



MOHD RAZALI HUSSAIN
Malaysia Productivity Corporation (MPC)

WORLD REPORT (WR): Please give us a brief introduction to the Malaysia Productivity Corporation (MPC). Why were you set up? What do you do? What kind of services you offer? How do you help companies become more productive and competitive?

MOHD RAZALI HUSSAIN (MRH): As you know, we are now known as the MPC; previously we were the National Productivity Corporation. We would like to go more global in terms of our activities but having said that, our focus is still more for the local organisations. Our main objective is to raise the productivity level of the country. This must be done through the organisations and people here in Malaysia. In terms of our activities over the years, we have been focusing on training and consultancy. We have also prioritised our work on research in productivity and innovation. Our flagship product is our productivity report, where we feature our national performance on productivity as well as the sectoral and industrial productivity levels. Other than that, we also address issues of quality improvement. We are monitoring the total factor productivity that considers both the quantitative and qualitative aspects of productivity enhancement.

Just like the types of programmes out there in the UK, we have also involved ourselves in benchmarking programmes. We benchmark ourselves within Malaysia and also with companies outside Malaysia. Later, I will also mention our latest initiative, the Malaysia Benchmarking Index (MBI). We modelled this practice with the one in Europe developed by the Fraunhofer Institute and MPC worked with them to come up with the MBI. Before that, we focused on an area related to benchmarking that we call competitiveness, where we started measuring ourselves against other countries. We became a partner institute with the World Economic Forum (WEF) and Institute for Management Development (IMD) in Switzerland. Every year we assist them by inviting organisations to participate in their survey and we also provide them with information on many indicators featured in the report. From the report you can see our ranking measured against other countries. You can see where we are weak and which countries are doing better than us. As a benchmarking exercise, we analyse and get information from the various countries ranked above us and we report to our Ministries and Cabinet on the gaps that the country needs to improve on.

(WR): My question is very simple; what are your weaknesses and what are your strengths?

(MRH): Based on the latest report, the area that we are weak in is the institutional framework. One area also mentioned in the report is the crime rate and terrorism. This country is still considered similar to a neighbouring country in terms of bomb threats. That, as we know, is a real misperception.

(WR): That is a misperception because you actually do not have the problem of terrorism here.

(MRH): Yes, it is a misperception. That is exactly one of the things that we are doing here. Other than just providing the data information service as partner institute, we also provide information in terms of this misperception. It is wrong to say that there is a threat of terrorism here in Malaysia. However, of course, we are looking at that perception as being very close to where the threats are. We need to do something about that. We need to address how we position ourselves in this region and how we look at our neighbouring countries. For instance, there is a need to cooperate with our neighbours to improve on this issue and reduce the threat of terrorism.

(WR): And your strengths?

(MRH): Our strength, as identified in the report, is the financial market. We are number 6 among 130 countries. In terms of the details we can provide you our own summary of these reports. After each report is released, we issue our own mini reference book, where we list the areas that we are weak and strong in. This publication is distributed to all the members of the Cabinet and the Ministries. Starting this year, every minister has to come up with initiatives to sustain the strengths and improve the weaknesses that we have identified. They can be given scores and the key performance indicators (KPI) are included. In other words, every Ministry has to help improve the competitiveness of the country. I was informed that some of these practices are also implemented in the UK too.

(WR): Yes, they have process management and quality management but they do not phrase it as directly as you do. They do not point out that there are KPIs to meet. This is a bit more direct.

(MRH): There is no subtlety here. You have to instruct very clearly.

(WR): What more can be done to further enhance Malaysia's productivity and what is the government doing to further develop this?

(MRH): I believe there are many things that we still need to do. We are still a middle-income country and we need to push ourselves up. According to the information from this international report, they describe us as being an efficiency-driven stage country. We need to have more initiatives at all levels. As a country, there are areas that we need to improve in terms of productivity and innovation. As far as we at MPC are concerned, we have come up with several programmes to help people at all levels improve their productivity and competitiveness. For example, we have programmes linking productivity to wages. In this middle-income economy, you go by gross domestic product (GDP) per capita, your income or wages. We are doing many initiatives in that area. We have this programme called Productivity-Linked Wage System. To put it in a very simple form, we go to the company and establish the systems to actually see how

productivity is linked to the wage. This is also related to the issue of foreign workers. I am sure you have heard about it.

(WR): Yes, I have heard about the need to import a labour force...

(MRH): Yes, we need to import specific labour force. Some companies really need these foreign workers. If this productivity and wage system is not in place, they are not able to tell how many workers they will require. They proceed by the availability of the workers. At the moment employers tend to prefer having many workers, but that does not really address the issue of productivity.

(WR): So the government should tell them how to be more efficient in terms of hiring people?

(MRH): Yes and to go into automation at the same time. We also need to enhance the productivity level of our own people and local workers. They have to be more productive than the foreign workers. As it is now perception-wise, we are looking at the foreign workers as being more productive because they work longer hours. But longer hours does not necessarily mean you are more productive.

(WR): Yes, it can be the exact opposite...

(MRH): Another programme to enhance the capacity of our people is our Business Enabling Skills Training (BEST). It is not just enough to have knowledge and skill but you also need to address the attitude part. This programme BEST is more in terms of addressing the motivational side as well as how they communicate, solve problems and their thinking skills. We are providing the local workers with this level of soft skill. Not just in terms of the knowledge and skills to do the work but the mindset that affects the way they do things.

(WR): Your business must be tricky because you have a large public sector with many employees, and several government linked companies (GLC). It must be a challenge to push towards your goals...

(MRH): If you include GLC as being public, we have a big public sector. For us it is easier to address public organisations because we are a government agency. It is easier for us to do these productivity programmes. As it is now, we have the government's drive and support to move towards a high-income economy. We realise that we need to move on to a higher plane. There is a lot of awareness in these organisations. For example in the public sector, the organisations implement some of MPC's programmes. I was in Sarawak yesterday and the whole state has come on board to be certified in one of our programmes. We can actually see the impact from the implementation of the programme. The awareness is already there but now the public sector is more organised at the state level, going for these productivity improvement programmes and innovations. We are currently emphasising productivity and innovation.

(WR): One of the things that investors or foreigners look at in a country, apart from legal safety, is competitiveness and the cost of doing business. How is

Malaysia positioned versus its regional neighbours in terms of competitiveness and productivity?

(MRH): In this region with regards to productivity, we are the highest in terms of growth. In terms of productivity level, we are second to Singapore. But as for growth, China is obviously the highest, but in terms of level they are not as high. For the year 2008 we are at 2.9%. Indonesia has also charted high growth although in terms of productivity level, we are higher. Our productivity level is at USD13,000 compared to China, USD3,000 and Indonesia, USD2,000. One issue that you can raise here is that other people are catching up.

(WR): From 3,000 to 13,000 they have got a lot of catching up to do...

(MRH): But we are always looking at Singapore and Thailand, Singapore because it is way ahead at USD50,000 and Thailand which is catching up very fast. Thailand achieved a productivity level of close to USD5,000 and they have so many initiatives to further improve.

(WR): In terms of labour force, Malaysia is trying to migrate from a labour intensive opportunity destination to higher value added, knowledge based industries. It is also investing huge amounts of money in higher education, allocating 25% of the country's budget to education in general and out of that 60-65% is for higher education in trying to democratise higher education. Do you feel that you are going in the right direction? Is the country producing the right kinds of graduates that its industries and companies need in order to move forward?

(MRH): If you go by the response of the industries and companies, they always complain that they are not getting the right graduates. But I believe that this is also happening in other countries. Even in the US the industry complains about not having the right graduates. Here we have that problem but one thing that we need to emphasise is that we are making progress. For example, our research on total factor productivity shows that training and education are the components the country should emphasise to increase its productivity. Not only education as in formal education but also the other aspects that we are involved in, the training and lifelong learning post-education. In terms of improvement of productivity, the contribution is high at 31%, probably as a result of all of this investment. But having to pour money in no longer suffices. We have to ensure the quality of the investment. Many programmes involve not just the people from the Ministry of Education but also people from the industry. Here in Malaysia, we have a joint programme, between the industry and academia, which looks into these issues.

(WR): You also have the Malaysian Qualifications Agency (MQA), which is supposed to oversee the quality of education...

(MRH): That is correct. They look into the quality of education and there are many initiatives that we are doing together with the industries. One example is the joint attachment programmes we have between industries and institutions of higher learning. Here at MPC we have twelve consultative panels that advise us in terms of productivity enhancement. The composition of members to each panel is unique in that it ensures that there is a good mix of members from the government, industry and from the higher

learning institutions as well. We analyse the issues from these three perspectives, and channel them to the government for action and improvement.

(WR): What would be your message to the UK readers and investment community about the country and what it has to offer, in terms of doing business, productivity and competitiveness?

(MRH): We are very serious in terms of looking at our cost-saving initiatives. Not so much in terms of lowering it, but in terms of making us more competitive. Firstly we focus on changing the mindsets of people to be more positive. This is related to our initiative on innovation. To do any innovation one needs to think and act positively. We need to get our labour force, and especially the local labour force, in the right mindset for the change we wish to see. The message that I would like to share with the world is that we do have people with the 'right mindset'. We also continue to measure ourselves against other countries. I already mentioned that we measure ourselves against all those in the competitiveness reports and to identify the areas that need improvement. We do not want to stay level. In fact it is a catching up game; we would like to catch up with the UK in terms of productivity levels. In terms of growth we are already there.

(WR): Yes, growing at a rate of 3% is fantastic...

(MRH): Finally we are actively monitoring the management systems here in Malaysia and the techniques in managing our country and organisations. But we are monitoring them more in terms of the sustainability. In Malaysia we believe in ensuring sustainability. This is also practiced in many different countries. We go for certifications but it is not mandatory, rather, it is voluntary. This certification programme ensures sustainability because we go back to them or they come back to us for continuous assessment. This is another message for people in the UK. That here in Malaysia we believe in continuous improvement.

(WR): What would be your message to our readers to change their perception of your country?

(MRH): We are conducting all of these initiatives to correct the negative perceptions and to encourage investment here in Malaysia. We are also working on initiatives to enhance efficiency with the World Bank. We need to do a lot more to publicise the things we are doing here in Malaysia, for instance, through our publications.

(WR): Is there anything you would like to add?

(MRH): In terms of the new initiatives we are doing at MPC, we are being entrusted to pursue a combination strategy of productivity and innovation. Innovation will have more significant focus from now on. People are talking about one form of innovation, which is technological innovation. Here in MPC we are supporting this initiative for technological innovation to come up with more systems and ways of innovation in the area of management and also to encourage individuals to contribute to innovations. We have management systems that enhance individual contributions to innovation. Not just a group of people coming up with new inventions but the whole nation. Innovation has to be democratised too. Everybody can innovate so we have a different programme for

this. We are all set. It is just a matter of spreading out. We need widespread participation by everyone. Greater outreach.

(WR): That is certainly what most multinationals around the world are trying to do; get every single employee from the last one to the top one to innovate...

(MRH): Our other task is taking all of these best practices from other organisations all over the world into Malaysia, so we can implement them here, tailored to our own environment.

I would also like to add a little bit on the Malaysia Benchmarking Index (MBI). This is one of the best practices that we have taken from Europe from the Fraunhofer Institute in Germany. We brought it here to Malaysia using the best practices from Germany, Europe and the UK to share it with our local industry. Based on these performance indicators, we can provide them with reports that indicate how they are doing. We can identify which companies in Malaysia they can best partner with and which countries in Europe they can benchmark themselves against. It is just like looking at a mirror...

(WR): Thank you very much for your comments.