



# Harvard Business School Alumni Club of Malaysia

## NEWSLETTER

## JULY 2003

### INSIDE THIS ISSUE:

1989 Gold Medal winner	2
Visit to WIM	2
Past Presidents	3
Associate Inaugural	4&5
Kim B Clark	6&7
Book Review	8
HBSACM Golf	8

### HBSACM Associate Committee Members

#### Chairman

**Abdul Halim Hamid**

#### Vice Chairman I

**Ruslan Ishak**

#### Vice Chairman II

**Mohd Fariz Abu Bakar**

#### Hon. Secretary

**Manimala Subramaniam**

#### Asst. Hon. Secretary

**Carol Wong**

#### Hon. Treasurer

**Puvanesan Subenthiran**

#### Director Of Activities

**Surjan Singh**

#### Committee Members

**Ir. Aishah Dato Hj Ab Rauf**

**Abdul Aziz Ahmad**

**Raymond Yap Yin Min**

**Mak Choong Moon J.P.**

**Andre Anthony D Cruz**

## Our Contribution Towards a K-Society



**DYMM PEMANGKU RAJA PERLIS BEING BRIEFED ON THE USAGE OF THE COMPUTER BY A STUDENT**

On 9<sup>th</sup> April 2003, the Club handed 20 computers to DYMM Pemangku Raja Perlis Tuanku Syed Faizuddin Putra Ibni Tuanku Syed Sirajuddin Jamalullail. And His Highness in turn presented the computers to Sekolah Alawiyah Ad Diniah (Yayasan Islam Perlis). DYMM commended the Club for the donation, as it would help the state in its effort to promote IT knowledgeable society. DYMM

also hoped that other organizations would emulate the good deeds of the Club.

Also present at the ceremony were YAB Tan Sri Shahidan Kassim, Menteri Besar of Perlis and other dignitaries of the state, officials of the Yayasan, staff and students of the school. Five Exco members represented the Club.





When she was awarded the Medal she said that her ambition was to reach the top of the corporate ladder, and she is now on the march towards her goal.

...attended the Senior Management Development Program in 1998,

...to create a positive image of women and to promote the advancement of women in all sectors,

## Gold Medal Award Winner

In 1989 she was the winner of the HBSACM Gold Medal Award. Carol has a First Class Honour in Bachelor of Economics, majoring in Business Administration, graduating during the 1987/88 session from University Malaya, Kuala Lumpur.

While in the university she was an active participant in her college, sports and social activities of her college. When she was awarded the Medal she said that her ambition was to reach the top of the corporate ladder, and she is now on the march towards her goal.

Carol Wong, Executive Director of Ernst and Young Malaysia, is primarily involved in providing business advisory services in risk and business solutions. She has over 14 years of experiences encompassing strategy planning and management, operational improvement, performance management/balanced scorecard, advanced cost management/activity-based costing and packaged system implementation for both local and overseas government and private sector organizations of various industries.



Carol at SMDP meeting

Carol Wong Man Liew attended the Senior Management Development Program in 1998, during her tenure with Arthur Anderson. She is now an Executive Committee Member of the SMDPHBSACM.

## We Don't Give Them Money, We Teach Them Skills

The President of the HBSACM and several Exco members visited the Women Institute of Management on 28th May 2003. YBhg Dato Dr. Nellie Tan-Wong and Dr. Indrani Manuel received them. WIM is a non profit limited company co-founded by Y.B. Dato Napsiah Omar, former Minister of National Unity and Social development, Malaysia and YBhg Dato Dr. Nellie Tan-Wong, Managing Director of Wintrac Development Sdn. Bhd. on 14 May 1993.

WIM's Philosophy seeks to create a positive image of women and to promote the advancement of women in all sectors. Its slogan is Excellence through professionalism, partnership and caring. YBhg. Dato Dr.

Nellie Tan-Wong informed that among many activities WIM has organized 184 events and training courses for 10222 grassroots women, single parent women, women NGOs, entrepreneurs, executives, managers and leaders from more than 123 organizations in the country. She summed up the briefing by saying that WIM does not give them money but it gives them skills. The briefing was followed by a short tour of its premise at Jalan Abang Openg, Taman Tun Dr. Ismail, Kuala Lumpur.

Those interested in getting to know more about WIM can visit its website at [www.wimnet.org.my](http://www.wimnet.org.my).

Editor : Haji Ahmad Rosdi  
Photographer: Dato Abdullah Mat Zaid  
Haji Ahmad Rosdi



## MEETING OF THE PAST PRESIDENTS AT KLGCC ON 28th APRIL 2003



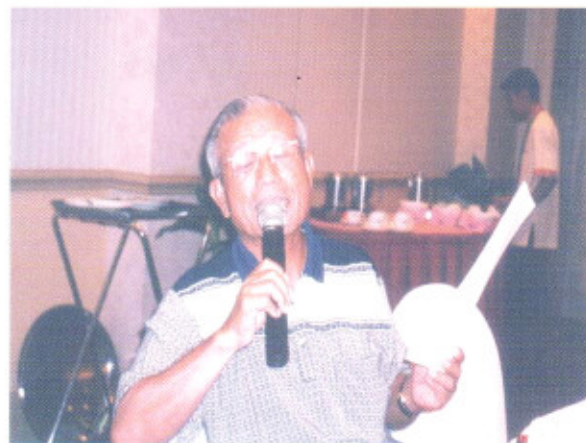
The President Welcoming the Past Presidents



En Mohd Nizar Idris giving his opinion. On his right is Datuk Abu Kassim Tadin



Dato Ng Cheng Kuai giving his views to Vice President Mr. Mohan Ramalingam and Mr. Ng Sing Hwa



Dato Mustafa Md. Ali's turns to speak



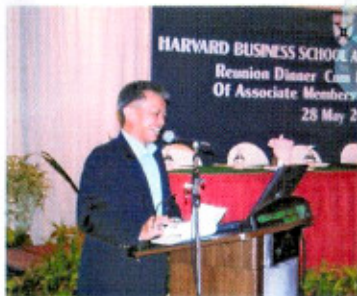
Mr. Ng Sing Hwa, Mr. Mohan Ramalingam and Dato Sulaiman Abdullah listening attentively



Tuan Haji Yusof Talif, Raja Tan Sri Muhammad Alias and Tan Sri Zain Hashim waiting for their turn to voice their views



## INAUGURAL MEETING OF HBSACM ASSOCIATE MEMBERS



HBSACM President addressing the members



The New SMDP Committee Members



Our Hon. Treasurer Tan Sri G



En. Halim, The New HBSACM Associate Chairman



Some of those who had attended







Dean Kim B. Clark

Harvard Business School Dean Kim B. Clark made these remarks to the National Press Club on February 26.

'We need solutions that are driven by a much broader conception of what went wrong.'

Kim B. Clark

'The evidence is clear that too many people crossed too many lines.' Kim B. Clark

'It is perhaps a paradox that in order for a market-based system to really work effectively, you need a lot of people whose behavior and action is not based on the market'

Kim B. Clark

## At the Center of Corporate Scandal Where Do We Go From Here?

March 17, 2003

What I'd like to do is talk about a topic that I think touches the very heart of our society: the issue of corporate misconduct and the recent corporate scandals that we have seen unfold in our country. As you might imagine, I've given this issue considerable thought. I have come to it as an individual, as an academic, and as the head of an institution that prepares hundreds of people for business leadership every year. And I can tell you that at every level, I find the events of the past year deeply disturbing. I am appalled at the instances of greed and corporate wrongdoing uncovered at firms and organizations once held up as paragons of success, and I am dismayed to see the destructive effect these instances of corruption and ethical misconduct have had on our society and our economy.

I know that a lot of things have been done to address these problems already, but my own sense is that what we've seen is incomplete. Too much of our public discussion has operated on the surface of the problems. We need to go a lot deeper, and I think we need solutions that are driven by a much broader conception of what went wrong. I believe that business schools have a responsibility to help deal with these problems, and therefore the challenge has a very strong personal dimension for me. This is not a theoretical exercise. These are issues I live with every day.

Let me set the context by using my "apples and barrel" metaphor. We have seen many attempts to explain what happened, and they fall into two broad classes. One puts primary responsibility on a few bad apples and sees the solution as catching them, prosecuting them, putting them in jail, fining them—whatever is appropriate. That's one pole of the continuum. At the other pole, you have people who really believe there's something extremely wrong with the barrel. Thus it's not just a matter of a few bad apples; what we really need is a wholesale revamping of the systems of governance and the web of laws and regulations. The solution is to remake the barrel with new legislation and new regulation.

I believe there are elements of truth in both of those poles: we have bad apples, and there definitely are some problems with the barrel. But the solutions both poles present are incomplete. I believe we need a deeper understanding of what has happened, and a broader conception of what must be done. Such understanding is all the more crucial given the evolution of business in recent years. Business is a remarkably dynamic and quite powerful force in society, and the individuals who lead businesses are called upon to play increasingly broader roles.

Let me start my analysis with the barrel. I think our economic system has proven phenomenally successful at bringing growth, innovation, productivity, and a rising standard of living to millions of people. It is an engine of progress and development unmatched in the world. But the engine has grown so complex, and its capabilities so swift and powerful, that it has outstripped the governance mechanisms designed in a simpler time. We have made markets much more dynamic and far more pervasive in our economy with a host of good effects. But in the process, we have weakened critical institutions and the principles and standards of judgment that ought to stand as a protection against conflicts of interest.

I think there are three problems. One is that as markets have become more pervasive, firms have used them badly. Two, we have seen leaders substitute market-based incentives for judgment and for standards where they shouldn't. Three, we have seen governance institutions compromising principle in the pursuit of market opportunity.

Don't get me wrong: I don't want to return to some "idyllic" past when markets were less powerful and effective. I want to go forward. But I think we have problems that we need to address.

The trouble with executive compensation

Let me use executive compensation as an example. This is an area that has not had the kind of in-depth look it deserves, yet it is at the core of a number of the problems we've seen.

The board of directors and its compensation committee determine the compensation of the CEO in our system. Yet too many companies in this country have no internal process to evaluate CEO performance. They have effectively outsourced the evaluation of CEO performance and compensation to the market, and often to consultants. As an example, from 1990 to 2001, the share of equity-based compensation in total CEO compensation—how much is coming from things like options and other forms of equity—grew from 8 percent to 66 percent. Almost all of that was due to option programs that made relatively poor use of market information and were poorly designed.

The compensation committees rely on consultants to provide market-based data on compensation in comparable companies. But the consultants themselves may be conflicted. They often have very large contracts in the very same companies for pension work, for instance. Moreover, the use of consultants (and the way it's done in a lot of companies) creates what I call "the Lake Wobegon effect." You recall that in Lake Wobegon everybody is above average. And in a lot of companies the way the system works is most CEOs want to be at the 75th percentile of the distribution of compensation. Well, you can imagine what happens. You get a ratcheting up effect as that information pervades the market, and we get serious distortions in CEO compensation.

We would note similar problems if we were to look at auditors, at investment analysts, at rating agencies, at virtually every aspect of the governance system in our economy. It's not true of every one of every kind of governance institution, but it's true in many of them: Standards have eroded and principles have been compromised. And the result has been a weakening of these critical institutions. In situations like this—when conflicts of interests arise, and when the institutions no longer provide clear guidance and a framework for action—individuals are faced with competing demands, and the potential for wrongdoing, even the temptation for wrongdoing, is much stronger.

Markets require faith. They require trust and faith in the integrity of data and information and in the reliability of promises. Even more, they depend on the existence of principles, standards, and well-understood rules that define how the system operates. To work, markets require leaders who understand the importance of integrity

in the creation of trust, and who inspire that trust in their people, their organizations, and in the communities and the larger society of which they are part.

Which brings me back to the apples, and leaders. As in all financial manias, the bubble of the late 1990s and early 2000 gave rise to swindles and frauds and the bad apples that commit them. We need to find out who they are and take appropriate action. But our problems run much deeper. We have seen good people faced with powerful incentives to do the wrong thing. We are fortunate to have a lot of people in our economy who did not succumb to those incentives. There are a lot of great apples in the barrel, if you will. But the evidence is clear that too many people crossed too many lines.

As the world gets more complex and the gray areas more prevalent, we need to strengthen individual integrity. We need leaders who are prepared to act on principle, with standards and values to guide them, even in the face of strong financial incentives to do otherwise. In fact, we need a lot of those people throughout our system. It is perhaps a paradox that in order for a market-based system to really work effectively, you need a lot of people whose behavior and action is not based on the market, but rather on standards and principles that help that market function.

Let me tell you a story that captures the essence of our problem. I spent a very interesting few hours last fall speaking with two CEOs on campus at HBS about these issues. One of them told me, "I run a cash business that has 6,000 stores all over the world, and the problem I face is very simple." He said, "When I look at the people we might hire, I see three kinds. I have people I know are going to steal me blind no matter what I do. I definitely try not to hire those people. Then I have people who I know will always do the right thing, no matter what. And then I have the people in the middle. There are a lot of them, and they basically are good people, but they are open to suggestion. They are temptable. And the challenge I have as a CEO," he said, "is to create an organization, that in its culture, its systems, and its processes, helps regular people do the right thing."

We can apply that same kind of logic to the problems we see in the economy as a whole. That is, we need individuals who, through their experiences, have learned how to internalize high standards and principles. They in turn need a system of governance—of checks and balances—that helps them do the right thing when faced with difficult situations.



So what's the solution? Where do we look? I recommend a two-pronged attack. The first step will be to find ways to reduce conflicts of interest, and to shore up standards and principles and institutions of governance. The second involves strengthening the integrity of leaders in business.

While some of what has been done is moving in the right direction, it is incomplete, and one can imagine unintended consequences we are not going to like. So much of this depends on how laws are implemented and how regulations are formulated. Let me give you two quick examples.

The Sarbanes-Oxley law passed last year has a number of very good things in it, and the action taken at the time probably was quite healthy because of the situation we faced. But the law is fraught with ambiguity. And depending on how it is implemented, what regulations the SEC develops and how it actually is done, we easily could see a law implemented in a way that will exclude small companies from the public capital markets. Sarbanes-Oxley was drafted with Tyco and Global Crossing and Enron in mind, not with small entrepreneurial enterprises. And yet they are subject to exactly the same rules and conditions as large companies.

A second example. There has been a lot of discussion about stock options and expensing them through regulatory action and through passing new additions to our GAAP standards. But this is just part of a much larger problem, as I've tried to suggest, and will require new thinking about the design of compensation systems and processes within the boards through which compensation is determined. Yet if you look at the discussions going on in the press, there's very little attention paid to compensation committees.

In the end, the problem will not be solved in Congress, nor in regulatory agencies. While those agencies are important and their work will be critical, they will not solve the problem. The solutions also will need to come from boardrooms, executive offices, hallways, and conference rooms all across our country. And they also will need to come from classrooms and research seminars in the country's business schools. Thus I think we have a responsibility to participate and be involved in this process.

So let me speak about the one business school I know best, and tell you what we are doing and why.

Six years ago we launched an initiative at the Harvard Business School on leadership and values. It grew out of a conviction that we needed to make our commitments and our values much more explicit and visible in our community, especially given the forces at work and challenges developing in the world. It was clear we needed to act. Our work has included articulating the values we think are central to leadership and learning, integrity, respect for other people, and personal accountability, and making them visible in our community and central to life on campus. It also involves work in our educational program and in our research.

The mission of the Harvard Business School is to educate leaders who make a difference in the world, and who make the world a better place. I believe we have a responsibility to shape and influence the generations of leaders joining our economy and our systems, and to help them understand what creates an outstanding organization: what makes markets work, and the importance of trust and integrity in that process. We also need to understand the system better—how to design markets more effectively, how to reduce conflicts of interest, how to build stronger institutions of governance. The leadership and values initiative we launched is an important part of our effort to do that.

We build on a very strong foundation of research, course development, and teaching begun many years ago in the School around ethics, accounting, leadership, and governance. Let me give you two examples of things we've done in the wake of the recent scandals. About a year ago we decided that the issues were so important and the need for greater depth so significant that we needed to be more involved in the public discussion and debate. We had a large number of faculty doing work in these fields, and we decided to establish a project called Corporate Governance, Leadership, & Values. It comprises a series of four workshops and a plenary involving our faculty, other academics, and thought leaders from institutions and companies, as well as a new Web site that draws together white papers, video, and other materials we hope will be useful as people go deeper into these problems and identify possible solutions.

The other important forum we have is our classroom. Underlying everything we do must be an awareness of and a commitment to the importance of values and standards in business and the role leaders play in articulating them. Fifteen years ago we began teaching a required course called Leadership, Values, and Decision Making. Last December, after a couple of years of work, the faculty voted to expand that experience and add a brand new course in our required curriculum next year. This course will draw on a great deal of work at the School and focus on three issues:

- \* Individual decision making (how you as a leader confronting ethical dilemmas or difficult choices ought to frame and approach those problems).

- \* How to create organizational processes, systems, and culture that drive individual and organizational integrity.

- \* Accountability and responsibility to customers, the larger community, and society.

Of course, we ought to do and we do come at this work with some humility. The problems are very difficult, and we don't always get everything right, nor do we see everything coming. So we need to be patient and diligent, and try to dig as deep as we can. I think this is what the academy does well: dig deep, maintain a healthy skepticism, and try to find things that will have real power in practice.

Recognizing that much of what needs to be done is about integrity, let me conclude with a couple of thoughts about integrity and leadership.

In the world I see ahead, a world of turbulence and uncertainty where there are opportunities fraught with risk and reward, we need leaders with strong values. We need leaders who place a high value on excellence, on building organizations where people thrive, on creating long-term value for customers and for investors. We need leaders who understand the larger purpose of the enterprise and the principles and standards that drive its success. We need leaders whose behavior matches and reinforces those values. In a word, we need leaders with integrity.

Integrity is more than being honest, although it certainly means that. It is deeper. It is about the match between what leaders say and what they do. Leaders with integrity have strong values and standards and principles, and they act on them—consistently, without fail, in public and in private. Such leaders inspire trust and confidence in those around them, and the values they espouse become reality in the organizations they lead, because people act on them and live them in their organization.

Thus, what leaders do is really crucial inside the enterprise. But they also wield influence far beyond their offices and their companies. They affect trust in our economic system, and we are fortunate in this country that we

have many, many such leaders. But we need more of them, and we need to restore faith and confidence in our institutions and companies.

We don't need to turn these leaders into celebrities, but we do need to know more about them and to understand and have confidence in what they do. So I would like to make a modest proposal that each board of directors sets up an evaluation process for the CEO that does three things: it articulates the values and principles that underlie the company and define its character; it defines a process to assess the match between those values and the behavior of its leaders; and it reports on its assessment to its people and its investors.

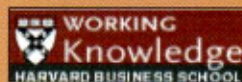
Let me close with a personal commitment. Ultimately, our system runs on faith—faith in the integrity of both the people and the information, and the processes that have proven so successful in driving the economy. Each of us has an obligation to help change what needs to be changed and to restore that faith—CEOs, legislators, regulators, partners in audit firms, the media, and deans of business schools. So each of us needs to act within our sphere of influence to make that happen.

So let me tell you how I feel about my responsibility. The mission of Harvard Business School is to educate exactly the kind of leaders I have talked about today. The world as we know it needs healthier, stronger leaders—apples, if you will—individuals who take a stand and who understand the value of integrity and the importance of judgment in their work. And it needs a stronger barrel. It needs systems better able to respond to new forces in the environment, and institutions free from the pressures and conflicts arising from conflicts of interests.

Our responsibility—and therefore my responsibility—is to dive deep into these issues, to create deep knowledge with power in practice, to educate generations of students who see and understand and feel the importance of these issues. So I believe I have a responsibility to do everything I can to make the Harvard Business School a living model of the highest standards of excellence, integrity, accountability, and respect for other people, so that we deliver on that mission. I personally am committed to do everything I can, to use every bit of whatever creativity and skill that I have, to make HBS a vibrant, innovative, principled place, a place that our alumni will be proud of, and a place that will earn the trust and the respect of the society we serve. That's my commitment.

#### About Faculty in this Article:

Kim B. Clark is the Dean of the Faculty and George F. Baker Professor of Administration at Harvard Business School.



<http://hbswk.hbs.edu/index.jhtml>



# The Heart of Change

Real-Life Stories of How People  
Change Their Organizations



John P. Kotter  
Author of the Worldwide Bestseller *Leading Change*  
and Dan S. Cohen

How to order:  
MIM Bookstore,  
227 Jalan Ampang  
50450 K. Lumpur  
Tel: 03 2162085  
Fax: 03 21612090

## Planned Activities:

1. Luncheon at Telekom Malaysia
2. Visit to Siemens
3. Gold Medal / Scholarship award

Visit our Website at:  
<http://www.hbsacm.com>

Get your password by email:  
[rosdi@tm.net.my](mailto:rosdi@tm.net.my)

Contributions and comments email to:  
[rosdi@tm.net.my](mailto:rosdi@tm.net.my)

## The Heart of Change: Real-Life Stories of How People Change Their Organizations

by John P. Kotter and Dan S. Cohen

Publisher: Harvard Business School Press, 2003.  
ISBN: 1578512549

### Description:

For individuals in every walk of life and in every stage of change, this compact, no-nonsense book captures both the heart--and the "how"--of successful change. Organizations are forced to change faster and more radically than ever. How are companies faring in meeting these challenges--and what can we learn from their experiences? In this powerful follow-up book--organized around *Leading Change's* revolutionary eight-step change process--Kotter and co-author Dan Cohen reveal the results of their research in over 100 organizations in the midst of large-scale change. What they found may surprise you. Although most organizations believe change happens by making people think differently--Kotter and Cohen say the key lies more in making them feel differently. They introduce a new dynamic--"see-feel-change"--that sparks and fuels action by showing people potent reasons for change that charge their emotions. Through true stories from real people, the authors present a play-by-play of challenges encountered, mistakes made, and lessons learned through each of the eight steps of change--and tips and tools readers can apply within their own organization

## HBSACM Friendly Golf



The Club held its Friendly Golf Tournament for its members and their guests on 28 March 2003 at the Nilai Spring Golf Resort, Negeri Sembilan. 76 golfers participated and the Champion was Y Bhg Dato Shamin Ahmad who scored 42 stable ford points.