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## MAPPING A TRANSFORMATION JOURNEY: A STRATEGY FOR MALAYSIA'S FUTURE, 2009–2010

### SYNOPSIS

When Prime Minister Najib Razak took office in April 2009, he aimed to set Malaysia on a new course. The nation's economy was stagnating in the wake of the global financial crisis, and citizen discontent with government performance had led to the worst election results for the ruling coalition since independence from the United Kingdom in 1957. To turn the country in a new direction, Najib created a new post in the Cabinet—Minister for National Unity and Performance Management—and appointed Koh Tsu Koon, president of a party in the ruling coalition, to the position. Koh assembled a team and proposed a series of Cabinet workshops to determine leadership priorities. The team reached out to an economic council tasked with piloting the country to higher levels of economic growth and engaged diverse members of Malaysian society in substantive discussions. During a two-year period, the team's findings evolved into a national transformation strategy. Strong leadership from the top combined with data- and research-driven approaches helped streamline priorities and generate buy-in. The strategy helped improve government performance and increase private investment. Nonetheless, public reaction was mixed, and critics charged that the entire undertaking was too narrow in scope. This case offers insights about how to design a consultative strategy development process in a country with a diverse population.

*Elena Lesley drafted this case study based on interviews conducted in Kuala Lumpur in March 2014. For more information about the delivery unit charged with implementing Malaysia's national transformation strategy, see the Innovations for Successful Societies companion case study "[Tying Performance Management to Service Delivery: Public Sector Reform in Malaysia, 2009–2011](#)." This case study was funded by the Bertelsmann Stiftung ReformCompass. Case published in August 2014.*

### INTRODUCTION

In April 2009, Koh Tsu Koon was in his car on the way to Malaysia's capital from his home in Penang when the radio announced his appointment to a brand-new ministerial post in the Cabinet. The country's new prime minister,

Najib Razak, had named him Minister of National Unity and Performance Management.

"I nearly fainted," Koh said, upon learning of the breadth of his new role, which was announced only days after Najib took office. In his speech, the prime minister explained that Koh would help

build a more accountable government and improve living standards for the Malaysian people. “I know, and the people throughout the country know, that to achieve our country’s long-term ambitions, we need not only policy renewal but also political and institutional renewal,” Najib said. The first step was to identify a strategic direction for the country, and Koh would be responsible for the task.

Then president of the minority Gerakan (Movement) Party in the ruling coalition, Koh had long served in the state government of Penang, an opposition stronghold. A Malaysian of Chinese descent, he spoke Malay, Chinese, and English, having honed his English while an undergraduate in physics at Princeton University and later as a doctoral student in economics and sociology of education at the University of Chicago. Although Koh believed his diverse experience and background had contributed to his selection for the post, he still wasn’t sure he was up to the challenge.

That evening, he talked at length with Azman Mokhtar, head of Khazanah Nasional, the government’s investment arm, who had helped transform Malaysia’s government-linked companies starting in 2005. Koh wanted to learn from Azman’s experience in driving change by using performance indicators, a common methodology in the corporate world. “Azman, you have to help me,” he recalled saying. “I want to meet your whole team as soon as possible!”

With Azman’s team, Koh went on to help develop the initial framework of Malaysia’s national transformation program, which consisted of two parallel efforts: the Government Transformation Program (GTP) and the Economic Transformation Program (ETP).

At first, members of the group did not realize the extent to which they would be charting a new strategic direction for the country. “As I look back, it all looks supremely organized, but I don’t think it was. I don’t think in the beginning of

2009 we knew there would be a GTP or an ETP,” said D. Y. Lin, a consultant at McKinsey & Co., a global management consulting firm that contributed to the Malaysian effort. “What we knew in the beginning of 2009 was [that] we have a prime minister who really wants to do things differently.”

Najib wanted to “do things differently” for good reason. The 2008 election results had dealt a blow to Malaysia’s ruling coalition, Barisan Nasional (the National Front). For the first time since independence, the coalition had failed to win the two-thirds parliamentary majority required to amend the Malaysian constitution. “Government took a beating in the elections,” said John Anthony Xavier, a professor at the National University of Malaysia and former director of research in the Public Service Department.

Malaysians were dissatisfied with public services, disillusioned by a perceived lack of government accountability, and concerned about economic stagnation. After the 1997 Asian financial crisis, Malaysia’s economic growth rate fell by half and private investment shrank to 20% of gross domestic product from about 40%.<sup>1</sup> Moreover, members of the public complained about the rising cost of living and argued that current levels of income inequality were unacceptable, with the poorest 40% of Malaysian households earning incomes barely one-seventh of those in the top 20%.<sup>2</sup>

Forced by his party to account for the 2008 election results, Prime Minister Abdullah Badawi stepped down on April 1, 2009. Two days later, Najib took office, with the task of turning public perception in favor of the coalition and his own party, the United Malays National Organisation.

Almost 20 years earlier, Mahathir Mohamad, who had served as the country’s prime minister for more than two decades, had sponsored Vision 2020, a strategic plan that outlined nine challenges standing in the way of Malaysia’s becoming a high-income, developed nation. Najib

and others in government realized that to achieve that goal, Malaysia had to upset the status quo. “We were worried that if we ran at the same pace, we would not make [our goals] by 2020,” said Idris Jala, a former corporate executive who would later become CEO of the country’s new delivery unit.

Malaysia needed a new strategy and a new system for following through. Najib provided top-level support, and he set the process in motion by naming qualified people to key posts and assigning specific responsibilities to ensure accountability.

### THE CHALLENGE

In order to carry out the prime minister’s mission, Koh and Azman’s team had to improve upon a history of reform efforts that had produced mixed results. The team also had to persuade coalition partners and other political leaders to agree on a shared set of priorities. And it had to take into account the needs of Malaysia’s diverse population.

Many previous strategies had focused on improving efficiency in the country but had failed to meet their goals due to poor implementation. After Mahathir came into office in 1981, he launched a campaign that emphasized “clean, efficient, and trustworthy,” and he urged Malaysians to “look East” in order to learn from the efficiency of Japanese bureaucracy and business. Government and company offices began to require employees to (1) use a time clock to record their work hours, (2) wear name tags, and (3) prioritize punctuality. In the 1990s, Mahathir used the Malaysian Administrative Modernisation and Management Planning Unit as a vehicle to computerize the government. Although Mahathir’s Vision 2020 stressed the need for businesslike efficiency, Koh said inefficiency remained “very, very ingrained in public perception” in 2009. Because of the public’s mind-set, Najib made the development of performance

indicators the starting point for his approach to government transformation. He wanted a mechanism that would publicly measure and monitor government performance.

To develop those indicators, members of the Cabinet first had to agree with each other and with the prime minister on a vision for the country. Najib and his team had “to get the Cabinet and himself aligned on the strategic direction,” Idris said. “He needed to pull the team together.” Idris had been skeptical that Malaysia’s leaders could reach agreement. In fact, soon after becoming prime minister, Najib asked Idris to join the Cabinet, but Idris declined, largely for this reason.

Koh and his team suggested Cabinet workshops as a way to open dialogue, reduce differences of opinion and differences in ideology, and move toward common goals. It was clear that negotiation and compromise were required to determine a national agenda.

To set priorities and determine performance indicators, Koh’s team had to develop a deeper understanding of the major issues affecting Malaysia’s diverse citizenry. Most important, the team recognized the need to plan in an inclusive manner, an aim shared by Najib. In his first speech after becoming prime minister, Najib had laid out his concept of “1Malaysia: People First, Performance Now,” a program to promote harmony among the country’s disparate ethnic groups, improve government services, and establish new, long-term plans to lead Malaysia out of the global economic crisis and ensure growth.

Najib’s 1Malaysia campaign said, “Everyone has a right to this country; everyone has a right to this economy,” asserted Rahamat Bivi Yusoff, director general of the Economic Planning Unit. “Different people have different aspirations, and sometimes it’s difficult to put it all together.”

About 60% of Malaysians belonged to the *bumiputera*, consisting of Malays and other

indigenous people of Southeast Asia; 23% were Chinese; 7% were Indian; and the rest were a variety of other ethnicities. Although they constituted a majority of the population, the bumiputera were among the poorest and most-disadvantaged members of Malaysian society.

Historically, different ethnic groups had been associated with distinct occupational categories. Malays were thought of as farmers and fisherman; Indians worked in rubber estates; and Chinese conducted business, according to Nor Mohamed Yakcop, former special economic adviser to Mahathir. Najib's father, former prime minister Tun Abdul Razak, had launched the New Economic Policy in 1971 both to dismantle a system that associated races with certain occupations and to improve educational and job opportunities for the bumiputera through an affirmative-action program. The philosophy behind the initiative was "growth with equity. . . . Once you have unity and harmony, then the economy will be able to grow," Rahamat recalled.

Although the New Economic Policy officially ended in 1990, affirmative-action programs for the bumiputera continued, creating resentment among other ethnic groups. To manage ethnic tensions, Najib convened a council to craft new long-term strategies for Malaysia that would shift the locus of public debate from ethnicity to growth and equity. Instead of providing special treatment for the bumiputera, government policy would be redesigned to assist the poorest 40% of the population regardless of ethnicity, Rahamat said.

## FRAMING A RESPONSE

Shortly after his appointment as minister of national unity and performance management, Koh met with Azman, head of government investment company Khazanah Nasional; several members of Azman's team; and consultants from McKinsey. Impressed by Khazanah's success in applying corporate methods to turn around government-

linked companies, Najib wanted to make certain that Koh could rely on the support of Khazanah Nasional. In fact, during the group's first informal meeting, Azman was summoned by Najib, who then suggested he reach out to Koh. "He's right now meeting my team in my office," Azman replied.

Najib had already urged ministers to develop performance indicators for their respective departments and sectors. He said that such indicators would "represent the country's strategic priorities and be overseen by a new unit headed by a minister in the prime minister's department"—namely, Koh. Although the ministers, in their initial attempts to develop performance targets, struggled to set achievable goals, Najib's directive underscored his commitment to using private-sector approaches to tackle Malaysia's complex problems.

### *Performance indicators*

The use of performance indicators was not an entirely new tactic. Decades earlier, in keeping with the mission of the New Economic Policy, the Ministry of Finance had set up more than 50 government-linked companies, placing them under Khazanah's supervision. The companies were designed to alleviate poverty and provide employment opportunities "for Malaysians in general, but for bumiputera in particular," Professor Xavier explained. Over time, the companies' performance lagged, and in 2005 then prime minister Abdullah launched a transformation program under which Khazanah monitored performance based on targets and indicators designed for each company. That example served to inspire Najib's approach to service delivery when he assumed office.

At first, the plan called for Koh, with assistance from the Public Service Department and input from Khazanah Nasional, to lead the development of performance indicators for all government departments. Azman and Izani

Ashari, who led the effort to transform Malaysia's government-linked companies, brought in consultants from McKinsey who had worked with Khazanah on other projects. Because the Khazanah team had had little experience with the public service, other parts of government lent assistance. The Public Service Department, the Administrative Modernisation and Management Planning Unit, the Implementation and Coordination Unit, and the Ministry of Finance helped "Khazanah work out an approach to jump-start public service reform," Xavier said.

### *Prioritization*

At one of the weekly Cabinet meetings, Koh presented to the ministers a basic framework for performance indicators. However, establishing targets for performance was difficult in the absence of clearly defined priorities, and the ministries lacked a concrete sense of what they should strive for. Koh and other members of his team suggested to Najib a series of Cabinet workshops that would determine national priorities and build consensus around a strategic direction. After that, the team would help define goals and performance indicators to help achieve those aspirations.

For the government, such workshops represented a new approach to planning, and no one was certain how well the discussions would work and what might be achieved. "It kind of spiraled a bit beyond what we'd originally intended," McKinsey's Lin said. "We really thought we'd go in and find some priorities" and that would be the end of the process.

Michael Barber, then a consultant with McKinsey, spoke to the Cabinet in May about his experience as head of UK Prime Minister Tony Blair's Delivery Unit. Barber said that when he was tapped to create the unit, he developed main priorities through a series of meetings in 2001 that included the prime minister and members of his policy team. Although they went into the

meetings knowing they would focus on the Departments of Education, Health, and Transport as well as the Home Office, Blair encouraged the team to break down the priorities further. For example, Delivery Unit priorities under the Department of Health included reducing cancer mortality, cutting waiting lists, and shortening waiting times.

Malaysian Cabinet members followed a similar strategy for prioritization, although they agreed to set six National Key Result Areas, or NKRA, for the government before actually creating a delivery unit. When Najib took office, Barber met with Najib and his deputy prime minister to discuss changes to national political and economic strategies.

Performance indicators "were the catalysts" for transformation, Lin said, but consultants said to Najib that priorities must come first. To establish performance indicators, "we first must be clear about what you want these [performance indicators] to do. . . . We borrowed from the Blair administration the concept of three or five real priorities," Lin said.

### *Inclusive planning*

Given the diversity of Malaysia's population and the government's desire to create a strategy that would resonate with the public, the Cabinet decided to use so-called lab sessions and town hall meetings to plan inclusively. According to Idris, many government programs fail because officials do not take the time to cultivate buy-in from the public. Leaders need to bring people together to "get a coalition of parties to say, 'This is our country. What do we need to do for this country to move forward? It belongs to us,'" Idris said.

Although in the past the Malaysian government had often established specially created task forces for planning, Idris persuaded the Cabinet to adopt the lab methodology he had used at Shell, a major international energy corporation. In labs, "you get people, put them in

the room together full-time for six to eight weeks,” and instruct them to develop targets and initiatives, Idris said. After the lab sessions, members of the public would have the chance to comment on the strategy through town hall–style forums called Open Days.

## GETTING DOWN TO WORK

Initially, the planning for the transformation programs took place through parallel efforts aimed at government and the economy. Under Najib’s new administration, Koh and his team convened a series of Cabinet workshops during the summer of 2009 to determine government priorities and establish the framework for government transformation. At the same time, a 10-member economic advisory council appointed by the prime minister worked to develop new long-term-growth strategies for the country, resulting in a set of recommendations called the New Economic Model.

These parallel efforts eventually came together under the newly created Performance Management and Delivery Unit (referred to as Pemandu), headed by Idris. In the fall of 2009, Idris organized intensive six- to eight-week discussion sessions that drew participants from the public and private sectors. During these lab sessions, groups broke down the broad strategic goals from the Cabinet workshops into measurable targets. When the New Economic Model was completed in March 2010, Pemandu also organized labs for its strategic goals. Following both sets of lab discussions, Pemandu took charge of implementing both the government and economic transformation programs.

### *Cabinet workshops*

During the first Cabinet workshop, held in May 2009, consultants from McKinsey presented facts about transformation in companies, Barber spoke about his experience heading the Delivery

Unit for Blair, and Idris presented information about his experience in the corporate world and successful leadership strategies. At the end of the workshop, Koh’s team polled participants for their opinions on initial priorities. Ministers identified crime, education, corruption, unity, the economy, and transportation as major challenges confronting the country.

The process of determining priorities continued in a second Cabinet workshop. To get a sense of the public’s main concerns, Koh and the McKinsey team presented the results of two public perception surveys. One was commissioned by then Prime Minister Abdullah in September 2008 after the poor general election results; the other was conducted by the Merdeka Center, an independent Malaysian research firm. Because the government had already done a great deal of research, McKinsey “spliced and diced what had already been conducted,” Lin said. Consultants also analyzed media coverage in May 2009, using keywords and topics to assess “the noise in the newspaper,” Idris said.

The results illuminated commonalities that helped guide the reformers’ thinking. In the September 2008 poll, citizens had mentioned crime, education, corruption, unity, and the economy as their major areas of concern. Merdeka’s analysis highlighted crime, corruption, unity, the economy, and political stability.<sup>3</sup> And, independent media analysis also pointed to crime, education, corruption, the economy, and transportation.

Although members of the Cabinet now had a sense of what the public wanted, “there was a tremendous argument among themselves whether those were the right priorities,” Idris said. In determining priorities, Lin said, the Cabinet had to consider not only what the public *wanted* but also what the public *needed*.

To facilitate a free and open discussion, the McKinsey consultants used blind electronic voting to assess levels of support for various alternatives.

The consultants outlined a series of options drawn from the polls and media analysis and then had Cabinet members signal their preferences via remote controls. The results were instantaneous and preserved the anonymities of those who favored and those who opposed which option. The technology enabled workshop facilitators to both winnow priorities and build consensus.

Najib facilitated discussions after each vote, thereby giving Cabinet members the opportunity to speak out for or against certain results. “People had the option to decide how transparent they wanted to be about how they had voted,” Lin said. The prime minister encouraged the group to shorten the list by eliminating the weakest options first.

Through these steps, the Cabinet settled on six NKRA: reducing crime, fighting corruption, improving student outcomes, raising living standards of low-income households, bolstering rural development, and improving urban public transportation. The process “was reasonably quick because the facts were pretty clear,” Lin said. The first four NKRA followed from the public surveys, which showed concern about crime, corruption, education, and the economy. Urban transportation emerged as an important issue in the media analysis. Rural infrastructure had not appeared in either the polls or media analyses, but Koh said the Cabinet members had agreed that both the polls and the media coverage underrepresented the opinions and needs of Malaysians living outside urban areas.

After the Cabinet agreed on the NKRA, Najib assigned ministers with overlapping portfolios to develop ways to address each of the six priorities and to identify the performance indicators that would be required to measure progress in each priority area. Other ministers created key results areas to address ministerial issues not covered by the broad NKRA.

Facilitators made sure that all ministers had an opportunity to have their views considered,

even if their opinions weren’t adopted by the group. With the prime minister’s strong backing, the group was able to reach consensus. “We didn’t move until we got everyone to agree,” Idris said.

As ministers debated priorities and worked to identify performance measures during the first two workshops, Koh’s team researched relevant topics to aid in the Cabinet’s decision making. Team members decided to adopt a facts-based approach when dealing with ministers.

In a third workshop, the Cabinet again split into groups to outline potential initiatives and targets within each NKRA. This kind of communication was important for identifying linkages across ministries, Lin said. Members of Koh’s team and the Cabinet had already started to consider different types of agencies that could spearhead a government transformation.

In the past, the government would have formed a task force to follow up on progress toward achieving the new goals and targets. However, after hearing presentations by Barber and other consultants from McKinsey, ministers decided to establish a delivery unit instead. Task forces met infrequently—once a week or once a month—and tended to lose momentum over time. Meanwhile, the delivery unit, to be called the Performance Management and Delivery Unit, or Pemandu, would be devoted to one job: ensuring the implementation of government priorities. “No matter what else was going on in the world, the delivery unit would focus solely on these priorities,” Lin said.

An important question remained: Who would lead the new delivery unit, which was crucial to making sure the priorities became realities? Koh demurred. He said he did not have the time given his responsibilities as president of his party and the duties of his ministerial post.

During the third workshop, an intensive two-day session, Azman recommended Idris for the role. Koh liked the idea, as did Najib. However, at first Idris “was very reluctant,” not

wanting to become involved in government and politics, Koh explained. He said that during the next few weeks, he called Idris frequently, urging him to take the post: “Every time, Idris, a devout Christian, told me he was still praying—in fact with his wife—to seek divine indication whether to take on the great challenge.”

After several weeks of cajoling by Koh and Najib, Idris agreed to head Pemandu under three conditions: First, he wanted to remain politically unaffiliated. Second, he wanted to be a full minister—the equal of other ministers with whom he had to deal. And third, he wanted to be allowed to recruit from the private sector. Concerning the third point, the Cabinet agreed to create Pemandu as a corporation within the Prime Minister’s Department so the delivery unit could pay the higher salaries needed to recruit the best talent.

Pemandu was officially created in September 2009, with Idris as its sole full-time employee and Koh as chairman of the board. Although Idris did not yet have a staff, he had to launch a series of labs immediately so as to expand on the Cabinet’s earlier work of determining initiatives and performance indicators. Consultants and representatives from Khazanah helped run the eight labs—one for each of the six NKRAAs, one for 1Malaysia, and one devoted to data management—that lasted for six weeks each in October and November. The discussions engaged a broad range of participants and brought together 250 civil servants from all ministries.

Each lab had about 30 participants whom the facilitating team selected based on their experience and knowledge. For example, members of the Cabinet had determined that petty crime should be a focus area because it directly affected the general public. Facilitators then identified people and organizations that would be involved in efforts to reduce petty crime, such as police officers, the Ministry of Home Affairs, volunteer citizen watch groups, property developers

(property crimes made up the bulk of reported crimes in 2009), and several representatives from the military, said Lin, who helped organize the labs.

After examining Malaysia’s own crime statistics as well as data from other countries, the lab group decided to set a target of reducing reported so-called snatch thefts and robberies by 20% during the coming year. Members then brainstormed initiatives that would enable them to achieve the target, such as identifying 50 street crime hot spots and training and deploying additional security personnel. Lab participants determined how to fund the initiatives and identified who would implement them.

Coaxing people to participate in the labs—and persuading their employers—turned out to be easier than expected, Lin said. Potential participants received signed invitations from the prime minister and/or supervising minister. “It then became a badge of honor to be part of the labs,” she said. “They were now working on a massive, important issue. They had exposure to senior people.”

After the labs had completed their work, the Cabinet convened another workshop to compile the results into a strategy document that would serve as a road map for the government transformation. Participants also prepared exhibits for use at Open Days to gather feedback from citizens. These public sessions took place throughout December in three geographically dispersed cities: Kuala Lumpur, Kuching, and Kota Kinabalu. “We invited everybody to come, whoever was interested to come and engage with us,” Idris said. “With some of them, we had really robust discussions including, for example, about corruption, urban public transport, the rail, and the buses.”

After gathering feedback, Koh and Idris worked with consultants to revise and redraft the road map. “The partnership worked very well,” Koh commented. While Idris oversaw Pemandu’s



day-to-day operations, Koh could answer questions about the Government Transformation Program (GTP) in Parliament and explain its goals to the public and nongovernmental organizations. Najib officially announced the launch of the GTP in January 2010.

#### *Creating the Economic Transformation Program*

In mid 2009, while the Cabinet met for workshops to set priorities for government transformation, Najib put in motion a parallel effort to confront the country's poor economic situation. In May, he created the 10-member National Economic Advisory Council to brainstorm strategies for growth. Amirsham Aziz, a former chief executive of Maybank, Malaysia's largest banking and financial group, chaired the council. Members included experts such as Andrew Sheng, former chief economist of Bank Negara, Malaysia's central bank; Danny Quah, professor of economics and international development at the London School of Economics; and Mahani Zainal Abidin, director general of the Institute of Strategic and International Studies Malaysia, an autonomous, nonprofit policy-research organization.

The council's work was informed by the public polling and media analysis used to determine the NKRA, said Norma binti Mansor, who served as secretary to the group of experts. Citizens had highlighted the economy and the cost of living as major concerns. That research, coupled with the fear that Malaysia might not meet its self-defined target to become a high-income nation by 2020, fed into Najib's instructions to the council's members. He wanted them to determine how to extricate Malaysia from the "middle-income trap"—which meant "being neither a low-cost imitator nor a high-value-add innovator"<sup>4</sup>—and how to improve the wages of middle-income earners.

The council's job was to chart growth strategies for the decade beginning in 2010.

Norma and her staff, together known as the council's secretariat, did the groundwork, preparing papers for debate. The council met every other month. Members started by defining where Malaysia wanted to be by 2020—what a high-income, inclusive, and sustainable nation would look like—and then defined both the steps needed to reach that goal and the obstacles that could be expected.

Throughout the process, Norma and her staff engaged in extensive consultation with leaders of private-sector companies and trade unions as well as members of all political parties at the federal level. Once the council had developed a clearer sense of some of the barriers to the country's development, the secretariat engaged with state governments and civil society. Working with those affiliated with both the ruling coalition and opposition parties, the secretariat generally conducted four or five meetings at the state level: first with the chief minister, then with the executive councils of the state legislatures, then with senior state civil servants, then with members of civil society, and finally, with lower-level government staff.

Generally, the secretariat met with those groups at the state legislative building, where Norma and her staff would explain some of the council's early findings and give participants the opportunity to comment and debate. Through this process, the council was able to involve an estimated 11,000 Malaysians in crafting the strategic economic plan, Norma said. Members of the general public could comment online.

The resulting recommendations, which became part of a document called the New Economic Model, were released in March 2010.<sup>5</sup> As had been the case in determining the NKRA, the council's focus on facts and rigorous analysis helped build consensus. Council members were "willing to listen and sometimes changed their minds," Norma said. They thought, "If Malaysia is good, then it's good for business." The major

objectives of the New Economic Model became the 10-year targets of the Economic Transformation Program (ETP): generation of US\$444 billion in investments, a gross national income of US\$523 billion, and the creation of 3.3 million jobs.

After the council completed the New Economic Model, Najib turned the project over to Pemandu. Although the council had come up with a broad framework, the model “wasn’t easy to implement,” said Ku Kok Peng, director of ETP investment at Pemandu. “It was a lot of policy language.” Pemandu had begun implementation of the GTP, and after some initial successes, the delivery unit seemed to be the appropriate agency to take on the job of also implementing the ETP, added Professor Xavier.

Malaysia, like much of the world, was experiencing slower growth, and the government needed quick economic wins to attract private-sector investment, generate jobs, and bolster public confidence. “We built the freeway, and Idris Jala built the race cars,” Norma said, referring to the relationship between the general framework devised by the council and the launch projects Pemandu had initiated for the ETP. “You need to have a good freeway in order to have fast cars.”

First, Pemandu took the lead in determining which economic sectors the country should focus on, called National Key Economic Areas. Idris brought together private-sector professionals, members of civil society, and top civil servants for a 1,000-person workshop. The participants split up into groups and examined each of Malaysia’s economic sectors on the basis of growth during the past 10 years. The figures were compared with mean growth rates for the comparable global sectors (taken from economics organization Global Insight). Then the group identified the countries that had the strongest growth in each sector and calculated the likelihood that Malaysia

could close the gap to be among the best in the world in each economic sector.

This process was “an empirical way of prioritizing,” Idris said. “There would be no way to get people in a room to agree what was a priority.” Representatives from different sectors would be more likely to promote their own interests, but having to rely on data made it impossible for them to make unrealistic claims about the strength of their sectors.

Twelve key areas emerged from the workshop. Pemandu decided to include a broad range of sectors in order to maximize the spread of wealth creation among different segments of society. Eleven of the 12 key areas were economic sectors: oil, gas, and energy; palm oil and rubber; wholesale and retail; financial services; tourism; electronics and electrical; business services; communications, content, and infrastructure; education; agriculture; and health care. The twelfth key area was geographical: Greater Kuala Lumpur and the Klang Valley, which comprised the capital, its suburbs, and nearby cities and towns. Planners decided that investing in the country’s commercial center was a crucial component of the plan to make Malaysia a high-income country. The 12 areas were expected to contribute to 73% of Malaysia’s gross national income in 2020.

Representatives from the private and public sectors then participated in a set of nine-week labs during which they discussed barriers to growth in each key sector and brainstormed projects that might be catalysts for sparking greater expansion. Idris explained how the labs facilitated creative problem solving by using the example of the wholesale and retail group, which brought together representatives from giant, big-box retailers and small, neighborhood mom-and-pop stores.

The two sides “just hated each other,” Idris said. For the first week, they could not see eye to

eye, and the owners of the smaller stores accused the big-box representatives of putting them out of business. However, the initial rancor subsided over the subsequent sessions, and representatives from the larger enterprises offered to help the small stores revamp their businesses. Using two small stores as pilot projects, the big retailers helped the owners modernize pricing and merchandising; and even within the period of the lab sessions, sales went up, Idris said.

As a result of that pilot initiative, the lab group developed a new entry-point project called the small retailer transformation program. Major retailers such as Carrefour, a French hypermarket chain, and Mydin, a Malaysian hypermarket chain, agreed to help revamp independently owned sundry stores. By 2014, the project had transformed more than a thousand such shops, Idris said. When the business of small retailers improved, they were more comfortable with the expansion of big-box stores. “We never would have come up with something like that if we had just sat in government,” he added. “By putting them together in a room, they found a solution that could work for both sides.”

Such entry-point projects—131 in all—were designed to generate “big, fast results,” which was Idris’s motto (the license plate on his car was BFR33). Lab participants determined ways the government could facilitate these initiatives and identified members of the private sector who could serve as champions. Pemandu once again conducted widespread public consultations on the projects before staff drafted a 650-page ETP road map, launched in October 2010.<sup>6</sup>

The economic council next worked with Pemandu to launch six cross-cutting Strategic Reform Initiatives that would lay the structural foundation for growth in the key economic areas. In the New Economic Model, the council had made 52 policy recommendations. Fourteen of them fit the NKRA determined under the GTP; the others were grouped into six clusters, which

became the Strategic Reform Initiatives: competition, standards, and liberalization; public service delivery; narrowing disparities; public finance; government’s role in business; and human capital development.

Ku, Pemandu’s director of ETP investment, stressed the importance of the identification of priority projects as the first major step in the process in order to get moving quickly on much-needed investment and job creation. Given the economic distress in the country, Najib wanted citizens to see fast action. Only later did the government begin to work on underlying reforms that would prove necessary for activating the projects.

## OVERCOMING OBSTACLES

During the initial Cabinet workshops that led to the creation of the Government Transformation Program (GTP), ministers had expressed some resistance to the idea of using indicators to track government performance. Some didn’t like the idea of being tracked; others couldn’t understand the usefulness of the plan; and still others didn’t believe that such methods, which most Malaysians associated only with the private sector, would work in the public sector. Yet the prime minister had been clear about wanting such indicators built into the strategy design.

In keeping with their commitment to a cooperative approach to resolving the significant problems Malaysia faced, Idris and others involved in the reform opted for direct discussions with ministers regarding ministers’ objections. The team took time to debunk misconceptions by explaining carefully each situation, discussing specific points of opposition, and finally persuading the ministers that they would benefit from the use of indicators.

The “biggest challenge was to have a conversation with [the ministers] about why these changes were necessary,” Idris said. In responding

to the ministers' concerns, you "don't have a debate with them philosophically. . . . You tell them how you intend to apply" indicators in real life, he added.

Idris demonstrated how performance indicators might work in various areas, and ministers spent significant portions of the Cabinet workshops formulating possible measurement techniques. One debate centered on how the government might measure performance related to corruption. Cabinet members floated such ideas as tracking Malaysia's ranking in Transparency International's Corruption Perceptions Index and the creation of a law to protect whistle-blowers who revealed wrongdoing or shortcomings in government and corporate operations.

In addition to such practical matters, the team was able to persuade Cabinet members that concrete measurement provided a way to bolster their political popularity, Xavier said. Ministers came to see positive performance on indicators as a way to prove their success to a skeptical public.

The methods Pemandu used in implementing the GTP also faced resistance from civil servants. When Pemandu was created, the goal was to embed a changed and more efficient culture into the civil service. Once that job was done, the delivery unit would dissolve. However, changing workplace norms and traditional ways of thinking was no simple task in Malaysia. Pemandu attempted to involve civil servants early in the planning process through lab sessions. Working together to brainstorm ways to achieve seemingly impossible targets forced members of the civil service to be resourceful and to "break down silos," said Rahamat, head of the Economic Planning Unit. Despite initial skepticism, once the GTP began generating results, more members of the civil service saw the usefulness of adopting corporate methods, according to Liyana Taff, a senior NKRA analyst at Pemandu.

Nonetheless, tension remained between Pemandu and the civil service. Pemandu operated

more like a business, and many of its staffers had come to the organization from the private sector. Many of those people were "more accustomed to operating on a much more corporate timeline," said Kian Ming Ong, a member of Parliament from the opposition Democratic Action Party. "The civil service doesn't operate like that. You have to go through protocols; there are a lot of sensitivities to be looked out for; you can't just push people around like that."

Staffers from Pemandu also were probably more comfortable working in English, the language of business in Malaysia, Ong said. In addition, he and others noted that Pemandu's higher salaries were points of contention with the civil service.

Generating buy-in from a skeptical public also proved challenging. When the GTP first launched, Pemandu's communications team crafted strategies to inform citizens about the government's work. The "public doesn't really care about policies per se; they care about how policies affect them. They wanted greater transparency and accountability," said Alex Liew, director of communications.

At first, many advertising and creative agencies that had experience in making presentations for consumer brands approached Pemandu to help with the communication strategy. Most agencies thought the project was "some sexy thing they could do with a bit of headlines, a bit of imagery, and clever copy," Liew said. When the agencies realized the complexity of the content, many dropped out.

Pemandu decided to do the branding itself, but its initial approach was too technical and data laden. The "Malaysian public as a whole had never really seen such an immense rush of statistics in their face," Liew said. After several months, the communications team changed its strategy and softened its approach by using illustrations, testimonials, and a range of media platforms. Pemandu also worked with media to

promote understanding by coordinating trips for reporters to see projects that were under way in remote parts of the country's interior. Much of the GTP's work affected rural areas and was thus not visible to urban dwellers.

Idris also had a regular newspaper column in which he “debunked myths” about the Government Transformation Program (GTP) and the Economic Transformation Program (ETP), Liew said. Nonetheless, generating support for the country's national transformation strategy remained a struggle, particularly when progress in some sectors had appeared to plateau after initial successes. “It has become even harder when it comes to pushing for bigger and bolder initiatives,” said Ravindran Devagunam, director of the corruption NKRA and wholesale and retail key economic area. “Managing public perception remains a challenge.”

## ASSESSING RESULTS

Malaysia's national transformation strategy exhibited many qualities that scholars consider to be hallmarks of good strategy: inclusive planning, rigorous prioritization, adaptability, widespread awareness, and mechanisms to monitor implementation.<sup>7</sup> The lab methodology allowed for broad participation by the public and private sectors, and the Open Days offered the general public a chance to provide feedback, as did the consultations conducted during the planning of the New Economic Model. “You can't really decide on policies in a boardroom anymore,” Liew said. Planning for the transformation program “was the first time ever that this government has opened itself up on such a massive scale in terms of having public engagements.”

Cabinet workshops enabled ministers to voice their opinions freely, and they used technology to facilitate decisions and winnow priorities. Through this process, the Cabinet selected six priority areas for government transformation (the NKRAAs). According to Koh's

team members, sometimes this is all that's needed to achieve agreement—if not consensus: various parties must feel they have been heard. Pemandu took a similar approach in selecting the priority areas for economic transformation (the 12 NKEAs). But instead of winnowing priorities within the Cabinet, the delivery unit convened a thousand-person workshop to determine key economic areas by examining the historical performance of different sectors and future projections for growth.

The strategy also was flexible and able to adapt to changed circumstances. In 2011, the government added a seventh NKRA because of increasing public discontent over the cost of living. Entry-point projects under the ETP also changed over time, because some initiatives proved less successful than anticipated and were replaced with other efforts.

Public awareness of the transformation strategies was high, especially among younger citizens. A 2012 Asia Foundation survey showed that 84% of Malaysian youth were aware of Vision 2020, and 94% were able to cite the main goals of the policy as “becoming a developed nation,” “being modern and advanced,” and “having advanced technology.”<sup>8</sup> Up to 81% believed the country was realizing the goals of Vision 2020. Nearly all (98%) of Malaysian youth were aware of 1Malaysia, and most (83%) associated it with national unity; only 12% associated it with performance.<sup>9</sup> The discrepancy suggests that communication related to performance management was relatively weak.

Mechanisms for implementation were actually built into the strategy development process—both with the creation of Pemandu as a delivery unit and the decision to make that body responsible for tracking targets. Pemandu carefully documented the progress of both the Government Transformation Program and the Economic Transformation Program by generating annual reports, enlisting the expertise of an

international review board in the auditing of statistics, and employing an aggressive communications team. Findings generated through that process showed progress in a number of areas. According to the 2013 ETP annual report, gross national income per capita grew from US\$7,059 in 2009 to US\$10,060 in 2013, which meant Malaysia was on track to meet or perhaps even exceed its 2020 goal.<sup>10</sup> Pemandu also highlighted a number of successes in the GTP's portfolio, including rural development initiatives such as building roads and improving access to clean water, which benefited an estimated 5.1 million people.

However, critics of the transformation program expressed skepticism regarding the metrics used and the successes reported, Ong said. The "initial success of GTP and ETP had to do with the public relations aspect," he asserted. "Over time, people saw that behind the hype, the actual successes were not that significant."

In particular, citizens often doubted Pemandu's reported success in reducing corruption and crime. According to the 2012 GTP annual report, street crime dropped 40.8% after the launch of the transformation program.<sup>11</sup> In addition, Pemandu's research showed public satisfaction with police services had increased from 35.8% in 2009 to 85.2% by the end of 2013, Ku explained. However, Ong said, many Malaysians felt the police were not transparent about how crime statistics were compiled, and they suspected that certain incidents went underreported. Detailed crime statistics obtained by the *New York Times* from the Malaysian government in 2013 showed mixed results: Although armed robberies and gang robberies had decreased dramatically since 2000, the number of homicides had remained relatively unchanged, and rapes had increased<sup>12</sup>

In addition, demand for personal security services had increased sharply, with the number of certified security companies more than tripling to

712 in 2013 from 200 in 2000.<sup>13</sup> "Most important, people don't feel any safer on the streets," Ong added. "So, when you say crime has dropped by 40%, people don't feel 40% safer, and that's why I think there's a lot of disbelief in the accuracy of these crime statistics."

Although the national transformation strategy had been launched in response to the poor 2008 election results, the ruling coalition actually lost additional seats to the opposition in the 2013 elections, suggesting that the strategy and its results may have failed to persuade the voting public that the central government was on the right course.

## REFLECTIONS

Some observers argued that Malaysia's national transformation strategies sidestepped issues that were crucial to moving the country forward. "The GTP and ETP are technical solutions and do not address the country's underlying political challenges," said Anthea Mulakala, former country representative of The Asia Foundation in Malaysia.

Even though the government launched additional components of the national transformation strategy—political transformation and social transformation—those goals were more amorphous and difficult to measure. As part of the political transformation program, which aimed to transform Malaysian society into a "politically mature and responsible voting public," the prime minister repealed the Internal Security Act and Emergency Ordinance, which had allowed the government to detain without trial for two years those suspected of threatening state security. Human rights advocates charged in the past that these measures had been used to stifle dissent.<sup>14</sup>

Even after the launch of the national transformation program, the government's treatment of opposition politicians drew criticism from human rights groups.<sup>15</sup> Opposition leader

Anwar Ibrahim had been tried on charges of sodomy in 1998 and was again in 2010 and 2011. In addition, corruption and waste remained significant issues, and members of the opposition argued that the government's anticorruption efforts failed to go after "big fish."<sup>16</sup> During 2013–14, two transport ministers were acquitted of charges related to a scandal at the country's biggest port. Costs for a free-trade zone ballooned to more than a billion dollars in a case that galvanized the opposition.<sup>17</sup>

The social transformation program aimed to create a united and integrated society in keeping with the vision of 1Malaysia, yet the problem of unequal treatment felt by non-bumiputera persisted, because for the ruling coalition, dealing with those issues was not politically viable. Although the New Economic Model made some recommendations for addressing what Mulakala called "tenacious, structural obstacles," the government had not adopted some of the model's proposals, she added.

Although the GTP did attempt to address inequality by initiating economic efforts to help the bottom 40% of the population, the program did not confront ethnic and racial issues that intersected with poverty, Mulakala said.

The political and social programs highlighted some of the tensions between consultative and leadership-dominated planning efforts. Governments want to be able to tout their strategic-planning efforts as inclusive and

consultative, but consultation can slow the process. Although the Malaysian government did try to work with representatives of diverse groups within the country's complex society, success was constrained by the underlying political and social frameworks.

That constraint had both negative and positive implications. Critics could charge that the bulk of the national transformation strategy—the government and economic targets tracked by Pemandu—involved narrow and technical initiatives. A delivery unit could prove useful in executing those initiatives (indeed, Pemandu served as a model for similar units in Tanzania, South Africa, and other countries), but the goals did not tackle broader social and political problems.

On the positive side, because the goals were somewhat limited and the prime minister led the effort, Malaysia was able to craft a strategy relatively quickly, setting achievable targets and implementation mechanisms. Moreover, supporters of the prime minister argued that Najib Razak's plan could lead to broader transformation, with government and economic reforms laying the groundwork for political and social transformation.<sup>18</sup> Weighing the need for consensus building against the efficiency of strong leadership, Idris said, "You can empathize with people, and you can discuss it, but at the end of the day, the leader needs to say, 'Look, this is the direction we're going.'"

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