



Harvard Business School Alumni Club of Malaysia

NEWSLETTER

DECEMBER 2002



AN EVENING WITH THE KING

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**Westport Dolphins the
first League winners**

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25 up and still going strong

THE HBSACM is now 25 years old. Pioneers of the club will no doubt remember

YAB Dato Seri Dr Mahathir Mohamad who in his acceptance speech as the Patron advised the club to not only organise activities for its members but also programmes that could benefit society.

As such, the club has been organising the Senior Management Development Programme and to date more than 1,200 participants have benefited from this programme.



Prof Dr Syed Abdullah Almohdzar

Another 115 participants attended the recent Senior Management Development Programme led by the faculty members of HBS.

The faculty members were Warren McFarlan, Samuel Hayes, Kasturi Rangan and Tarun Khanna.

To mark our 25th Anniversary, we also had a dinner graced by DYMM Yang Di-Pertuan Agong.

We were also pleased to have had the company of Past Presidents at

the function.

Golfing offers good networking for some people. In response to requests from our golfing members, we organised the corporate league. The league, which was held monthly, received overwhelming response from members and their guests.

There are many other activities organised by the club such as luncheon talks and factory visits.

I look forward to your active participation in our activities and continued support.

Who's who in HBSACM

Patron

Dato' Seri Dr Mahathir Mohamad

Executive Committee 2001/2002

President

Prof Dr Syed Abdullah Almohdzar

Vice-Presidents

Raja Sharifuddin Abidin

Mohammad Nizar Idris

Hon. Secretary

Mohd Ghazali Kamal Baharein

Hon. Asst. Secretary

Wong Heng Wooli

Hon. Treasurer

Tan Sri Dato' G. Gnanalingam

Director of Activities

Ahmad Rosdi Mohd Razali

Committee Members

Datuk Haji Othman Yusoff

Datuk Tay Ah Lek

Dato' Abdullah Mat Zaid

Haji Mohd Yusof Talif

Ex-Officio (Past President)

Dato' Adam Kadir

Ex-Officio

Hj Shafie Mat Zain

Representatives of Associate Members

Christopher Shun Kong Leng

Surjan Singh

Goh Tian Sui

Roslan Abdul Razak



WINNERS...
(From left)
**Mok, Shabnam,
Sumaiyah**

Gold Medal Award

SHABNAM Mohamad Mokhtar of Universiti Putra Malaysia won the 2001 Gold Medal Award which was given to the best Business School Graduate from the seven local Institutions of Higher Learning.

Sumaiyah Tan Abdullah and Mok Kuan Wai were the runners-up. Shabnam received a gold medal, a certificate and RM 3,000. Sumaiyah and Mok received RM1,000 each.

The 18th Gold Medal Award presentation was held at the Universiti Kebangsaan Malaysia, UKM Bangi, Selangor on 24th January.

The Gold Medal Award for 2002 is expected to be held in December. The sub-committee is presently in the process of selecting the winner and runners-up.

Enhancing business knowledge

IN line with the Club's objective of further enhancing the professional practice and management of Malaysian Business, the HBSACM organised the 12th Senior Management Development Programme from August 11 to 24 at the Awana Resort, Genting Highlands.

The 115 participants who attended the programme included bankers, engineers, managers, public servants and entrepreneurs.

The participants went through three case studies daily and their days started as early as 7am and for some the day ended well past midnight.

HBS faculty members Warren McFarlan, Samuel Hayes, Kasturi Rangan and Tarun Khanna took them through the case studies.

McFarlan's Management Information System session dealt with the new challenges posed by current developments in information systems technology and how they can be effectively managed.

Discussions were held on how this technology is changing firms, organisation structures, management control systems and general infrastructures.

Different types of customer services and products that are made possible by today's technology were also highlighted. Specific issues relating to the problems of implementation were also covered.

McFarlan spoke about information handling, and said that the information-handling specialist had a dynamic responsibility to utilise new techniques for the improvement of information available for the management control processes.

"The proper interaction between operating people and information-handling specialists is essential.

"Operating people bring to a



ATTENTIVE... Participants at the 12th Senior Management Programme

THE HBS SMDP provided a summarised yet wide-ranging insight into the global management trends, experiences and best practices from leading business organisations.

The business cases are especially useful as they outlined in great detail the strategy and rationale behind the decisions and changes made to business organisations.

The SMDP also provided a great platform to exchange and expand on ideas and as well as networking opportunities.

- Participant Marzida Mohd Nor, Senior General Manager, IT MAS

problem, their practical experiences and a conception of what their needs are.

"They also bring a bias, which favours preservation of the status quo.

"The information-handling analyst brings with him, his broad experience in tackling a number of systems problems. Often he has a broader conception of these problems than does the operating manager.

"He also has analytical and technological tools that the operating manager is unfamiliar with. His bias is towards the introduction of too much change. The information-handling analyst performs the function of an innovator and a catalyst."

McFarlan said the information-

handling analyst should educate the operating manager concerning the available sources of information.

"While it is not his responsibility to decide what information the manager should have, it is his responsibility to show the manager what information he can have.

"For his part, the operating manager must actively contribute his time and experience to the design of the system

to assure that he will get the information most useful for his needs. It is only through his sustained interest that meaningful information, which he is predisposed to use, will be developed.

"Successful implementation of an improvement in an information-handling system requires coordinated efforts by both information-handling specialists and operating personnel."

Hayes's Corporate Financial Management session focussed on some of the most important contemporary issues facing international business managers while concurrently refurbishing and building some financial analytic skills among the participants.

Rangan's Marketing session examined the role of marketing, marketing planning and marketing programmes in the context of the organisations' overall strategy and operations.

Khanna's Competitive Strategy session dealt with competition and the formulation of competitive strategy.

Industrial competition is affected by a wide range of influences, including macroeconomic environment, technology, competitor behaviour and official policy.

The graduation dinner was held on August 24. The Past Presidents and the Executive Committee Members and their spouses were also present.

Guest Of Honour Dato' Abdul Aziz Shamsuddin, Deputy Minister of Education presented certificates to the participants.



GREETINGS... The King is welcomed by Dato' Mohd Nor Ismail. Looking on are Prof Dr Syed Abdulrah Almohtzar (left) and Tan Sri Dato' G. Gnanalingam



ROYAL DISCUSSION... The King with Tan Sri General (Rtd) Zain Hashim and Dato' Sulaiman Abdulrah



WELCOME... Tan Sri Dato' G. Gnanalingam greeting the King with Yusuf Talib (left) and Raja Sharifuddin



ELEGANT... (From left) Raja Tan Sri Muhammad Alias Raja Muhammad Ali, Puan Sri Hafshah Mohd Yusoff, Puan Sri Datin Sri Maznah Abdul Rauf and Tan Sri Datuk Zainal Abidin Sulis



EVENING WITH FRIENDS... Tan Sri Hanafiah Haji Ahmad (center) with guests

A night to remember



ONE FOR THE ALBUM... The King with the President and Past Presidents

THE 25th Anniversary Dinner was held on July 10 at the Carcosa Seri Negara, Taman Tasik Perdana, Kuala Lumpur.

DYMM Seri Paduka Baginda Yang Di-Pertuan Agong XII Tuanku Syed Sirajuddin Ibni Almarhum Tuanku Syed Putra Jamalullail graced the function.

Among the 300 people who attended the dinner were Past Presidents, members of the club and their guests.

The National Symphony Orchestra Quintet and The Melodies provided the entertainment.



THORN AMONG THE ROSES... (From left) Lilian Too, Mrs Wong Heng Wool, Datin Yun and Dato' Mustapha Md Ali

Risk factors for Malaysian property trusts



By
CHRISTOPHER SHUN

THERE has been much debate about the role of Property Trusts (PTs) for Malaysia especially after the successful launch of the Singapore Property Trust known as Capita Mall Trust (CMT) in July 2002.

We will leave the analysis of the Singapore Experience to another article but it is timely to review the development of the listed Property Trusts in Malaysia.

In fact, Malaysia was the first Asian country in 1989 to develop listed property trusts as an effective indirect real estate investment vehicle. Since then we have had four property trusts, which were further consolidated in 2002 into three property trusts.

The prolonged Property recession since 1998, has resulted in the severe liquidity crunch in the Malaysian property sector, a very narrow property market especially for commercial and large retail properties and a sluggish stock market, which has been the traditional sources of funding for cash-strapped property companies.

This depressing environment makes for a readily interested and attentive audience to heed the clarion call which trumpets the benefits and attractiveness of PTs.

Thus, it is timely to review some of the risk factors that beset the Malaysian property trusts in order to extract some constraining factors that distinguish our property trust market and hopefully allow us to mitigate and modify for our future requirements.

Development of Listed Property Trusts in Malaysia

The first listed property trust in Malaysia was established in September 1989 (Arab Malaysian First Property Trust), with further property trusts established in November 1989 (First Malaysia Property Trust) and December 1990 (Amanah Harta Tanah PNB). No further property trusts were listed until 1997 (Mayban Property Trust Fund One), with this property trust having previously been an unlisted property trust since 1990.

Exhibit 1 gives details of the Malaysian listed property trusts at December 1999. The four listed property trusts had total assets of RM582 million (US\$153 million),

EXHIBIT 1

Malaysian Listed Property Trust Characteristics: December 1999

Property Trust	KLSX Listing	Total Assets ^a	Level of Real Estate in Portfolio (%)	Number of Properties	Real Estate Portfolio Composition (by Real Estate Type and Location)
Arab-Malaysian First property Trust	Sept 1989	RM199M (\$52.4M)	93	2	Office(100%) Kuala Lumpur(100%)
First Malaysia property Trust	Nov 1989	RM103M (\$27.1M)	61	6	Office(43%),Industrial (44%),Retail (7%), Hotel (6%) Kuala Lumpur (41%),Australia (25%), Others (34%)
Amanah Harta Tanah PNB	Dec 1990	RM158M (\$41.6M)	77	9	Office (93%), Retail (7%) Kuala Lumpur (96%),East Malaysia (2%), Others (2%)
Mayban Property Trust Fund One	Mar 1997 ^b	RM122M (\$32.1M)	75	5	Office (100%) Kuala Lumpur (40%),Others (60%)

Notes:
^a \$1 US=3.8 Malaysian Ringgit (December 1999).
^b Previously unlisted from Aug 1990-Feb 1997.

Source: Newell et al. (2001)

with the real estate portfolio largely focussed on office properties in Kuala Lumpur.

These property trusts are also able to include significant levels of stocks and short-term investments in their total portfolios (unlike the U.S. and Australia), with the level of non-real estate in the portfolio being as high as 40% in recent years.

Malaysian Property Trust Performance Analysis: 1991 - 2000

A study in 2000 undertaken by a team of researchers led by Prof Graeme Newell (University of Western Sydney) analysed the performance of the Malaysian property trusts. The outcome of their study is revealed in Exhibit 2 which presents the average annual return and risk for the Malaysian listed property trusts over the 1991 - 2000 period.

Of the four property trusts, only Amanah Harta Tanah (AHT) outperformed the Kuala Lumpur Composite Index, with this largely attributable to the significant share portfolio (20%-40%) in this property trust over this period.

While the real estate companies sector on the Malaysian stockmarket (12.69% p.a.) was outperformed by the overall Malaysian stockmarket (15.03% p.a.), the Kuala Lumpur office market (-2.44% p.a.) poorly performed over this 10-year period. The risks

for three of the listed property trusts were more than the overall stockmarket risk (39.12%), and significantly above the office real estate risk (7.63%).

On a risk-adjusted basis, each of the property trusts significantly underperformed the overall Kuala Lumpur stockmarket and real estate companies sector over 1991 - 2000.

In particular, the risk-return ratios for each of the property trusts (6.80, 5.61, 3.48 and -7.00 respectively) were significantly above that seen for the overall Kuala Lumpur stockmarket (2.60) and the real estate companies sector (3.77).

This risk-adjusted performance analysis further reinforces the limitations associated with the operational structure of property trusts in Malaysia, compared to US REITs and Australian property trusts.

The level of real estate investment amongst Malaysian institutional investors has been low, with an average of only 4% of listed property trust units held by institutional investors over 1990-1999.

Property Trusts Risks

Recent Press coverage has vaguely promoted the appeal of PTs as medium-risk, medium-return investments, which lead to concern

that local investors may not fully understand the risks of investing in PTs.

This lack of understanding, coupled with high apparent yields, may be generating excessive enthusiasm for PTs as an investment vehicle. When considering PTs, local investors need to know not only their advantages but also their risks.

PTs normally conduct careful studies of potential acquisitions and diversify their investments as part of efforts to avert and limit a variety of risks. Full Disclosure enables investors to evaluate the risks borne by individual PTs and the measures being taken to mitigate those risks.

Since risk cannot be eliminated, however, a risk premium is factored into the PT's share price or the required yield. Therefore, investors should understand that risk cannot be eliminated and they should look at how each PT is trying to avoid or reduce that risk.

General risks

Most importantly, PTs should be viewed as yield equities and as such, the greatest risk is that they do not guarantee a return of principal nor do they offer a fixed dividend. Thus, their prices can be expected to fluctuate on a daily basis subject to market conditions separate from the market conditions affecting the property industry.

PTs minimise, not eliminate, risks

1.0 Fluctuating prices and no guarantee of principal

PTs invest in property wherein property prices change as a result of property market conditions, interest rates and supply demand equilibrium. Poor liquidity in property means that PTs may not be able to sell the properties as and when required. Whilst the listed PTs can be sold at any time there is no guarantee that the investors will be able to sell them above the Net Asset Value (NAV) of the underlying PT. It is often the case that PTs will trade at a discount to RNAV (Realisable Net Asset Value).

2.0 Unstable Dividends

Income from property PTs is normally distributed directly to owners in the form of dividends. In Malaysia, the dividends are distributed nett of corporate tax (28%). This creates a double taxation for the investors who have to declare dividend income as opposed to the capital gains, which they do not have to declare. Also, the dividend is not stable because falling rents, rising vacancy rates and higher management expenses

would effect the actual dividend paid.

Conclusion -- "Festinus Lente"

When we study the experience of our local Malaysian PTs in the last 12 years and also the recent successful Singapore Property Trust experience, the following constraining factors emerge:

1. Poor perception and understanding which leads to a lack of demand for product amongst general investors, including institutional investors.
2. Property exposure is limited with the number (two to nine properties) as significantly less than typically seen in US REITs and Australian property trusts.
3. Property trust management companies are required to be subsidiaries of financial

institutions. As such, entrepreneurial owner developers are not allowed to establish property trusts. Whilst there are sufficient regulatory safeguards for investor protection, the market must be deepened to allow the product diversity and geographic spread which exists in the portfolios of many developer's landbanks.

4. No active secondary market. Given that PTs in Malaysia are subsidiaries of financial institutions which seek stable and steady dividend yields, they tend to lock up the trust denying much opportunity for the retail investors.

5. Local investment psyche favours speculative investment for short term capital gain as opposed to the medium term outlook.

6. Dividends paid out are after-tax (28%) and in marked contrast to the tax exempted status of the US REITs, Australian and UK property trusts.

These constraining factors have established a restrictive investment environment in which listed property trusts have found it difficult to develop and establish a significant investment profile in Malaysia.

Perhaps if these factors can be mitigated and modified, we might have the opportunity to develop further breadth and depth in our local market which hopefully engenders a more vibrant property trust market wherein the investors have an additional avenue to tap into the property market at affordable stakes.

"Festinus Lente", is a notable Latin phrase made famous by Emperor Augustus in 20 BC. "Festinus" means "hurry, hastening, speedily", "lente" means "slowly, calmly, coolly, deliberately".

At first glance the two terms appear contradictory but upon further reflection, there is a profound truth. "Hurry slowly" requires us to make haste in seizing the opportunities in Property Trusts. However we must be methodical and thorough in analysing and mitigating the constraints to adapt to our local investment requirements.

So "Festinus lente" as we boldly and bravely march forward towards the new Malaysian Property Renaissance.

• **CHRISTOPHER SHUN**, a member of the HBSACM exco since 1996, is currently pursuing a Doctor of Business Administration (DBA) with Henley Management College, UK. His area of research lies in property risk management, portfolio management and property finance.

EXHIBIT 2

Malaysian Listed Property Trust Performance Analysis:
March 1991 – March 2000

Series	Average Annual Return (%)	Risk (Std. Dev.) (%)	Percentage of Kuala Lumpur Stockmarket Risk (%)
Listed Property Trusts			
Arab Malaysian First Property Trust	5.38	36.60	94
First Malaysia Property Trust	7.40	41.52	106
Amanah Harta Tanah PNB	24.68	85.80	219
Mayban Property Trust Fund One ^a	-7.23	50.61	129
Stockmarket			
Kuala Lumpur SX Composite Index	15.03	39.12	100
Kuala Lumpur SX Property Index	12.69	47.79	122
Real Estate			
Jones Lang LaSalle KL Office Property Index	-2.44	7.63	20

Notes:

^a Performance analysis for March 1997 – March 2000 only

Source: Newall et al. (2001)

Dolphins make a winning splash

WESTPORT Dolphins won the Datuk Bandar Corporate Golf League Challenge Trophy for 2002, finishing 21 points ahead of Felda.

In the individual category, Chan Kin Pooi (right) of HSS Integrated scored 211 points over eight games to edge HBSACM vice-president Raja Sharifuddin Abidin, of Felda, by three points to emerge winner.

The eighth and final leg was played on October 20 at the Kuala Lumpur Golf and Country Club. A total of 80 golfers took part in the

final game. Datuk Bandar Kuala Lumpur Datuk Mohamad Shaib

Mohamad Taufek, who was among the competitors, gave away the prizes to the winners.

The league started in April 2002 and was held in Stafffield, Nilai Springs, Tasik Puteri, Rahman Putra, Bukit Tinggi, Bukit Unggul, Bangi Resort and Kuala Lumpur Golf and Country Club. Eighteen teams took part.

Golf convenor Surjan Singh is happy with the league's success. The golf committee has started preparing for next year's league!



HOW THEY FINISHED

TEAM	H'CAP	PTS
1 W'port Dolphins	327	844
2 Felda	388	823
3 Fitters	363	812
4 Awana 98	356	807
5 HSS Intergrated	406	765
6 Bakers	450	732
7 Westport GC	435	728
8 Mellon	386	718
9 Westport United	348	707
10 PPC Glomac	411	704
11 New Straits Times	469	682
12 Kresge	492	605
13 DRB Hicom	450	592
14 Mida	507	548
15 Accenture	493	489
16 Ajinomoto	515	465
17 Edaran Digital	638	329
18 Sime Darby	507	321

Books - What's new on the shelf

For geeks, geezers and everyone else

TODAY'S young leaders grew up in the glow of television and computers as compared to the leaders of their grandparents' generation who were in the shadow of the Depression and World War II.

In a groundbreaking study of these two disparate groups - affectionately labeled "geeks" and "geezers" - legendary leadership expert Warren Bennis and leadership consultant Robert Thomas set out to find out how era and values shape those who lead.

What they discovered was something far more profound: the powerful process through which leaders of any era emerge.

Geeks and Geezers is a book that will forever change how we view not just leadership-but the very way we learn and ultimately live our lives.

It presents for the first time a compelling new model that predicts who is likely to become - and remain - a leader, and why.

At the heart of this model are what

GEEKS AND GEEZERS : HOW ERA, VALUES, AND DEFINING MOMENTS SHAPE LEADERS

By Warren G.Bennis
and Robert J.Thomas
Published by: Harvard Business
School Press, 2002

the authors call "crucibles" - utterly transforming periods of testing from which one can emerge either hopelessly broken, or powerfully emboldened to learn and to lead.

Whether losing an election or burying a child, learning from a mentor or mastering a martial art, crucibles are turning points: defining events that force us to decide who we are and what we are capable of.

Through the candid and often deeply moving crucibles of pioneering journalist Mike Wallace to new

economy entrepreneur

Michael Klein, and from New York Stock Exchange trailblazer Muriel Siebert to environmental crusader Tara

Church, *Geeks and Geezers* illustrates the stunning metamorphoses of true leaders.

It also reveals the critical traits they share, including adaptability, vision, integrity, unquenchable optimism, and "neoteny" - a youthful curiosity and zest for knowledge.

Highlighting the forces that enable any of us to learn and lead not for a time, but for a lifetime, this book is essential reading for geeks, geezers, and everyone in between.

About the authors

- **Warren Bennis** is Professor and Founding Chairman of The Leadership Institute at the University of Southern California, and the author of over 30 visionary books on leadership.
- **Robert J. Thomas** is an Associate Partner and Senior Fellow with the Accenture Institute for Strategic Change and award-winning author of *What Machines Can't Do*.

How to Order

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