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THE EFFECT OF GOVERNMENT TRANSFORMATION PROGRAMME ON GOVERNMENT INVESTMENT: EVIDENCE FROM MALAYSIA

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ABSTRACT
The study aimed to examine the effects of the Government Link Companies Transformation (GLCT) Programme in Malaysia on Government Link Investment Companies (GLICs) as the major shareholders of the Government Link Companies (GLCs). A series of semi-structured interviews were undertaken with key individuals from two GLICs in Malaysia. Our findings revealed that the existence of GLICs are still relevant as GLICs believed that their investments in GLCs are to protect the welfare of relevant parties of their institutions. The GLCT programme has not reduced the government's share in GLICs, but instead it improved the governance and polished new talent management in GLICs. In addition, the study findings revealed that the improvement of GLICs after GLCT is due to effective leadership with good governance and integrity implemented in the GLCT. The findings are crucial to consistently enhance the effectiveness of Government Transformation Programmes (GTP) towards better performance among GLCs in Malaysia.

Contribution/Originality: Our study contributes to the following ways. First, we extend the literatures on the effects of GLCT on GLICs as the major shareholder of GLCs. The information is important in order to understand whether the GLCT has successfully reduced the government's shares in its GLCs. Second, this study sheds the light on the performance of GLICs during the GLCT. Third, this study provides implication to the regulators on better enhancement of GLCs and GLICs in terms of performances, investments and governance aspects. The result of this study will help the regulators to understand the issues and challenges that arise in transforming the performance of GLICs and, hence, GLCs. This common understanding will lead to continuous improvement of the companies in the future.

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1. INTRODUCTION
GLCs in the Malaysian context are companies that are linked to the government. They are categorised as GLCs when the government owns at least 20% of the company's shares. Over the years, GLCs have been criticised for inefficient performance due to the political motivation in their establishment rather than commercial motivation (Najid & Rahman, 2011). Thus, the Malaysian government launched a ten-year Transformation Programme in May 2004 to improve GLCs' performance and competitiveness. The programme was named GLC Transformation or GLCT Programme and aimed to strengthen the commercial orientation culture among GLCs. A committee known as the Putrajaya Committee for GLC High Performance (PCG) was formed in January 2005 for this programme. The committee consists of GLICs heads and representatives from the Ministry of Finance and the Prime Minister's Office.

The task of PCG (Putrajaya Committee on GLC High Performance) (2015) was to promote and monitor the programme, while the GLCs' senior management was given the responsibility to inculcate the culture underlined in the transformation programme in their respective companies (Norhayati & Siti-Nabiha, 2009).

The primary purpose of this programme is to reduce the government's share in GLCs through its investment companies known as GLICs and to improve the government's governance in GLCs. GLCs are companies with primary commercial objectives, but the Malaysian government controls major decisions, such as appointing management positions, awarding contracts, strategising, restructuring, financing, acquisition, and divestments through its GLICs (Khazanah, 2013). Seven GLICs act as GLCs' controllers on behalf of the Malaysian government, including the Ministry of Finance. The remaining six are Khazanah Nasional Berhad (Khazanah), Employees Provident Fund (EPF), Lembaga Tabung Haji (LTH), Armed Forces Fund Board (LTAT), Retirement Fund (Incorporated) (KWAP) and Permodalan Nasional Berhad (PNB). Government funding for GLCs is allocated through GLICs. Over the years, GLICs have been criticised for being the majority shareholders in 35 public-listed companies and control about 42% of the entire Bursa Malaysia, "leading to the problem of cronyism and corruption in GLICs itself and also in GLCs" (Free Malaysia Today (FMT), 2017).

Since the programme was launched, progress was reported primarily in the 20 largest GLCs (G-20) performance. The PCG highlighted several key achievements of the G-20 (Menon, 2017). The achievements include market capitalisation of the G-20 grew 2.9 times (or RM252.2 billion), amounting to RM133.8 billion to RM386.0 billion from 14th May 2004 to 28th July 2015. Menon (2017) further described that the transformation programme had reduced the government's role in businesses. As part of its commitment to this programme, in July 2011, the government, through its GLICs, announced that the reduction or disposal of its equity in 33 GLCs through the listing, pare down, or outright sale would be sped up. This intention claims to be successful as the GLICs had divested their ownership in 33 out of 34 unidentified GLCs.

Despite the achievement reported in the divestment effort, the share of GLCs in the Kuala Lumpur Composite Index (KLCI) or the stock market has increased significantly, indicating that GLICs shares in businesses remain prevalent. Asset acquisitions have greatly surpassed asset disposals between 2009 and 2015. Nevertheless, the biggest GLCs appeared to have not been affected by the divestment plan (Government of the United States of America, 2012; Kok, 2012). Statistics implied that GLICs were still investing in new sectors during the divestment programme. Jacobs (2011) indicated that a series of acquisitions by GLICs took place in private sector finance and property developers during the period and have continued over time. Thus, this situation is more towards diversification than a divestment programme due to this circumstance (EIU (The Economist Intelligence Unit), 2016).

Therefore, this study aimed to investigate the effect of the GLCT Programme, particularly in examining whether the programme has successfully reduced the government's share in GLCs through its GLICs by directly interviewing the GLICs. Knowledge concerning the effect of the programme on GLICs is crucial since one of the central objectives of the programme is to reduce the government's share in GLCs through investments made by GLICs. Researches have investigated the effects of transformation programmes on GLCs' performance (Najid & Rahman, 2011) economic loss sensitivity (Mohd, Kundari, & Alwi, 2011) and performance management system (Norhayati & Siti-Nabiha, 2009). Nevertheless, these studies were conducted to investigate the effects of GLCT by focusing on GLCs, whereas the present study focused on its shareholders.

In addition, most studies were conducted using the quantitative method. To date, no specific studies have been conducted to qualitatively examine the effects of the transformation programme on the GLICs as the major shareholders of the GLCs. Thus, this study aimed to fill the literature gap. A series of semi-structured interviews were undertaken with key individuals in two GLICs in Malaysia. The study findings revealed that GLCT per se did not play many roles in transforming GLICs, but the GLICs' leadership has a much bigger impact on its transformation.

The study has several contributions. First, the research findings extend the literature on the effects of GLCT on GLICs as the major shareholder of GLCs. The information is essential to understand whether the GLCT has successfully reduced the government's shares in GLCs. Second, this study sheds light on the GLICs' performance during the GLCT. Third, this study provides implications to the regulators on enhancing GLCs and GLICs in terms of performances, investments and governance aspects. The study result will help the regulators understand arising issues and challenges in transforming GLICs and GLCs. An in-depth understanding of this subject will lead to continuous improvement of the companies in the future.

2. BACKGROUND OF STUDY AND LITERATURE REVIEWS

2.1. GLCT Programme (2005-2015)

The GLCT Programme has four phases. The first phase (2004-2005) involved revamping Khazanah, corporate boards and adopting leadership changes and Key Performance Indicators (KPIs) for GLCs. A new line of GLCs' top management was elected as a starting point of the transformation programme. Besides, the new breed of Chief Executive Officers (CEOs) was anticipated to manage the transformation programme successfully. Most newly appointed CEOs of the GLCs were accountants. These accountants were expected to function as the agents of governmental change. The CEOs were required to make public announcements on the KPIs to their bottom line quarterly.

Policy guidelines were set in the second phase (2006-2010) of this programme, and the GLCT Manual was launched. Guidelines to help the GLCs were provided in the form of various colour-coded books. The government initiatives were mainly available in the Blue Book, which focuses on driving a high-performance culture within the

GLCs. The major components of the Blue Book are the KPIs (PCG (Putrajaya Committee on GLC High Performance), 2015) that are relevant, balanced and holistic, reflecting the priorities in key dimensions comprising finance, customers, organisations and operations (Najid & Rahman, 2011). Ethos Consulting, a private consulting firm, created the KPIs for these GLCs. The GLCs were required to report their KPIs quarterly to a special committee, namely the PCG, formed by the government to follow through and catalyse the GLCT Programme.

Data on the GLCs' KPI achievements were revealed to the masses. The GLCs' announcement indicated increasing transparency and accountability, notably lacking historically in GLCs and the government. Another characteristic emphasised in this policy was good corporate governance, such as succession planning and strategic business planning. This characteristic was elaborated in-depth in the Green Book, suggesting that the GLCs' directors were expected to implement an actionable improvement programme by December 2006 (Mohd et al., 2011). The reforms in the first two phases were expected to begin producing results by the third phase of the programme (2007–2010). Regional champions were expected to be produced in the final phases. GLCs were anticipated to be at par with their competitors by 2015.

2.2. Critiques on Divestment Effort in GLCT

Despite the GLCTs' divestment objective, the GLCs' share in KLCI showed a significant increase, indicating that the government's share in businesses continues to be prevalent. Asset acquisitions massively overtook asset disposals between 2009 and 2015, while the biggest GLCs were not affected by the divestment plan (Government of the United States of America, 2012; Kok, 2012). Statistics proved that GLCs investments in new sectors continued during the divestment programme. The GLCs had undertaken a series of acquisitions in finance and property developers in the private sector during the divestment period and have continued to do so (Jacobs, 2011). Thus, the situation has been described as a diversification rather than a divestment programme (EIU (The Economist Intelligence Unit), 2016).

Researches have investigated the effects of the transformation programme on GLCs performance (Najid & Rahman, 2011) economic loss sensitivity (Mohd et al., 2011) and performance management system (Norhayati & Siti-Nabiha, 2009). Najid and Rahman (2011) compared GLCs and non-GLCs performance from 2001 to 2016 using Tobin's Q. They reported that Tobin's Q for GLCs was significantly lower than non-GLCs at a 5% level for overall years. Nevertheless, the difference began to narrow in 2005 and 2006. One possible explanation is the effect of the GLCs Transformation Programme. The result indicated that GLC's performance was improved after the GLICs reduced their investment in GLCs and triggered the need for this research.

In contrast, Mohd et al. (2011) found that the incremental GLCs' economic losses sensitivity is less after the transformation programme than before. Simultaneously, economic gains recognition has improved post the programme implementation. By using earning timeliness as a proxy of financial reporting quality, the result indicated that GLCs' financial reporting quality has declined after the transformation programme. Nevertheless, Mohd et al. (2011) stated that the result might be due to the International Financial Reporting Standards (IFRS) implemented in 2006.

2.3. Theoretical View on the Effect of GLCT

Norhayati and Siti-Nabiha (2009) investigated the effects of a new performance system implementation in one of the GLCs after the transformation programme. Their results revealed that institutionalisation changes after the transformation programme in this particular GLC could best be described using the institutional theory. Based on the case study undertaken in the GLC, they described that the changes succeeding in the transformation programme did not occur due to technical pressures. Instead, the changes were inclined towards institutional pressures as the effect of the transformation programme standardised the organisations and did not lead to more efficient performance. Using institutional theory, Norhayati and Siti-Nabiha (2009) explained that the GLCs' subsystem changes mainly resulted from the change in design archetype and not the organisation's interpretive scheme. The change can also be referred to as first-order change, not second-order.

According to the institutional theory, an organisation contains three elements: "interpretive schemes", "design archetypes", and "subsystems". Subsystems refer to tangible elements such as the company's buildings, people, machines, finance and performance management system. Conversely, design archetypes and interpretive schemes refer to two less tangible dimensions that guide the subsystems. The intersubjective agreement between these two elements is complicated. Interpretive schemes refer to the shared fundamental values, beliefs and norms that exist in the organisation. Conversely, design archetypes lie in between these two elements, which comprise "structures and systems given coherence and orientation by an underlying set of values and beliefs" (Greenwood & Hinings, 1988). In summary, the GLCT Programme failed to create fundamental values and beliefs that changes should be taken based on internal awareness and sensitivity to change.

Laughlin (1991) describes that organisational changes can be either first-order or second-order. First-order change is an effort to make things look different while remaining the same (Smith, 1982). The changes do not affect the interpretive schemes, which are the fundamental beliefs but may affect only the design archetypes and the subsystems. Besides, the changes are also not strong enough to affect the interpretive schemes and the subsystems. The transformation programme may bring about several organisational changes in terms of processes. However, the organisation may return to its original design archetype when the pressure is refuted.

Nevertheless, the disturbance has enough pressure to change the design archetypes and the subsystems under the second order. The second-order involves changes "that penetrate so deeply into the 'genetic code' that all future generations acquire and reflect these changes" (Smith, 1982). Thus, despite any situation, the changes remain as they should be even when the pressure is refuted.

Menon (2017) stated that the success of the GLCT Programme is increasingly being judged based on the GLCs' performance. However, the focus of the transformation programme is mainly on the divestment of government shares in GLCs. The preferential treatment is given to GLCs, and the opportunity to crowd out private investment is the cause of their superior performance. It is potentially artificially generated and comes at a high cost. Thus, the divestment function of the GLCT Programme was effectively sidelined, leading to its failure.

3. RESEARCH METHODOLOGY

An in-depth interview method was utilised to discover respondents' perceptions and insights on the effect of GLCT on GLICs' role as the GLCs' major shareholders and to ascertain specific factors that underpin their responses such as reasons, feelings, opinion and beliefs. The interview method best supports the content analysis of financial data discovered in the first study objective.

According to Opdenakker (2006) a face-to-face interview allows the interviewer to identify the interviewees' social cues such as their voice, intonation and body language, providing extra information that can be added to their answers. In addition, a face-to-face interview provides synchronous communication, allowing the interviewee's answers to be more spontaneous. A potential list of interviewees was established before the interview started. The sample consisted of all GLICs in Malaysia involved in the GLCT Programme, notably PNB, KNB, EPF, LTAT, LTH and KWAP.

The researchers choose to interview three key persons of each GLICs, namely the CEO, Head of Audit Department and Head of Finance Department, to gain an insight into the effects of the GLCT Programme. All the GLICs were contacted using email and phone calls. From these six GLICs, responses were obtained from two GLICs, notably PNB and LTAT. PNB was incorporated on 17th March 1978. As one of the GLCs in Malaysia, PNB acts as a key agent to the New Economic Policy (NEP) introduced in 1971 to promote Bumiputera participation in all sectors of Malaysia's multiracial economy and society. Bumiputera is defined as 'sons of the soil'. PNB was given a three-pronged mandate, including promoting corporate sector share ownership among Bumiputeras, increasing their wealth creation participation, and managing the corporate economy.

The primary objective of its investment is to retain the Bumiputeras' allotted shares and increase their ownership in the long term. Conversely, LTAT was established in August 1972, but the parliament only passed the act in 1973. LTAT is a corporate body owned by the Malaysian government. The LTAT's mission is to become the leading fund management organisation that provides outstanding investment returns and excellent customer-oriented services. This mission was revised by removing its core values from the mission statement. The main objectives of LTAT's establishment are providing benefits and training to the retired and retiring members of the armed forces. This role is carried out by an LTAT-owned corporation, namely the Corporation of Retired Armed Forces Affairs (PERHEBAT). Six interviewees were selected from the two GLICs. The interviewees were selected based on their vast experience and knowledge and played dominant roles in the GLICs. Previous research highlighted that five respondents' sample is considered suitable and used in similar studies (Ayedh & Echchabi, 2015; Koenigstorfer & Klein, 2010; Tijani, Fifield, & Power, 2009). Table 1 provides the interviewees' details.

Table 1. Detail of the interviewees.

Classification	GLICs	Positions
Interviewee A	GLIC1	Senior Vice President
Interviewee B	GLIC1	Analyst, Stakeholder Management and Knowledge Sharing
Interviewee C	GLIC2	Assistant General Manager (Corporate Strategy Department)
Interviewee D	GLIC2	Head of Internal Audit
Interviewee E	GLIC2	Head Investment Operations & Administration
Interviewee F	GLIC2	Chief Investment Officer (CIO)

The in-depth interviews were conducted in the form of semi-structured interviews using a tape recorder. These interviews ranged between two to three hours. A list of questions was prepared as an interview guide to facilitate the interviews. In line with the research objectives, questions were provided based on three main issues:

i. The relevancy of GLCs in the Malaysian context, especially after the GLCT.
ii. The role of the initiatives introduced in the GLCT.
iii. The effectiveness of the GLCT towards the GLICs and GLCs in Malaysia.

Several probing questions were also outlined in the interview guide to discuss these pertinent topics comprehensively. All the interviewees were guaranteed confidentiality and assured that their identities would not be revealed in any publication. The guarantee enabled the interviewees to feel more comfortable in answering the questions freely and honestly. After obtaining data from the interview sessions, the data were transcribed to attain general ideas of the interviewees' responses and reflect on their meaning before the data was encoded into themes. The themes that emerged from the transcribed text were interpreted according to the literature reviews undertaken. The interpretation was subsequently correlated and triangulated.

4. FINDINGS AND DISCUSSIONS

4.1. The Relevancy of GLCs in Malaysia after the GLC

The objective of GLCT is to reduce the government's role in businesses and enhance the GLCs' governance and performance. Thus, knowing whether the existence of GLCs is still relevant for the GLICs as GLCs' major shareholders is crucial. The purpose of this question was to understand whether GLICs are still expected to make investments in GLCs. All the interviewees agreed that the GLICs' existence is still relevant, although the objective of GLCT is to reduce government ownership. Interviewee A from PNB expressed that:

> *The role of our company is to enhance the wealth of Bumiputeras. Less-educated Bumiputeras sometimes are being used by others to get share ownerships. For example, the Orang Asli (indigenous people). They are Bumiputeras, but they don't have money to invest. So, the role of our company will allow them to invest and collect dividends from their investments. Our company has special schemes for poor people in rural areas and indigenous people funded by the government. The scheme allows them to bank in money and invest regularly every month. After five years, this money will belong to them. In our company, integrity is very important because we are the custody of Bumiputera's wealth. So, being trustful, prudent and competent are all very important to PNB because their main objective is to enhance the wealth of Bumiputeras. It is not easy for PNB, and it is very challenging because its performance is based on the profit and in order to get more profit, they have to increase revenue and reduce cost so that the fund will grow. Unlike other profit-oriented companies, PNB has to do CSR to help the Bumiputeras. It is hard, but PNB has gone through it due to its mandate to the Bumiputeras.*

PNB is a voluntary savings institution introduced due to the Malaysian NEP in 1970. The objectives of NEP during that time were to alleviate poverty in Malaysia and restructure the community in terms of wealth, employment and geographical location. The government has introduced many government agencies and established a policy requiring companies wishing to expand their shares to allocate at least 30% to the Bumiputeras. Nevertheless, some ownerships have been sold to other races causing Bumiputera ownership to be unstable. For example, the Bumiputeras' ownership only increased to 7% or 8% from 1971 to 1975 and was owned by government agencies, while most individual shares have been sold.

The government has since formed a committee to investigate this problem and appointed good leaders to identify a mechanism to rectify it. The committee has then proposed to establish GLIC. Hence, instead of 30% ownership of Bumiputeras given to individuals or agencies, the ownership was given to GLICs. Subsequently, PNB selects good prospects, high potential and higher earnings growth of shares and sells them as a unit trust after three years of development. The purpose is to enable individual Bumiputeras to purchase them as simple products, not sophisticated, less liquid, and small amounts. PNB introduced a fixed price of shares to attract buyers, while the GLIC bears the risk of loss. Thus, the interviewee believed that the role of GLCs and GLICs is still relevant even after the GLCT. Interviewee D from LTAT asserted that:

> *Our company is an organisation which focuses on the welfare of the members of the armed forces. Therefore, we do not have funds to assist Bumiputeras. The core business of LTAT is on its members who are from the armed forces. Focus of our GLIC is only on the savings of soldiers. The mission of our GLIC is to become a leading fund management organisation that provides outstanding investment returns and excellent customer-oriented services. Thus, the main objectives of the establishment of our GLIC are solely for the members of armed forces in giving benefits to the retired armed forces and other members. It is also to provide training for retiring and retired members of the armed forces.*

The majority of LTAT investments are primarily in the investment sectors, which are brick and mortar. Fifty companies are under LTAT for the benefit of the members of the armed forces. Their investments are not required to comply with the Shariah law but, ethically, they also invest in Shariah-compliant funds.

Interviewee G of LTAT stressed that:

> *We have nearly all investments. We are not required to comply with Shariah, but ethically we do invest in Shariah-compliant funds.*

LTAT has three principal subsidiaries, and the three corporations are on the top. The corporations have bought power cable companies since the 1970s. In addition, they have established corporations responsible for their capital and profits, and buying maintenance, property and managing projects. The corporation's establishment is due to the prohibition in the GLIC act, which requires the GLICs to be a contractor or developer of any project. However, in other sections of the act, the GLICs are permitted to establish other corporations. In the 1990s, they acquired the first financial supermarket and merged with several businesses related to finance, insurance and the money market. The corporation was publicly listed in 2018, became their first Initial Public Offering (IPO) project and was invisible. In 1994, they acquired an institution from the government to provide training and prepare their retiring members for a second career six months before their retirement. Thus, they concluded that the GLIC is essential to the country.

Conclusively, from the interviewees' responses, GLICs believed that their investments in GLCs are still relevant as GLICs' role is to protect the welfare of certain parties. For example, the role of PNB is to enhance the Bumiputeras' wealth, while LTAT protects the welfare of the members of the armed forces. The interviewees' responses indirectly provided answers to why GLICs are still making investments in GLCs, although the role of GLCT is to reduce government ownerships in GLCs.

4.2. The Role of the Initiatives Introduced in the GLCT

As the GLICs responded that their roles are still relevant in GLCs, the GLICs were questioned on the role of the initiatives introduced in the GLCT. The purpose of this question was to understand the fundamental objectives of GLCT, if it is not mainly for the divestment of GLICs' shares in GLCs. GLCT Programme was carried out from 2004 to 2015 and comprised main initiatives such as introducing KPIs, board composition initiatives, and the revamp of Khazanah Nasional Bhd and changes in several GLCs' management. The interviewees were queried on the reason the initiatives were needed in this transformation programme to understand their roles in the GLCT.

Interviewee D of LTAT explained that:

> *Before the transformation programme, we do not have KPIs, and it is more on financial rewards. We have to achieve certain financial numbers. KPIs are for every department. There are financial and non-financial KPIs, so it is more balanced. It has a balance scorecard. Currently, we do not have KPIs anymore as we have KRIs (Key Result Indicators). So KPIs become obsolete now. Last time, before a new management, KPIs were for everybody. They used that to give rewards, bonuses, increments and excellence awards. With the KPIs, they expected high performance, so everybody tried to achieve the KPIs. There were KPIs for individuals, departments and corporate. Corporate KPIs are to get bonuses, the way they achieve the profit numbers. They will look at Customer service KPIs through customer satisfaction, like can a customer withdraw his or her money within an expected time or not.*

Interviewee A of PNB added that some GLICs are more secured as they receive government funds. The situation is different with PNB's GLIC as they have to strive for good performance and promise good dividends to investors as they have the investors' mandate.

Interviewee A stressed that Khazanah also gets the mandate from the nation as the money received for investments is from taxpayers. Nevertheless, the mandate is less as the taxpayers pay money to the government, which uses the taxpayers' money to invest in Khazanah. Thus, they are secured by government funds in case of poor performance. Thus, the revamp is timely needed to reduce government interdependency. He highlighted that:

> *In our case, we have responsibility to the investors. We invest 70% of equity because we need to control the companies to pursue the Bumiputera agenda. When I said control, it means we have to control the board, the management and also decision making. So how to control? We have our people there as CEO or CFO. Thus, all decisions must come to us for approval, and we must know that our people have integrity, competency, ability to perform and by doing this indirectly, we also act as a platform to train Bumiputeras to run businesses.*

The statement is also supported by interviewee H in LTAT:

> *Talent management is something which is crucial for our GLIC because previously, there was no Human Resource (HR) department, HR is part of the admin. So, we took out HR to strengthen the department. We have proper HR and hired HR for the first time we have HR. Head of HR joined in May, 15. We need a part of talent management to strengthen our local talents, but we found out there were some challenges, that we do not have the talent. For example, the CFO, we take outside CFO coming probably next year. Then, we have more key personnel such as legal secretarial. We set up a new department in governance to strengthen our corporate governance. We even established one department called legal and secretarial, which was previously under integrity internal audit. We took it out to be stand-alone legal and secretarial. Previously, secretarial was under admin, so now we restructured and become more visible. Admin was merged with finance. These are the changes in our GLIC and GLC as well. Infrastructure is better, there is an improvement, and our products. We focus on our stakeholders, such as more delivery to our depositors like paperless transaction and facilitating them. We have application system (apps), and we are developing our apps in order to make delivery process much easier.*

Currently, four mechanisms exist on how LTAT controls its subsidiaries. The first method is by appointing a nominee in their subsidiaries. The nominee protects the GLIC interests in those subsidiaries. Interviewee H of LTAT added:

> *Our corporate governance is by appointing nominees in our subsidiaries. We discuss with them with the hope that they will protect our investments in their company.*

The second mechanism is by appointing a nominee in the management board, especially in strategic companies. Previously, the key person in LTAT was the same key person in strategic companies. Currently, the role has been separated, and the nominees are appointed in the strategic companies to improve corporate governance. He expressed that:

> *In terms of strategic companies, the management, including the board of directors, are from us. For example, our subsidiaries' managing directors will have a meeting with us, to inform and plan. Previously, the number one guy in our GLIC is the same number one guy in our subsidiary. But now we want to improve our corporate governance, so, we separate the board members. Thus, we only have nominee in the company.*

The third is through monitoring, where a department monitors the investments and the progress monthly. The particular company will write a quarterly or annual performance report and its monthly account to LTAT.

> *A department will monitor all the investments and monitor the progress monthly. They are supposed to write back on the progress either quarterly or annually. He cannot share the secret of a company, but he has to report the performance to the investment department. Account, monthly account they are supposed to submit it monthly.*

The last mechanism is through holding an Annual General Meeting (AGM), where LTAT asks their proxies. The proxies of the AGM will be asked to attend a meeting, to ask and cast a vote for favourable candidates. The interviewee from PNB highlighted that the integrity issue is crucial as they are the custodian of public money. Interviewee A of PNB stressed that:

> *When you manage people's money, you should know what you should take. Trust, prudence and more importantly, competence. If you are competent but no prudence or integrity, then it should not be. If you do not*

involve in bribery but at the same time have no competence, your performance will not be good as well. Overly prudent also will not be good. So, we must go back to our mandate, which is to enhance the wealth of Bumiputeras. We do not have to advertise our GLIC extremely. It is about performance. Why our fund continues to grow despite of poor market growth is because people have trust on us.

Overall, the findings of the second interview question concluded that the programme has indirectly improved governance and polished new talent management in GLICs. However, the role of GLCT is to reduce the government's share in GLICs. In addition, the existence of KPIs in the GLCT has driven GLICs to strive hard to enhance their performance and ensure that they achieve it and be rewarded. The new talent appointed through the GLCT has been selected among people with high integrity, competency and ability to perform, enhancing GLICs' performance and strengthened the GLICs' governance.

4.3. The Effectiveness of the GLCT

The third question of the interview was on the main factors contributing to the GLICs' transformation. The question aimed to understand the GLICs' views on whether the GLCT effectively transforms the GLICs, especially in reducing the government shares in GLCs. The primary concern was to identify whether GLCT affects the GLICs, which indirectly impacts the GLCs. Although all the interviewees expressed that GLICs are performing better financially and corporate governance has improved, they believed that the improvement is not due to the GLCT. Interviewee D of LTAT highlighted that:

Transformation in GLIC is due to a new leadership, not a new government. Leadership transforms governance, strengthening corporate governance, investment, and all these initiatives are under the new leadership.

He added that:

The meeting is conducted quarterly, four times a year, but now there are twice in a month. The combination of the representatives from depositors, government and three independent boards makes our GLIC independent and difficult to be interfered by the government or any parties. All the decisions are made by the board's recommendation to the ministry. However, the ministry still has an ultimate power to accept or reject. Therefore, our governance is improving a lot compared to the previous time. We have about 200 staff. We do not have any branches like other GLICs. We have a quite lean structure. After the transformation period, we created another two wings, which are Chief Investment Officer (CIO) and several departments who report to the CIO mostly on investments. Another wing is Chief Financial Officer (CFO), which consists of three departments who report to the CFO. Department of Safety and Human Resources directly reports to the CEO. Meanwhile, Risk Management and Compliance Department reports to the board. Internal audit has ten departments for a time being.

In the 1980s, LTAT B introduced the Death and Disablement (D&D) benefits to their members. The members do not need to pay any premium, and it is free. They have consistently spent RM6 million every year, and this scheme is considered one of their corporate social responsibility (CSR) programmes. This benefit is paid only to members when the medical board certify that they are unfit to serve the country, while the management is not paid. However, the members have to fulfil three conditions to be eligible for the scheme. First, if the members pass away, the benefit goes to their next of kin. Secondly, the members are disabled on duty physically or mentally, causing them to be unfit to serve and, lastly, due to accidents.

The members are typically contracted for 13, 15, 18 and 21 years. For 13 years and 15 years contract, they will retire at the age of 41 and 43. Therefore, the GLIC prepares them for civilian life, and the members can choose their preferred careers. Some training is provided by other institutions, which equips them with skills and training to ensure job employment after retirement. The institution receives a government fund of approximately RM27 million annually in grants for this purpose.

In the 1990s, withdrawal for housing by members' families were allowed up to 10% of their savings account. Deposit accounts from members and the government exist. In addition, the member's account can be withdrawn up to 10%. Therefore, withdrawal for housing has a limit or a maximum of RM10,000. The withdrawn money does not go to the members but directly to the lawyer and developer, eliminating possibilities of leakage. In December 2018, GLICs spent RM443.9 million on scholarships for 77,000 recipients.

There are many other programmes like educational programmes provided by our GLIC. Another CSR programme is like we built a student hostel. For example, in IIUM, the hostel cost RM5 million and finished in 2016. The rent for the hostel will go to a fund, and that fund will be an endowment.

The views of the interviewees of LTAT were shared by PNB's. The interviewees of PNB viewed that their GLIC's success is because of its leadership since its establishment in 1978. Due to problems in the NEP programme introduced in 1970, the government has appointed the governor of Bank Negara Malaysia to identify a mechanism to rectify it. Subsequently, the committee proposed to establish PNB. Instead of offering 30% ownership of Bumiputeras to individuals or agencies, the ownership is given to PNB. PNB selects good prospects, high potential and shares with higher growth earnings, and sells it as unit trust after three years of development. Thus, individual Bumiputeras can purchase it as it is simple, not sophisticated, less liquid and in small amounts. PNB introduced fixed price shares to attract people to purchase, whereas PNB bores the risk of loss.

In general, PNB has performed well until now, although the investment in PNB is voluntary. The data of PNB's total investments from August and September 2019 showed a total of RM306 billion investments from the least liquid to the most liquid. The GLIC has fixed income, government bonds, money market, cash, and private equity, but most investments are from shares due to higher risks and higher returns. Although the market is quite challenging currently, their return is quite measurable. In the last six years (including 2019), the PNB market remained negative, but its performance is quite good than other GLICs. PNB struggled because the investment is voluntary, while other GLICs comprised mandatory investments. Interviewee A of PNB viewed that:

> *The foundation of our GLIC is strong. Since its establishment, the culture of good governance is already there. Under good leadership of our pioneer, our GLIC until now is clean from corporate scandals. Those who sit in our GLIC must have strong characters despite pressures from outsiders. For example, in terms of family connection, we put forth the mandate, which is always to enhance Bumiputera's wealth. In our GLIC, we have rules and regulations for the staff, and ethics is always there. We have good incentives for our staff. The compensation is quite meaningful in terms of benefits like medical benefits, good bonuses and vacation incentives.*

The study result is consistent with previous studies, which emphasised that corporate governance is highly associated with leadership (Othman & Abdul Rahman, 2014). Good leadership leads to high efficiency, probity, responsibility, transparency and accountability. The study highlighted that ethics, particularly ethical leadership, is crucial in constructing good governance practices. Thus, establishing corporate governance acts as a social process rather than as economic logic.

Haron, Harun, Ismail, and Suandi (2016) found that their personal life experiences shape the development of individual leadership principles under five major themes: inherent talent; leadership development from struggle and hardship; development for a cause worthy of strong commitment; development for learning process from experience, such as personal mistakes or failures, the influence of positive or negative role; and religious upbringing, including the belief systems as an integrative system of the organisational leadership.

In addition, Engelbrecht, Kemp, and Mahembe (2018) found that integrity among the leaders can contribute significantly to ethical leadership, which in turn influences organisational justice. Thus, they viewed ethical leadership as an antidote to the many organisational ethical challenges. Chizema and Pogrebna (2019) added that promoting leadership integrity positively impacts corporate responsibility, especially when the government lacks credibility. They found that corruption and bribery among corporate leaders are low when the government is transparent, while corruption is high when government integrity is low. Previous research (e.g., (Hisham, Palil, Nowalid, & Ramli, 2019; Rafiki, 2020)) also supported that Islamic leadership positively impacts the leaders and followers when it comes to religion, which eventually impacts the organisation. Rafiki (2020) viewed Islamic leadership as superior to other leaderships as it relates to the concept of current interest in this world and future purposes associated with the hereafter.

Thus, the third question of the interview indicates that GLCTs are concluded to transform and improve the GLICs. Nevertheless, the GLICs believed that their transformation was due to new leaderships appointed through the GLCT, which improved governance, integrity, competency and performance of GLICs. This finding highlighted that leaderships with high integrity and competency play a crucial role in strengthening governance, eventually transforming the institutions into better ones. The findings from the interviews provided evidence that GLCT did not reduce government shares in GLICs. The GLICs believe that they are still needed based on their role, but the programme had indirectly transformed the GLICs through high integrity and competent new leadership.

5. CONCLUSION

This study aimed to investigate the effect of the GLCT Programme on GLICs as major shareholders of GLCs. The main objective of the GLCT Programme is to reduce the government's shares in GLCs. Previous researches indicated that the implementation of GLCT has led to poor financial reporting quality (Mohd et al., 2011) diversification of shares rather than divestment (Kok, 2012) and performance management system failure. Nevertheless, most of these studies focused on financial-based performance. Limited studies investigated the effectiveness of GLCT using qualitative studies. Therefore, the current study fills the gap utilising qualitative methods by interviewing the key persons of GLICs. Thus, this study provides another perspective of understanding whether the GTP has achieved its objective to reduce the government's share in GLCs.

Based on the interviews conducted, the result indicated that the programme did not reduce the government's investments. The result showed that the GLICs are actively investing their shares in GLCs, but the investments are undertaken to fulfil the objective of each GLICs. All the interviewees agreed that the existence of GLICs and GLCs are still relevant, although the objective of GLCT is to reduce government intervention on shares. Resultantly, the mandate given by the people to the government should lead to the country's prosperity in economic, social and political stability.

Interestingly, the interviewees responded that their GLICs successfully performed not because of the GLCT or government transition. Nevertheless, good leadership that is associated with good governance, high integrity, shariah compliance, risk management, the role of internal audit, compliance factor, high enforcement, CSR, and stakeholders' trust and confidence were among the factors highlighted by the interviewees that contribute to the GLICs' good performance. These factors indicated that the number of investments and financial performance was less crucial than the companies' responsibility and accountability towards their stakeholders.

Good leadership is influenced by individual ethics, such as their influence on others to do the same and spur changes in an organisation. Conclusively, ethical leadership is an essential factor in influencing the success of an organisation which will enhance stakeholders' trust and confidence. Ethical leadership can create fundamental values and beliefs that changes should be made based on their individual internal awareness and sensitivity to change.

The study findings provide a possible explanation that the failure of GLCT from the GLCs' perspective described by previous researches were maybe due to poor newly appointed leadership in the GLCs and not because of the

GLCT per se. The findings reject the institutional theory, which explains that firms change due to institutional pressures. Instead, the finding provides evidence that ethical leadership directs the change in an organisation. Furthermore, the study finding provides implications to regulators and organisations to emphasise leadership in the GTP. Future research should explore leadership or ethical theory in the implementation of GTP.

This study is limited to the impact of GLCT on GLICs as the GLCs' main shareholders. The discussion is also limited to only two out of the six GLICs in Malaysia due to difficulties interviewing key individuals in the GLICs. The financial analysis is also limited to two years as most data for the GLICs were not disclosed. The data were also limited to certain financial variables such as Return on Asset (ROA) as the data do not consistently exist between the GLICs. Future research may extend the research to other GLICs and GLCs to understand the effectiveness of GLCT in Malaysia and investigate the effect of leadership on GLCs performance in Malaysia.

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