversity
GLC8		Interview: '*Education is scholarship, we offer a scholarship to our staff, for staff sibling or staff kids, we have this excellence award…We do adopt schools, where we sponsor them in terms of utilities, facilities and extra classes to the students that one under PINTAR program…for the environment, planting trees kayu bakau (mangrove)…poverty, we worked together mercy, we have a contract*	Planted a total of 3,200 fruit and '*melati*' trees in 2014, under *Majlis Bandaraya Shah Alam*'s Trees for Life Programme

[129] Adopted school
[130] Abbreviation for Multimedia University, where in 1996, GLC7set this private university, to spearhead the privatization of higher education in Malaysia

GLCs	*Community Well-being*	*Education and Capacity Building*	*Environment*
		with mercy to support by giving money to mercy, also our volunteers to support people in the rural areas in terms of medical… so we gave a lot of social benefit to people…'	

As government-owned companies, GLC6 and GLC7 also asserted that their CSR activates are enhanced as they mentioned:

'There is a lot of emphasis on CSR. There is a number of CSR that people take for granted….UNITEN, giving back to society, this is a university fully funded by TNB, of course, some student pays something, but at the end of the day, we sponsored the education for the students…'

'…HSBB, which provides broadband to the people… through projects such as the High-Speed Broadband Project Phase 2 (HSBB 2) and the Sub-Urban Broadband Project (SUBB), we reduce the digital gap, increase ICT proficiency, boost knowledge and local capacity building…'

The Eleventh Malaysia's Plan, also reported that the government acknowledges the development of high-speed broadband as part of infrastructure development that has a high impact on achieving a developed nation status. As stated in the report:

'…all households in state capitals and high-impact growth areas will be provided with high-speed broadband of up to 100 Megabits per second…'

Another comment was highlighted from GLC7, when we asked the difference between CSR activities and mandated objective:

'…we don't differentiate both, as a GLCs, as a corporate, as a public listed, is not just to make a profit, just to make money, just to pay taxes to the government, or pay whatever the license fees to the government, or pay dividends to the shareholders, but to create value to all the shareholders[131]'

By arguing that there are a lot more social obligations that their company has performed, interviewee from GLC7 further explained:

'…we collaborate with PDRM[132] in setting up their system, we work together with the police, empower women entrepreneurs, schools, fighting corruption, we create awareness'. Another respondent added 'as part of discharging social obligation through the support on the education of the Bumiputera…'

Another respondent from GLC8 stated that they are focusing on education, poverty, and the environment, managed by a specific division. As he put it:

[131].' He listed the stakeholders for GLC7 namely the customers, retail or mass-market, wholesales customers, government agencies, shareholder, investors, employees, business partner and the VDP.

[132] Malaysia Royal Malaysian Police

'…we also committed in giving back to the society, under GLCTP silver book under CSR, we have specific division under UMWH…'

5.4.3.4 The Customer

The Graduation Report assessed GLCs have touched many aspects of customers' lives and have been benefitting customers through enhanced service standards and products and has been translated through the award received in the GLCTP period in the report. From Table 5-22, it shows data from the Graduation Report that has been validated with data retrieved from the news cutting and organizations' websites. As can be seen by the table, GLCs understudy had benefitted the customers and thus had received the customer awards related to the business activities of GLCs which includes in airport business, property development, telecommunications and pharmaceutical in the transformation period.

Table 5-22: GLCs' Customer Award in the GLCTP period

GLCs	*Customer Award Received*
GLC1	Company website: The University of Nottingham received the Queen's Award for Industry (International Trade) 2006.
GLC2	Frost and Sullivan Malaysia Excellence Award for Pharmaceutical Company of the Year – Generics Drug Category (2013) (Graduation report and Malaysia Awards website)
GLC3	The Skytrax World Airports Awards – World's Top 5 Best Airport (40-50 million passengers per annum category) (2013, 2014, 2015) Skytrax websites: MAHB is among the top 20 airports in the world in 2014
GLC4	FIABCI Prix d'Excellence Awards - World Gold Winner for Sustainable Development Category (2014) A media release dated 21 May 2014 – Malaysian Resources Corporation Berhad (MRCB) has won the FIABCI Prix d'Excellence International Awards 2014 under the Sustainable Development category for Platinum Sentral, its office-campus style Green Building in the Kuala Lumpur Sentral CBD.
GLC5	Southeast Asia Property Awards (SEAPA) - Best Mid-Range Condo Development (2014) News cutting: The Borneo Post dated 13 August 2016 stated Sime Darby Property was awarded the year's top honour – Best Developer (Malaysia) – for its long-term commitment to developing quality townships
GLC6	Contact Centre Association of Malaysia (CCAM) - Gold Award for Customer Relationship Management (CRM) Implementation in Contact Centres (2011)
GLC7	The Frost and Sullivan Asia Pacific ICT Award recognize companies that have demonstrated outstanding performance in the ICT industry for the Asia Pacific region. TM has repeatedly won the award for its fixed broadband products, namely UniFi and Streamyx, which have demonstrated remarkable growth in terms of its subscribers and revenue in 2012, 2013 and 2014.
GLC8	Wall Street Journal Asia – Top 5 most Admired Companies (2009) News cutting: The Edge dated 26th Dec 2010 stated that UMW was among the top 10 most admired companies in Malaysia and ranked among the top 200 companies in Asia by The Wall Street Journal Asia.

5.4.3.5 The Vendors and Suppliers

For vendors and suppliers, the government has introduced VDP, a program aimed at upholding the *Bumiputera* Empowerment Agenda (BEA)[133], which is monitored by the Ministry of International Trade and Industries and Khazanah. In the transformation period, The Graduation Report asserted that the 17 selected GLCs have been building capabilities of local vendors through VDP and providing business opportunities. In 2014, the GLCs' vendors were provided RM 98.2 billion worth of business, which caused the GLCs to spend about RM1.8 billion that had benefitted 1,307 vendors, 66,583 suppliers have been provided business opportunities. 82 vendors have graduated from the *Bumiputera* VDP from 2004 to 2014.

This study also analyzed information from the annual report of GLCs and interviews on the position and implementation of the VDP in GLCs as one of the national agendas. In general, all respondents agree that GLCs in Malaysia have their national agenda. As examples given by GLC1:

> *'…We need to support the Bumipuera, the SME group, because GLCs play an essential role in the government to achieve the social and development goal. The VDP is part and parcel of our company's objective to grow the entrepreneur…'*

A respondent from GLC2 mentioned that it had been mandated by the Prime Minister of Malaysia to execute initiatives for *Bumiputera* Economic Empowerment Agenda (BEA), with CEOs of GLCs being monitored annually through their KPI for *Bumiputera* Agenda. As he put it:

> *'…One of the initiatives for CCM's BEA KPI is the Bumiputera Vendor Development Programme (BVDP) where we facilitate relevant development (and if need be, intervention) programs for selected CCM's Bumiputera vendors to enhance their capabilities and capacities to grow and become catalytic entrepreneurs…We have also signed a Memorandum of Understanding (MoU) with the Ministry of International Trade and Industry (MITI) Malaysia to develop national and regional champions from our pool of BVDP participants.'*

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[133] This includes the *Bumiputera* Economic Empowerment Agenda (BEE), which refers to the situation where GLCs have helped to increase the economic activities of the *Bumiputera* by creating *Bumiputera* suppliers and vendors. The assistance includes providing business opportunities, education/scholarship, and employment. In a move to further strengthen and professionalize GLICs' and G20's support of BEA, which was launched by the government in 2013, the PCG established the BEA. Under the BEA, various initiatives have been implemented by both GLICs and GLCs, benefitting *Bumiputera* entrepreneurs, employees, students, and the broader community.

Overall, the responses from the interviews were inclined to say that all GLCs under the transformation program had placed BEA high by putting BEA as one of their main KPIs and being monitored by the government. For example, a representative LTAT felt that GLCTP has changed the view of GLCs on this and stated:

'...For example this Bumiputera all those things, so they are participating, we see maybe they were not before…or maybe this thing was not important to them, but now they are aware that this is part of the government and national agenda, so they have to participate…so, for example developing Bumiputera vendor all those things, they have participated, because they have KPI also for that, so they have been monitored by this Khazanah and PCG board, so they have to report whatever achievement that has been done, whether you want it or not, you have to perform and participate in that'.

The representative from GLC1 added that their subsidiary GLC is among the first GLCs to have implemented the VDP, where this subsidiary gives training to the *Bumiputera* entrepreneurs to become more competitive and sponsor them to go to the international exhibitions as he stated this:

'One of our main agenda in GLCTP is where we need to help the Bumiputera and SME group…under our subsidiary also we have our local entrepreneur through our Program Pembangunan Farmasi Bumiputera, where the candidate will be offered to run the pharmacy business under the name of Royale Pharma Pharmacy, on top of that, we have successfully implemented the BEA in a market-friendly, merit-based and transparent manner, so, we do encourage our entrepreneur.'

This study also noticed that most of the BEA initiatives implemented are centered on VDP. For example, from our analysis on the websites of GLC1's subsidiary, the subsidiary directly involved in VDP as part of its responsibility as enshrined in the 2011 Concession Agreement with the Ministry of Health Malaysia, as the government urged them to participate in the VDP actively. In news cutting sourced from Utusan Online dated 14 September 2009, it is stated that the subsidiary had produced 11 local vendors, and most were listed on Bursa Malaysia which saw participation from 19 suppliers to the APPL, namely 13 Adoption Companies (SAA) and six *Bumiputera* Manufacturing Panel Scheme (SPPB). The bulletin of this subsidiary also stated that the VDP Department was set up as part of the Business Development Division to channel and facilitate appropriate assistance to VDP participating companies, including market developments, industrial training, and supply financial performance monitoring and quality products to APPL. The same source also indicated that in 2014, it posted another benchmark on signing a Joint Venture Agreement with the Ministry of International Trade and Industry[134] (MITI). This effort is a sign of the company's commitment to *Bumiputera* economic development through the VDP.

A respondent from |GLC3 also stated that selecting the vendor based on *Bumiputera* VDP has been excluded from the principle of meritocracy. As mentioned by the GLC3's representative that contracts awarded are based on merits, except for those government drive programs such as VDP. When asked about procurement practices, the respondent from GLC6 stated that the company has put beyond suggestion by the Red Book by PCG. As he put it:

> *'…We have enhanced as we created the value from procurement...and enhanced with respect to the government agenda, on procurement for the Bumiputera community…we set up our vendor system for the Bumiputera vendor, now we are among the leading GLCs to offer the procurement for the Bumiputera.'*

From our content analysis of the newspaper cutting of Harian Metro published 15 September 2015, GLC6 started the BDVP in 1994 to encourage small and medium enterprises (SMEs) to support the needs of companies related to the energy industry. Since its inception in 1994 until the date the article was published, 16 major companies, including GLC6 have implemented PPVB (*Bumiputera* Vendor Development Program) involving 2,923 active *Bumiputera* vendor companies with a total contract value of RM53.2 billion. At the point the article was published, GLC6 has 14,000 registered companies, where 1,000 are *Bumiputera* vendor companies, with a combined contract value of RM8 billion awarded since the introduction of the program, which also created more than 10,000 new job opportunities. In addition to nurturing vendors through comprehensive development initiatives, selected *Bumiputera* vendors have the opportunity to leverage the GLC6 brand in global collaboration.

[134] MITI serves as a central monitoring unit to monitor the KPI assigned to all GLCs, also known as an anchor

About GLC7, when we asked whether they encourage entrepreneurship in the market, the response was that they had been mandated by the Prime Minister of Malaysia to execute initiatives for BEA. In addition to this, the respondent added:

'*…One of the initiatives for the BEA KPI is the VDP where we facilitate relevant development (and if need be, intervention) programs for selected Bumiputera vendors to enhance their capabilities and capacities to grow and become catalytic entrepreneurs…'*

There was also comment saying that the VDP eats up the financial standing of GLCs as they have to incur the expenses in developing these vendors. As one responded from GLC8 commented:

'…We have VDP, we have own program, we identify all the suppliers, we share information, if the supplier requires, we give them assistance, we look at it at the end of the say we look at win-win. Now with the recent GLCTP, with have Bumiputera VDP program, which is more well-structured, we need to identify Bumiputera vendor that display certain performance, we need to set aside certain fund allocated to develop Bumiputera vendors, the fund need to be utilized solely for developing the Bumiputera Vendors. Currently, we have a lot of programs, we also come in into helping out through whatever in-house program that includes kaizen, 5S, this is a standard thing that we can share with the vendors…'.

From the analysis above, this study concluded that GLCs had benefitted the vendors and suppliers, in particular in the VDP. This is because VDP is the program for *Bumiputera* that is being closely monitored by the government.

5.4.4 Conclusion on the Achievement of the Third Underlying Principle

From the analysis above, GLCs have fulfilled the suggestion by the GLCTP in removing the ex-civil servants, regulators and serving MPs directors in the transformation period, as on average, two directors have been removed from the boards. GLCs had also met the corporate governance mechanisms suggested by the LR and MCCG, as they have to adhere to these regulations being a public listed company. However, none of the CLCs had implemented governance mechanisms in holding a regular number of board meetings between six to eight times a year, suggested by the Green Book, although they met the requirement to have at least four meetings a year. The reason is that this is not a requirement but is merely a suggestion for GLCs selected under the GLCTP to follow, and the frequency of board meetings is not directly contributed to the performance of GLCs.

The highest numbers of the ex-civil servant, regulator and serving MP directors in the post-period were found in GLC3 and GLC7, where Khazanah owns both. As mentioned previously, Khazanah did not remove any ex-civil servant and regulator director from its GLCs' board. It also maintained the two serving MP directors in GLC6 and removed one from GLC7's board to become nil in the post-period. This indicates that despite the program's emphasis on having a clear governance structure by removing government away from GLCs, Khazanah refused to support this principle as it intends to control GLCs for developmental role reasons, especially for GLC6 and GLC7. In contrast, GLC8 that is owned by PNB is the best performer, as it made the most removal, thus confirming our result based on the interview with the management that GLC8 is less dependent on the shareholder.

Nevertheless, this study also found that all GLCs had benefitted stakeholders, namely the government, shareholders, society, vendors and suppliers and the customers in the transformation period. We also mentioned before in the analysis of the first underlying principle GLCs understudy had achieved at least two indicators on the result of performance, mostly in DPR and revenue growth. Thus, this situation supported the spirit of GLCTP that asserted with performance and results, GLCs could catalyze nation building and benefit their stakeholders. This is true as we discovered that the top three GLCs in terms of assets who also had achieved the most indicators of the result of performance paid the highest amount of dividend and taxes. All GLCs that achieve at least two of the indicators on the result of performance had benefitted their stakeholders.

Besides, this study also found that benefitting stakeholders (such as the society and vendors and suppliers) are also related to the objectives and core-businesses of GLCs, and was centered around the government policy on the *Bumiputera* VDP because the government is monitoring it, as mentioned by the interviewees in the section on the level playing field and CSR.

5.5 A Summary of GLCs' Transformation by Analyzing GLCs' Achievement of the Three Underlying Principles

In this section, we summarized GLCs' transformation into three segments. It started with presenting the results of each GLCs' scoring. Then we summarized the analysis on overall

GLCs' achievements of the three underlying principle. Finally, we summarize the achievements by each of the GLC on the three underlying principles.

For the first assessment, by using a methodology in Table 4-8, this study evaluated each GLC's achievement objectively, as presented in Table 5-23. The best GLC in terms of scoring is GLC3 and the worst is GLC1. In particular, from the full mark of 100, the highest mark attained is by GLC3 of 78.75 marks, followed by GLC6 of 68.75 marks. GLC1 achieved the lowest marks of 41.25, followed by GLC4 and GLC8 with 47.5 marks, respectively. GLC2, GLC5 and GLC7 range of marks are from 50 to 70 marks. GLC3 and GLC6 attained the highest mark for the first underlying principle of 43.75 and 37.5, respectively. This explained why these GLCs are the best performer, as we allocated the highest weightage to this underlying principle. GLC6 and GLC3 gained full marks for the result of performance and culture of performance, respectively. GLC6 also contributed to shareholders value as the Graduation Report presented that its market capitalization increased by 200 percent, from USD8 billion to USD24 billion, from FY2005 to FY2014 (PCG 2015, p.57). In contrast, GLC1 and GLC8 have the lowest mark of 12.5, as they only achieved half of the indicators of the result of performance, but failed to achieve any indicators on the culture of performance. GLC4, although gained higher marks in the first underlying principle than these two GLCs, it has the lowest mark in the second underlying principle of all GLCs, as it supported neither ETP nor other national priorities. Other GLCs achieved at least one indicator on appointing new and competent CEOs. GLC3 attained the highest marks of 22.5 out of 25 marks for the second underlying principle, while GLC4 attained the lowest marks of 10. Although both performed four out of five roles under NEM, GLC3 gained full marks for supporting ETP and other national priorities, while GLC4 achieved none. Finally, except for GLC8 that attained 18.75 marks for an extra of 6.25 marks as it achieved a clear governance structure exemplified by GLCTP, other GLCs achieved 12.5 marks for the third underlying principle for gaining full marks in benefitting stakeholders' interests.

In calculating the above marks, we identified several issues. As discussed in Section 5.3.1.3, GLC1 and GLC3 misperceived new industries in the tourism and leisure industry that is not catalytic and transformative. Besides, GLC1's investment was made with LTAT's assistance, thus failed to focus on core-operation on a level playing field, but achieved the role to invest in new investment as GLC1 has other investment in new industries. In contrast, GLC3 only invested in the leisure and tourism sector, thus failed to achieve this role. Regarding exiting non-core businesses, Khazanah owns GLC6 and GLC7, which had failed to exit its non-core business in the education sector. But, we were also aware from Table 5-13 that GLC6 exited none of the non-core assets as it does not operate any non-core business while GLC7 had divested its land in Port Dickson and Langkawi, thus met this role. As we had analyzed and reported in Table 5-14, there are cases where the implementation of one activity leads to the achievement of two or more elements of the same underlying principle or different underlying principle. These are the cases for GLC5, GLC6 and GLC7. As we had discussed in Section 4.8 of Chapter four, we did not penalize GLCs that did not achieve the NEM role for achieving other underlying principles. This is much related to GLC6 and GLC7 that failed to exit its non-core businesses in the education sector to meet their CSR obligation. For their activity in the education sector that are their non-core business, we gave an exception for this non-obedient.

Overall, we could conclude that GLCs' achievements in terms of scoring differ from one GLC to another GLCs depending on their focus on which underlying principles, especially on the achievements of the first and second underlying principles. Those who focused on the first underlying principle attained the best score. In contrast, GLCs that did not focus on the first underlying principle achieved the worst score. In particular, GLC3 and GLC6 that focused in attaining the result and the culture of performance, as in the first underlying principle, could also implemented NEM roles and GLIC lessened its control through shareholding, as in the second underlying principle. On the other hand, GLC1 did not focus on the first underlying principle on the appointment of a new and competent CEO and it failed to transform related to the second underlying principle on NEM roles and GLIC increased its control in this GLC. However, we also encountered that for GLC8 that claimed itself as less dependent on GLIC based on the interviews, its GLIC less meddled in the management on the appointment of the CEO, in the appointment of women board has no serving MP directors and removed the most of ex-civil servant and regulator directors and divested its shares in this GLC. Nevertheless, this GLC could not transformed holistically as per our scoring, although it attained to transform in terms of government's control, but not in the first underlying principle as we incorporate more weightage to this principle.

The second assessment is on the overall GLCs transformation and we found that GLCs did not transform holistically in achieving the three underlying principles, although

we encountered some exceptions or some positive results on their achievements. They could not achieve the result of performance in totality. Except GLC6, other GLCs failed to achieve the indicators on ROA and ROE. All GLCs achieved at least two indicators. Thus, we concluded that GLCs' transformed in financial performance vary. Based on the interviews, we found that the performance of GLCs is also influenced by other external factors such as the global financial crisis that happened in 2008, commodity prices and currency exchanges. Only GLC3 achieved both indicators of consistently announced its headline KPIs and appointed new and competent CEO to execute the program. The former is difficult to achieved by GLCs as it is very much dependent on their performance in that particular year. About appointing the new and competent CEOs, we also found that some GLICs'/ appointment of CEOs in GLCs is for the sake of their close monitoring in GLCs.
We discovered that none of GLCs had transformed with regards to the second underlying principle. Half of the GLCs achieved NEM roles holistically and all GLCs had transformed at least two roles, that they stayed the course and collaborated with private companies. The other half could not achieve one of the roles namely in becoming a regional champion, operating on a level playing field, investing in new industry or to exit non-core business. In particular, GLC1 were accorded with privileges from GLIC, GLC3 misperceived its sole investment industry as new and GLC6 only started its investment after the program period. GLC4 is relative small GLC that could not be able to be internationalized. Nevertheless, all GLCs had transformed to stay the course and collaborate with private companies. GLCs' performing NEM roles differ from one GLC to another GLC mostly depends on GLCs and GLICs opportunistically, as we encountered from the interview session that LTAT assisted GLC1 because they want it to be financially performed and we found from the representatives from GLC1, GLC2, GLC3, GLC4 and GLC8 that the reasons to exit the non-core-businesses was due to non-profitable business and to focus more on core-business. On other nexus, we also discovered from the interviews with respondent from GLC6 and GLC7 that they failed to exit their non-profitable non-core businesses in the education sector due to the direction from the board. In this study, we also found that GLCs understudy had expanded their sizes by 34.4 percent, from RM18.9 billion to RM25.4 billion.

GLCs transformation relating to contribution to ETP and other national priorities is not holistic as there was only a small divestment of 6.6 percent in the whole period and save for GLC3, other GLCs did met both the target of 30 percent women on board. Two

GLCs, GLC2 and GLC5 neither have their GLICs divested the shares nor meeting the women policy, while the rest have GLICs divested their shares. Five GLCs have their GLICs, namely Khazanah, LTAT and PNB divested theirs shares in them. However, EPF and PNB increased their shares in GLC4, GLC2 and GLC5.

GLCs' transformation through the achievement of the third underlying principle was partly achieved as all GLCs had transformed in benefitting all stakeholders' interests, but they did not holistically transformed to have a clear governance structure. Regarding benefitting stakeholders' interests, our analysis also showed that GLCs have achieved at least two indicators on the financial performance, Therefore, we could support on GLCTP's notion that with performance and results GLCs could benefit their stakeholders could be supported by our findings. Other than this, benefitting stakeholders (such as the society and vendors and suppliers) are also related to the objectives and core-businesses of GLCs, and was centered around the government policy on the *Bumiputera* VDP because they were monitored by the government, as mentioned by the interviewees in the section on the level playing field and CSR. This could be among the reasons of the success in the transformation with regards to benefitting stakeholders' interests.

On having a clear governance structure, all GLCs achieved the corporate governance mechanisms suggested by the LR and MCCG, as this is the requirement for public listed companies but none of them hold a regular number of board meetings between six to eight times a year, suggested by the Green Book. The reason is that the suggestion of the Green Book is not mandatory but is merely a suggestion by the program, and there is no evidence that the frequency of board meetings directly contributed to GLCs' financial performance. Also, on average, two ex-civil servant, regulator and serving MPs directors, respectively have been removed from GLCs' boards. However, GLCs did not transform holistically as the shareholders of three GLCs, namely GLC3 (Khazanah), GLC4 (EPF) and GLC7 (Khazanah) removed none of these directors in the period. Only GLC8 has PNB removed the most of these directors from its board.

The third assessment involved our evaluation on each GLC's achievement in transforming based on the three underlying principles and elaborated the reasons for the achievement or non-achievement for each of the GLC. We discovered that GLC1 did not fully transformed in the financial performance, as it achieved half of the indicators. The reasons stated in the interview sessions are because of the external factors on the global condition, commodity prices and currency exchange. It did not transform related to the announcement of the headline KPIs consistently because of its poor ROA and ROE. There is also failure to appoint a new and competent CEO, as LTAT closely controlled GLC1, that we also found that the CEO is also the CEO of LTAT. This control issue is supported by our findings on the privilege accorded to GLC1 and a small divestment in the transformation period, where the former resulted in GLC1 achieving four out of five roles under NEM. GLC1 also grabbed the opportunity to exit non-profitable business and to perform activity that could meet two or more NEM roles, but also misperceived new investment in the leisure and tourism industry in assessing this role and LTAT also did not appoint women directors to meet the policy on 30 percent women on board. Our finding revealed that it had expanded it size by 81.7 percent, from RM7.4 billion to RM13.5 billion.

GLC2, GLC5 and GLC8, that share the same shareholder, PNB, did not fully transformed in terms of the financial performance as it achieved half of the indicators, and the interviewees from GLC2 and GLC8 stated that this is due to global economic condition. Both GLCs did not fully transformed in the culture of performance as they appointed a new and competent CEO, but failed to announce the headline KPIs due to poor ROA and ROE. Both GLC2 and GLC5 had also transformed in achieving all NEM roles and the former grabbed the opportunity to exit its non-profitable business while the latter, performed activity that could meet two or more NEM roles. Our finding revealed that GLC2 had expanded it size by 93.9 percent, from RM1 billion to RM1.9 billion while GLC5 that is relatively bigger expanded it size by 64.9 percent, from RM27.7 billion to RM45.6 billion. We also found that PNB neither divesting its shares in these GLCs nor appointing women directors to meet the 30 percent women on these GLCs board.

A little different for GLC8 as it did not transform at all related to the culture of performance, as there was no appointment of a new and competent CEO. It also did not transformed in performing all NEM roles as the new industry was invested after the transformation period. GLC8 also took the opportunity to exit its non-profitable business. Our finding revealed that it had expanded it size by 93.2 percent, from RM6.5 billion to RM12.6 billion. This GLC’s size is between GLC2 and GLC5. As we discovered from the interview that this GLC is independent of PNB, there was no appointment of CEO to execute the program, PNB divested its shares in this GLCs as well as make the most removal of ex-civil servant, regulator and serving MPs directors from GLC’8 board.

GLC3 had partly transformed in financial performance, better than the previous GLCs that have been discussed, as it achieved three out of four indicators and fully met the culture of performance. Khazanah also divested its shares and appointed women directors so as to meet the policy of 30 percent women on GLC3's board. However, GLC3 failed in achieving all NEM roles, as it misperceived the new industry in the leisure and tourism industry, similar to GLC1. GLC3 also grabbed the opportunity to exit non-profitable business and to perform activity that could meet two or more NEM roles. It has expanded in size by 138.6 percent, from RM4.6 billion to RM11 billion. GLC3 did not transform to have a clear governance structure, as we found that there was no removal of ex-civil servant, regulators and serving MPs directors from its board.

GLC6 and GLC7 share the same shareholder with GLC3. GLC6 had transformed in financial performance as it met all the indicators, while GLC7 met three out of four indicators. However, both did not fully transform related to the culture of performance regarding consistently announcing its headline KPIs and had performed all NEM roles. GLC7 grabbed the opportunity to exit non-profitable business, although we are also aware that both GLCs maintained their non-core businesses in the education sector and performed activities that could meet two or more NEM roles. GLC6 are among the top three biggest GLCs in size and it has expanded in size by 34.2 percent, from RM67.7 billion to RM90.8 billion. However, GLC7 has shrunk by 35.2 percent, from RM33.9 billion to RM22.9 billion, due to demerger of its international arm. Although Khazanah divested its shares in these GLCs, we found that it retained its control through ex-civil servant, and regulators directors, to ensure these GLCs their social obligation in the education sector. These GLCs did not meet the policy of 30 percent women on boards as well.

GLC4 did not fully transformed in terms of the financial performance as it achieved half of the indicators, but the highest increment in DPR of all GLCs. It did not transform related to the culture of performance as it practiced a weak appointment of the CEO who is also the key personnel of EPF, showing EPF's close monitoring in GLC4. It is also evidenced by the non-removal of of ex-civil servant, regulators and serving MP directors from its boards. It has failed to announce of the headline KPIs is due to its poor ROA and ROE and partly performed NEM roles as it failed to transform to become a regional champion, probably due to its small size and financial performance. Nevertheless, it also grabbed the opportunity to exit non-profitable business. It has expanded in size by

142 percent, from RM2.4 billion to RM5.9 billion. Besides, EPF monitors GLC4 for dividend and increased it shares in it.

Nevertheless, this study also found that all GLCs had transformed in benefitting stakeholders. We have also mentioned before in the analysis of the first underlying principle that GLCs understudy have achieved at least two indicators on the result of performance, mostly in DPR and revenue growth. Thus, this situation supported the spirit of GLCTP that asserted with performance and results, GLCs could catalyze nation building and benefit their stakeholders.

This study also encountered three obstacles in transforming GLCs. First, we found some flaws on the GLCTP and the Graduation Report, due to the ambiguous nature of government policy in transforming GLCs. These flaws are also the reason why GLCs could not transform holistically. To be in line with government policy and the nature of GLCs, the program introduced a conflicting objective, but urged GLCs to focus on financial performance. This resulted in a situation where GLICs and GLCs implemented NEM roles that supported GLCs' profitability, for example exit non-core businesses that are not profitable and refused to implement a policy or guideline that is not siding to their GLCs' financial standing like meeting the target of women on board policy and having between six to eight board meetings a year. In addition to this, the government policies on refraining GLCs to encroach in private companies business and for GLCs to operate on a level playing field through the program are weak, as we found that program that administered by a high level government officials failed to give a clear definition of the term 'new' industry that GLCs should undertake and the indicator for 'level playing field'. Besides, we can also see the above could be the reasons for the overall expansion of GLCs. Thus, the misperception of new industries, lack of clear direction on level playing field as well as the expansion in the size of GLCs' assets undermines the role of GLCs in enhancing the socio-economic development of Malaysia, particularly in reducing its significant presence in the market to enhance private investment.

Table 5-23: A Summary of GLCs Achievement in the Transformation Period

GLCs	*First Underlying Principle*		*Total A*	*Second Underlying Principle*		*Total B*	*Third Underlying Principle*		*Total C*	*Total (A+B+ C)*
	Result of Performance	Culture of Performance		Roles of NEM	ETP and other National Priorities		Clear Governance Structure	Benefitting Stakeholders Interests		
Number (Marks) indicators	4 (6.25)	2 (12.5)	50	5 (2.5)	2 (6.25)	25	2 (6.25)	5 (2.5)	25	100
GLC1 (LTAT)	DPR and revenue growth	None		All except the role to focus on core-operation: operating on a level playing field	Divestment by LTAT		-Min of two or at least 1/3 proportion independent directors -Separate the role of Chairman and CEO -Maximum member of ten -Removed one ex-civil servant director	Yes		
	2/4	0		4/5	1/2		0	5/5		
Marks	12.5	0	12.5	10	6.25	16.25	0	12.5	12.5	41.25

GLCs	*First Underlying Principle*		*Total A*	*Second Underlying Principle*		*Total B*	*Third Underlying Principle*		*Total C*	*Total (A+B+C)*
	Result of Performance	Culture of Performance		Roles of NEM	ETP and other National Priorities		Clear Governance Structure	Benefitting Stakeholders Interests		
Number (Marks) indicators	4 (6.25)	2 (12.5)	50	5 (2.5)	2 (6.25)	25	2 (6.25)	5 (2.5)	25	100
GLC2 (PNB)	DPR and revenue growth	A new and competent CEO at the inception of the program		All NEM roles	No		-Min of two or at least 1/3 proportion independent directors -Separate the role of Chairman and CEO -Maximum member of ten -Removed one regulator director	Yes		
	2/4	1/2		5/5	0		0	5/5		
Marks	12.5	12.5	25	12.5	0	12.5	0	12.5	12.5	50

GLCs	*First Underlying Principle*		*Total A*	*Second Underlying Principle*		*Total B*	*Third Underlying Principle*		*Total C*	*Total (A+B+C)*
	Result of Performance	Culture of Performance		Roles of NEM	ETP and other National Priorities		Clear Governance Structure	Benefitting Stakeholders Interests		
Number (Marks) indicators	4 (6.25)	2 (12.5)	50	5 (2.5)	2 (6.25)	25	2 (6.25)	5 (2.5)	25	100
GLC3 (Khazanah)	DPR, revenue growth and ROE	Yearly announcement of headline KPIs A new and competent CEO at the inception of the program		All except to Pursue Investment in New Industries	Divestment by Khazanah The 30 percent women directors		-Min of two or at least 1/3 proportion independent directors -Separate the role of Chairman and CEO	Yes		
	3/4	2/2		4/5	2/2		0	5/5		
Marks	18.75	25	43.75	10	12.5	22.5	0	12.5	12.5	78.75
GLC4 (EPF)	DPR and revenue growth	A new and competent CEO at the inception of the program		All except the role to become regional champion	None		-Min of two or at least 1/3 proportion independent directors -Separate the role of Chairman and CEO -Maximum member of ten	Yes		
	2/4	½		4/5	0		0	5/5		

GLCs	*First Underlying Principle*		*Total A*	*Second Underlying Principle*		*Total B*	*Third Underlying Principle*		*Total C*	*Total (A+B+ C)*
	Result of Performance	Culture of Performance		Roles of NEM	ETP and other National Priorities		Clear Governance Structure	Benefitting Stakeholders Interests		
Number (Marks) indicators	4 (6.25)	2 (12.5)	50	5 (2.5)	2 (6.25)	25	2 (6.25)	5 (2.5)	25	100
Marks	12.5	12.5	25	10	0	10	0	12.5	12.5	47.5
GLC5 (PNB)	DPR and revenue growth	A new and competent CEO at the inception of the program		All NEM roles	None		-Min of two or at least 1/3 proportion independent directors -Separate the role of Chairman and CEO	Yes		
	2/4	½		5/5	0		0	5/5		
Marks	12.5	12.5	25	12.5	0	12.5	0	12.5	12.5	50

GLCs	*First Underlying Principle*		*Total A*	*Second Underlying Principle*		*Total B*	*Third Underlying Principle*		*Total C*	*Total (A+B+C)*
	Result of Performance	Culture of Performance		Roles of NEM	ETP and other National Priorities		Clear Governance Structure	Benefitting Stakeholders Interests		
Number (Marks) indicators	4 (6.25)	2 (12.5)	50	5 (2.5)	2 (6.25)	25	2 (6.25)	5 (2.5)	25	100
GLC6 (Khazanah)	DPR, revenue growth, ROA and ROE	A new and competent CEO at the inception of the program		All NEM Roles	Divestment by Khazanah		-Min of two or at least 1/3 proportion independent directors -Separate the role of Chairman and CEO -Removed two serving MPs director	Yes		
	4/4	½		5/5	1/2		0	5/5		
Marks	25	12.5	37.5	12.5	6.25	18.75	0	12.5	12.5	68.75
GLC7 (Khazanah)	DPR, ROA and ROE	A new and competent CEO at the inception of the program		All NEM Roles	Divestment by Khazanah		-Min of two or at least 1/3 proportion independent directors -Separate the role of Chairman and CEO	Yes		

GLCs	*First Underlying Principle*		*Total A*	*Second Underlying Principle*		*Total B*	*Third Underlying Principle*		*Total C*	*Total (A+B+ C)*
	Result of Performance	Culture of Performance		Roles of NEM	ETP and other National Priorities		Clear Governance Structure	Benefitting Stakeholders Interests		
Number (Marks) indicators	4 (6.25)	2 (12.5)	50	5 (2.5)	2 (6.25)	25	2 (6.25)	5 (2.5)	25	100
	3/4	½		5/5	1/2		0	5/5		
Marks	18.75	12.5	31.25	12.5	6.25	18.75	0	12.5	12.5	62.5

GLCs	*First Underlying Principle*		*Total A*	*Second Underlying Principle*		*Total B*	*Third Underlying Principle*		*Total C*	*Total (A+B+ C)*
	Result of Performance	Culture of Performance		Roles of NEM	ETP and other National Priorities		Clear Governance Structure	Benefitting Stakeholders Interests		
Number (Marks) indicators	4 (6.25)	2 (12.5)	50	5 (2.5)	2 (6.25)	25	2 (6.25)	5 (2.5)	25	100
GLC8 (PNB)	DPR and revenue growth	None		All except the role to pursue investment in new industry	Divestment by PNB		-Min of two or at least 1/3 proportion independent directors -Separate the role of Chairman and CEO -Maximum member of ten Achieved a clear governance structure exemplified by GLCTP -Removed two ex-civil servants and one regulator directors	Yes		
	2/4	0		4/5	1/2		½	5/5		

GLCs	*First Underlying Principle*		*Total A*	*Second Underlying Principle*		*Total B*	*Third Underlying Principle*		*Total C*	*Total (A+B+ C)*
	Result of Performance	Culture of Performance		Roles of NEM	ETP and other National Priorities		Clear Governance Structure	Benefitting Stakeholders Interests		
Number (Marks) indicators	4 (6.25)	2 (12.5)	50	5 (2.5)	2 (6.25)	25	2 (6.25)	5 (2.5)	25	100
Marks	12.5	0	12.5	10	6.25	16.25	6.25	12.5	18.75	47.5
Average			26.56			15.93			13.28	

6 CONCLUSION

6.1 Introduction

The research objective is to analyze how GLCs have transformed through GLCTP, based on the assessment of how non-financial public listed GLCs achieved the three underlying principles. Then, this study discussed major issues of government ownership in GLCs. Chapter one introduced the background, statement of the problem, objectives and research questions, motivations and contributions, the methodology used, major findings and structure of the study. Chapter two explained overviews of Malaysian GLICs and GLC, which includes the explanation about Malaysian PEs, the locality and characteristics of GLICs and GLCs, including the objectives and governance structure, the difference between GLCs and other types of PEs and the linkages between GLICs and GLCs and Malaysia historical development. Accordingly, Chapter three explained the theoretical background, reviewed the past literature on SOEs and GLCs, the GLCTP and the three underlying principles as well as primary arguments on GLCs to achieve the underlying principles. Based on the discussion in Chapter two and Chapter three, the research questions set for this study are as follows:

1) To what extent GLCs have achieved the first underlying principle under GLCTP?
    a. To what extent GLCs have achieved the result of performance; and
    b. To what extent GLCs have achieved the culture of performance?
2) To what extent GLCs have achieved the second underlying principle under GLCTP?
    a. To what extent GLCs have performed five roles under NEM; and
    b. To what extent GLCs have contributed to other national priorities?
3) To what extent GLCs have achieved the third underlying principle under GLCTP?
    a. To what extent GLCs have operated in a clear governance structure; and
    b. To what extent GLCs have served stakeholders' interests?

Chapter four discussed the overall methodology used for this study, namely the research strategy, research design, qualitative and quantitative data collection, data triangulation and reliability, the scope of the study and the precise method to answer each of the research questions. The scope of GLCs is eight GLCs, based on the criteria of non-financial, public-listed and present in the transformation program period. The sources of data are from GLCs' annual reports, Graduation Report, the Malaysian Plan, interviews with GLICs, GLCs and researcher from ISIS and news cutting. This study used a mixed-method approach, a combination of quantitative and qualitative methods. Specifically, data on GLCs' financial and corporate governance were gathered from annual reports and we obtained qualitative data from the interviews of key personnel from GLCs, GLIC, MOF (Inc.) and ISIS, the Malaysian Plan and the Graduation Report and news cutting. The indicators used to assess each of the GLCs achievement of the three underlying principles take into account the issues of SOEs/GLCs as well as the indicators employed by the Graduation Report.

In Chapter five, this study presented and discussed the result of the analysis. It started with the analysis on GLCs achievements of the underlying principles, by using indicators discussed in the Chapter four. We also concluded the result of the achievements and summarize each GLC achievement in terms scoring, as well as the overall achievement of the three underlying principles. We also summarize the study by identifying obstacles in transforming GLCs.

6.2 Major Findings

This study found that GLCs did not transform holistically although we encountered some exceptions or some positive results on their achievements. We found that GLCs could not transform their financial performance in totality, as most of them failed to achieve ROA and ROE. On the culture of performance, the announcement of headline KPIs is difficult to achieve by most GLCs. We also discovered that half of the GLCs achieved all NEM roles, while the other half could not achieve one of the roles namely in becoming a regional champion, operating on a level playing field, investing in new industry or to exit non-core business. Nevertheless, all GLCs had transformed to stay the course and collaborate with private companies. Thus, GLCs transformation with regards to performing NEM roles differ from one GLC to another GLC mostly depends on whether the roles are related to GLCs' profitability, as well as GLICs' assistance. GLCs' transformation relating to government controls under supporting ETP is not holistic. There was only a small divestment of GLICs shares of 6.6 percent. Employees Provident Fund (EPF) and Permodalan Nasional Berhad (PNB) increased it shares in their respective GLCs. Nevertheless, five GLCs have their GLICs, namely Khazanah, Lembaga Tabung Angkatan Tentera (LTAT) and PNB divested their shares in them. The divestment is dependent on GLICs seeking for dividend and developmental roles in GLCs as well as the dependency of GLCs on their shareholders. The transformation in social objective through the support on other national priorities is not achievable as only one GLC met the target of 30 percent women on board in the post-period. Nevertheless, all GLCs had transformed in social objectives through benefitting all stakeholders' interests. We also knew that GLCs had achieved at least two of the indicators of the result of performance. Thus, we could confirm GLCTP's notion that with GLCs achieving the first underlying principle, GLCs could catalyze nation building and benefit their stakeholders.

GLCs did not transform its corporate governance holistically as frequency of board meeting suggested by the Green Book is not achievable by all GLCs. On average, two ex-civil servant, regulator and serving MP directors have been removed from GLCs' boards, respectively. But we also encounter that ex-civil servant, regulator and serving MP directors could not be removed from the boards of three GLCs, as their shareholders, Khazanah and EPF removed none of these directors in the period. This is despite the fact that Khazanah divested its shares these GLCs, thus showing that they wanted to control them. Only PNB removed the most of these directors from one of its GLC's board, confirming our result based on the interview with the management that this GLC is less dependent on the shareholder. However, it indicates that GLCs' significant presence in the market is not achievable and there was a failure in moving the government away from some GLCs. Other than this, we also found GLCs understudy had expanded their sizes by 34.4 percent.

We also found several reasons that refrained GLCs from transforming. GLCTP introduced contradictory principles that created challenges for GLCs to achieve both financial performance and social objectives. Depending on GLICs, some GLCs focused on the first underlying principle but others focused on the second underlying principle or both principles and we know from the scoring that GLCs, which focus on the first underlying principle could be able to achieve on the second underlying principle. Besides, the government policies embedded in GLCTP to reduce GLCs significant presence and to operate on a level playing field failed to give a clear definition of the term 'new' industry that GLCs should undertake, as well as the indicator for 'level playing field' was not defined. This situation refrained GLCs from transforming with regards to NEM roles. We also ascertained that GLICs are powerful shareholders that are beyond the program in controlling GLCs, thus, refraining GLCs to transform regarding some elements of the first, second and the third underlying principles.

6.3 Significance of the Findings

The findings from this study make two contributions to the current literature. First, this study appears to be the first to investigate how the non-financial public listed GLCs transformation holistically based on the literature and general arguments on SOEs, which includes GLCs' financial performance and corporate governance, government's control, and social objectives.

This study analyzed the performance of GLCs holistically, by focusing on major aspects of SOEs. We also developed multiple indicators to assess each of various kinds of performance and used different indicators in evaluating GLCs' transformation than the Graduation Report, by taking into account the issues of SOEs around the world, including GLCs in Malaysia. This study used mixed-method that analyzed qualitative and qualitative data from various sources namely the annual reports, the Graduation Report, the Malaysian Plan, news cutting and companies websites. We employed insights gained from the interviews with the representatives from GLCs, GLIC, MOF (Inc.) and ISIS to uncover what is hiding behind the truth on the issues of GLCs in Malaysia. Also, we triangulated quantitative data and qualitative data and the convergence of both types of data aimed at corroborating the same finding in evaluating GLCs' achievement on each of the underlying principles. Thus, the findings of this study on GLCs transformation differs from the one asserted by the Graduation Report, with regards to the overall GLCs' transformation that includes corporate governance, government's control, the issue of level playing field and social objectives.

Second, the present study added to the growing body of research on what contribute the differences in the extent to which a GLC had transformed that includes government control in GLCs and GLCs dependency on GLICs. Finally, the significance of the findings is that this study discussed the issue of government ownership from our assessment of GLCs' transformation. The issues include the power of GLCs that beyond the program that created obstacle for GLCs to transformed holistically.

6.4 Limitations and Further Research

This study is subject to a few restrictions, and hence, further research in the area may be required. Firstly, this study cannot be generalized to GLCs/SOEs in other countries with different legal setup, ownership structure and mandated objective because GLCs in Malaysia are defined differently from SOEs in other countries. Besides, the GLCTP was constructed to suit the government's needs for Malaysian GLCs' transformation.

Secondly, the limitation arises in the nature of the dataset. This study was confined to the GLCs under the GLCTP that is public-listed with a high market capitalization. In particular, it implies that this study has little specific to say about non-public listed GLCs, which is comparatively smaller and have fewer shareholders. As mentioned in Chapter two, the government hopes that the spirits of GLCTP to be spread to all GLCs in Malaysia (NEAC, 2010, p. 23). Thus, it is crucial to demonstrate the evidence on the achievement of non-public listed GLCs in Malaysia on the underlying principles. Comparing listed and non-listed GLCs would be a promising path for future research.

Finally, the limitation is on private companies' data, which could provide insight into their perceptions towards GLCs' presence and the playing field in the market shared with GLCs and their collaborations with GLCs. Thus, for future research, interviews with representatives of the private companies are strongly recommended as their views and perceptions of GLCs' presence in the market would provide deep insight into GLCs significant presence and competitiveness in the market.

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Appendix A- List of companies used in the study

1 Malaysian Resource Corporation Berhad
2 UMW Holdings Berhad
3 Sime Darby Berhad
4 Chemical Company of Malaysia Berhad
5 Boustead Holdings Berhad
6 Malaysia Airports Holdings Berhad
7 Tenaga Nasional Bhd
8 Telekom Malaysia Berhad

Appendix B– Interview Schedule

Position	Time	Venue
Deputy Under Secretary Government Investment Companies Division	28 July 2017, 2.00 pm	Ministry of Finance Fifth Floor, South Block 62592 Putrajaya
Secretariat of PCG Vice President of Managing Director's Office	17 June 2016, 2.30 pm	Khazanah Nasional Berhad Level 33. Petronas Twin Towers Kuala Lumpur City Centre 50088 Kuala Lumpur
Director of Economics, Trade and Regional Integration,	28 July 2017, 9.30 am	Institute of Strategic and International Studies No 1, Persiaran Sultan Salahudin, P.O. Box 12424 50772, Kuala Lumpur
Special Officer to the Chairman of the Board	22 July 2017, 4 pm	Malaysia Airports Corporate Office Persiaran Korporat KLIA 64000 KLIA, Sepang Selangor
Chief Operation Officer	22 July 2017, 10 am	Menara Allianz Sentral, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Senior Manager, Transformation Program Office	20 July 2017, 10 am	Jalan Utas 15/7, 40915 Shah Alam, Shah Alam, Selangor
Head of Legal Department Company Secretary	15 July 2016, 2.30 pm	Level 11, South Wing, Menara TM, Jalan Pantai Baru, 50672 Kuala Lumpur
Group Chief Financial Officer	18 July 2016, 10.00 am	Level 11, South Wing, Menara TM, Jalan Pantai Baru, 50672 Kuala Lumpur
Group Chief Financial Officer	20 July 2016, 3.00 pm	Group Chief Financial Officer Office Level 22-1, Mercu UEM, Jalan Stesen Sentral 5, Kuala Lumpur
Corporate Planning Division Manager	22 July 2016, 10.30 am	Menara Boustead, 69, Jln Raja Chulan, Bukit Ceylon, 50200 Kuala Lumpur

Appendix C- Interview Questions to GLCs

GOVERNANCE PROCESS AND IMPACT AFTER THE GOVERNMENT-LINKED COMPANIES TRANSFORMATION PROGRAM

GOVERNANCE PROCESS

Has the GLCTP improved the governance process of GLCs?

1 MANAGEMENT PRACTICES

1-1 Performance focus

1-1-1 How does your organization define performance?

1-1-2 How does your organization uphold the principles of performance and meritocracy?

1-2 Performance management practices

1-2-1 How does your organization intensify performance management practices?

1-3 Procurement practices

1-3-1 How does your organization strengthen procurement practices?

1-4 Relationship with stakeholders

1-4-1 Who set your organization's objectives?

1-4-2 Does your organization have other objectives than financial objectives? (If yes, please indicate the objectives, otherwise move on to question 1-4-6)

1-4-3 How do these objectives been clarified to your organization by the shareholder?

1-4-4 How well does your organization understand the objective mandated by the shareholder?

1-4-5 What is the information contained in the report to the shareholder and how frequent is the reporting schedule? How about reports to the minority shareholders?

1-4-6 Other than shareholders, who are important to your organization?

1-4-7 What measures taken to strengthen the relationship with them?

1-5 Transparency

1-5-1 How does your organization enhance transparency?

1-5-2 To what extent does your organization disclose information to the public? Does it include information on organization objective and key performance indicators (KPIs)?

1-5-3 Does your organization have an internal audit function? If yes, please state the purpose and to whom does the head of internal control report to and how often?

1-6 Board effectiveness

1-6-1 Do you feel that the competency of the current composition of the board is sufficient for the organization's needs? (If yes, please provide the reason why do you think so)

1-6-2 Has the board hired any external consultants for advice over the past two years?

1-6-3 Does the management distribute information in advance of the board meeting? How far in advance?

GOVERNANCE IMPACT

Does the improvement in governance enhance the financial performance of GLCs, benefitting stakeholders, supports NEM and social benefits?

2 NATIONAL DEVELOPMENT FOUNDATION

2-1 Financial performance and benefitted stakeholders

2-1-1 How do you view your financial performance as compared to the last ten years?

2-1-2 Who has been benefiting from the improved financial performance of your organization? Please provide an example.

2-2 Supporting New Economic Model (level playing field, become a regional champion, private investment collaboration, investment in a new industry)

2-2-1 Are there any private sector providing services similar to your organization? (Please indicate the name of the private sector)

2-2-2 To what extent does your organization aware of government NEM objective to promote a level playing field in the market? What is your organization's view on this?

2-2-3 Do you think that the shareholder/Putrajaya Committee on GLCs High Performance (PCG)/government/regulator has made any effort (legislative) in leveling the playing field between GLCs and the private sector?

2-2-4 Does your organization create any framework to improve competitive neutrality?

2-2-5 Does your organization benefit from legislative or fiscal programs to advantage GLCs?

2-2-6 What is your organization's view on the issue of crowding out of private investment in the country? Does your organization is related to this issue?

2-2-7 How does your organization encourage entrepreneurship in the market? (If yes, please provide an example, otherwise proceed to the next question)

2-2-8 Does your organization operate non-core and no-competitive assets? Is there any disposal of those assets in the last five years?

2-2-9 Does your organization make a mark regionally and globally? (If yes, please provide an example, otherwise proceed to the next question)

2-2-10 Does your organization collaborate with the private sector? (If yes, please provide an example, otherwise proceed to the next question)

2-2-11 Does your organization invest in a new industry? (If yes, please provide an example, otherwise proceed to the next section).

2-3 Providing social benefits (improving rural development, raising living standards of low-income households, improving rural public transport, assuring quality education, reducing crime, fighting corruption, addressing the rising of cost of living)

2-3-1 What is your organization's contribution in terms of providing social benefits to the country in the last five years? If yes, please give an example of those objectives.

Appendix D- Interview Questions to GLCs

1 **SHAREHOLDERS MONITORING ROLE**

1-1 Clarifying GLCs objective
1-1-1 How does your organization mandate GLCs to perform required objectives?

1-1-2 Do you think that GLCs understand those mandated objectives?

1-2 **Board selection process**
1-2-1 How does your organization select representatives to sit on the board of GLCs?

1-2-2 To what extent GLICs followed the recommendation of the board nominating committee?

1-2-3 How does your organization enhance **transparency** in terms of selecting the boards of GLCs?

1-2-4 How many board members have been replaced in the last five years?

1-3 Attend an annual meeting and exercise voting rights
1-3-1 Does voting policy in place and **published** in your organization?

1-3-2 Does representative from your organization attend all annual meetings and exercise voting rights in the last five years?

1-4 Monitor performance, risk and leadership
1-4-1 How does your organization define GLCs performance?

1-4-2 Do you think that GLCs is focusing on performance?

1-4-3 To what extent your organization monitors the performance, risk and leadership of GLCs?

1-4-4 How frequently your organization receives reports from GLCs and what is the information contained in the report?

2 National development foundation
2-1 GLCs financial performance
2-1-1 What is your organization's view on the current GLCs financial performance?

2-1-2 Does your organization enjoy benefits from GLCs financial performance? If yes, please provide an example.

2-2 Avoiding market distortion

2-2-1 To what extent does your organization aware of the government New Economic Model in promoting a level playing field in the market?

2-2-2 How does your organization deal with GLCs competitive advantages? Any effort (legislative) in leveling the playing field between GLCs and the private sector?

2-2-3 Does your organization use a legislative or fiscal program to advantage GLCs?

2-2-4 What is your organization's view on the issue of crowding out of private investment in the country? Does any of your portfolio GLCs is related to this issue?

2-2-5 How does your organization ensure that the conditions in which GLCs operate are closely related to the private sector?

2-2-6 Does your organization create any framework to improve competitive neutrality?

2-2-7 Does your organization provide any financing to portfolio GLCs in the last five years? For what purpose? How was the financing process and term?

2-2-8 Does your organization feel that your portfolio GLCs depends on government incentives to succeed? If yes, what are the incentives?

2-2-9 Does your organization increase your stake in GLCs in the last five years? If yes, which GLCs?

Appendix E- Questions to the Institute of Strategic and International Studies and MOF (Inc.)

1 What do you think of the level playing field in Malaysia? Are companies in Malaysia doing business on a level playing field? If not, why is this happen?

2 What type of company ownership (public or private) has more competitive advantages than others? Why do you think that this type of company has more advantages than the other?

3 To what extent the uneven level playing field caused by the competitive advantages received by government companies affects the private companies? What is the impact of this scenario on Malaysian economic development as a whole?