

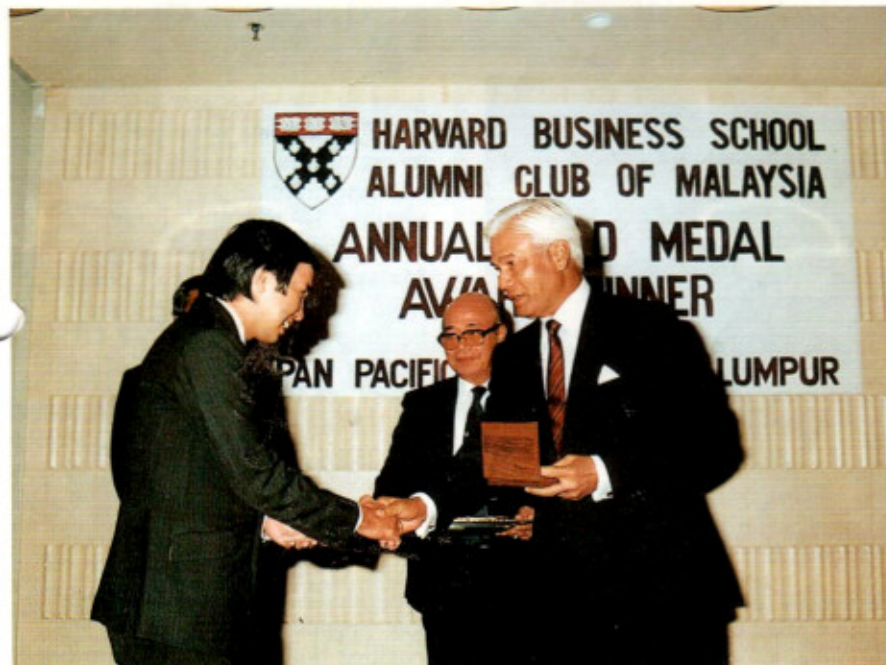


Harvard Business School Alumni Club of Malaysia

N·E·W·S·L·E·T·T·E·R·

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5TH GOLD MEDAL AWARD

BY Abdullah Mat Zaid

Mr Khoo Thien Long was the recipient of the Gold Medal Award this year. The award was presented by HRH Sultan of Perak on the 7th April, 1987 at the Pan Pacific Hotel.

The objectives of this award are to encourage students in higher educational institutions and also young executives to improve their knowledge of business administration.

The successful candidate of this award is given a gold medal, cash prize of \$1000.00 and also a certificate. The past recipients of this award are Mr Ying Soo Wai from Universiti Malaya; Mr Lim Loong Seng from Universiti Pertanian Malaysia; Encik Zolkafli Hussein from Universiti Pertanian Malaysia and Ms Ng Hwei Chan from Universiti Pertanian Malaysia.

This year we received nominations from Universiti Malaya, Universiti Pertanian Malaysia and Universiti Kebangsaan Malaysia. Selection of the most suitable candidate is made by a panel appointed by the club. This year the panel comprised of Dato' Mustafa Mohd Ali, Encik Zainal Abidin Haji Mat Yusof, Encik Mohd Yusof Talif, Mr David Leong and Encik Abdullah Mat Zaid.

The selection criteria of the candidate is based on the performance of the candidates in their final examination and throughout their course. Their extra mural activities are also given due consideration.

Mr Khoo Thien Long the recipient of the award this year obtained First Class Honours Bachelor of

Economics (Business Administration) from Universiti Malaya. He excelled not only academically but also in extra mural activities. He was a Committee Member in Pesta Ria Kebajikan Universiti Malaya 1984/1985; Sub-Committee Member of Pesta Kolej Kedua 1983/1984; Member of Business Administration Club 1984-1986; and also a member of the Patani Baptist Church. In addition to the above, he also played table tennis for the 2nd College of Universiti Malaya.

Mr Khoo also received several awards during the course of his study in Universiti Malaya. The awards he received are:

1. Leslie Wong Memorial Prize Award 1985/1986
– This award is given to the top business studies student.
2. Book Prize Holder 1985/1986
– This award is given to all 1st Class Honours students.
3. Subject Prize Award 1985/1986
– This award is given to the best business administration student.

Presently Mr Khoo is working as an attachment officer with the Kedah Health Department.

This year awards were extremely well handled. Encik Abdullah Zain and his committee deserve the clubs gratitude and congratulations for the excellent arrangements.

WHITE COLLAR CRIME

Excerpts from the speech of HRH Sultan of Perak



When I was conferred the Honorary Fellowship of MIM last August, I intended to include some aspects of 'White Collar Crime' in my speech of acceptance, but the subject being an exhaustive one, I thought it is wiser to leave it to some other occasion. The occasion is at hand and I am pleased to have this opportunity of addressing you on this subject of great current interest.

Although it was comparatively unknown in earlier times until the infamous South Sea Bubble burst upon the otherwise quiet English scene in 1720, it was really at the beginning of the century that white collar crime reared its ugly head with same prominence and society was made sufficiently aware to pay serious attention to it.

Many sociologists began publishing books on the 'crimes of the upper world' since 1907, however it was in 1940 that Edwin H. Sutherland published a book 'White Collar Criminality' that catchy and apt phrases like 'white collar crime', 'white collar criminality' and 'white collar criminal' were used.

But how does one really define White Collar Crime? Because it was never properly defined, it was given various names and terms. What appears to be the simplest, yet authentic, definition is given by Edwin Sutherland in his publication the "White Collar Criminality". He defines it as

"Crime in the upper or white collar class, composed of respectable or at least respected business and professional men" as compared with "crime in the lower class, composed of persons of low socio-economic status"

The Presidential Commission on Law Enforcement and Administration of Justice in 1967 came out with a publication called "The Challenge of Crime in a Free Society" and it defines white collar crime as

"those occupational crimes committed in the course of their work by persons of high status and social repute"

Here in this country, in recent times, it has become all too familiar that professional and ostensibly "highly successful" business predilection to white collar crimes.

White collar crime covers every facet of our economy and society, neither rich nor poor are to able to escape its clutches as it does not discriminate among its victims. Regretfully, I have to refer again to recent cases in Malaysia. Thousands of people from the lower income group became victims of deposit-taking Cooperatives as a result of fraud, executive incompetence or mismanagement.

August Bequai in his book "White Collar Crime: A Twentieth Century Crisis" published in 1979 says: "In terms of injury, white collar crime affects more individuals. In terms of money or lost property, these crimes are costlier than traditional offences."

It is understandable that there is a limit to what robbers can physically carry away when they hold up a bank, but perpetrators of a white collar crime can involve the loss of unlimited sums running into hundreds of millions of dollars, as the recent cooperative scandal in this country would indicate.

White collar criminals rely on deceit and concealment; they play on the naivete of their victims and the near universal greed of the individual. It is a common feature of fraud in this country that victims fall easy prey to it because of the greed of the individual for highly usurious rates of interests on money lent. Often, when the borrower absconds with huge sums of money, many of the victims are too scared even to report their losses to the police for the obvious reason that they will be victimised a second time – only this time, they have to answer the gruelling queries – only this time, they have to answer the gruelling queries of the Income Tax Departments. The

gullibility of depositors in a recent case in Kedah is a case in a point.

In 1984, the US Chamber of Commerce, in its 'Handbook on White Collar Crime' in North America alone exceeded US\$41 billion.

The October 1985 issue of "The Executive" states that the number of white collar crime cases reported to the Commercial Crime Bureau, Hong Kong increased from 826 in 1980 to 1,552 in 1984 involving HK\$108 million in 1980 to HK\$620 million in 1984.

In Malaysia, figures given by Bank Negara show that the number of fraud cases rose progressively from 36 cases in 1984 involving M\$1.7 million to 202 cases in 1986 involving M\$146.1 million. However, the greatest fraud perpetrated in our history is the lost incurred over the BMF affair which cost the nation M\$2.1b. The deposit taking cooperative scandal came a close second, affecting the interest of well over 500,000 depositors, not to mention the severe adverse effect on the nation's economy at a time when we could least afford such reverses.

The publication of the US Department of Commerce "Crime in Service Industries" issued in 1977 states as follows:

"There is little doubt that white collar crime will continue to rob society as it has in the past, that modern technology has aggravated an already serious situation."

There is no doubt whatsoever that white collar crime is growing at an alarming rate and threatens the foundations of society. It is of utmost importance that we, as loyal employees and citizens, act now to put a stop to the perfidious growth of white collar crime. Thomas Kauper, Assistant Attorney-General made a clarion call to the business community in an address to the American Bar Association. He said,

"In these times, when important and far-reaching questions are being raised about the ethics of the business community, strong and eloquent voice urging responsible business behaviour are vitally needed."

The importance of morals, ethics and discipline in

overcoming white collar crime must not be scoffed at. Clarence Walton in his book "The Ethics of Corporate Conduct" published in 1977 emphasized,

"In any field, ethics is a discipline that deals with what is good or bad, right or wrong and the principles of what constitutes a moral duty or an obligation. Ethics in business stress the importance of truth and justice in all spheres of business activity."

In our efforts to eradicate white collar crime, it is vitally important that we are disciplined and hold true to the values emphasised by our religion. Volume 5 of the 1978 edition of Encyclopaedia Britannica has a message for us.

"It is a well established canon among many social scientists that one's values may influence an individual's tendency towards may influence an individual's tendency towards criminal acts. In America, research has suggested that unsound discipline may be related to about 70% of criminal men."

Yet another suggestion that religion influences ethics is emphasized by Geoffrey Lantos, Assistant Professor of Marketing, Stonehill College, Massachusetts in a letter which was published in the 5th January 1987 issue of Fortune Magazine.

He wrote,

"Traditional religion holds the key to ethical decision making... Only with a focus on absolute traditional values will the forces of light prevail.

Without it, all that remains is a moral vacuum."

ILLS OF BANKING

The country's economic slump has triggered off many financial problems and it has caused borrowers to default and has slashed values of stock and property held as collateral. In some instances, there was also the problem of poor credit evaluation and loan documentation which should never have happened in the first place if strict compliance of the guidelines are observed.

However, increasing attention and resources of the commercial banks were devoted to intensive monitoring of loans, credit supervision and the rehabilitation

of ailing clients.

The more disturbing aspect of our financial world is the propensity in recent times of banks and financial institutions going bust, a tendency which neither augurs well nor inspires confidence in the minds of the public.

It is an observation that Bank Negara has taken the right and laudable step of preventing the near collapse of two banks in this country and has confirmed that is closely monitoring the situation of another bank the Sabah Bank Bhd. Datuk Jaffar Hussein, the Governor of Bank Negara is reported to have said that the Central Bank is in fact, also looking at the health of all 38 banks as well as the 47 finance institutions.

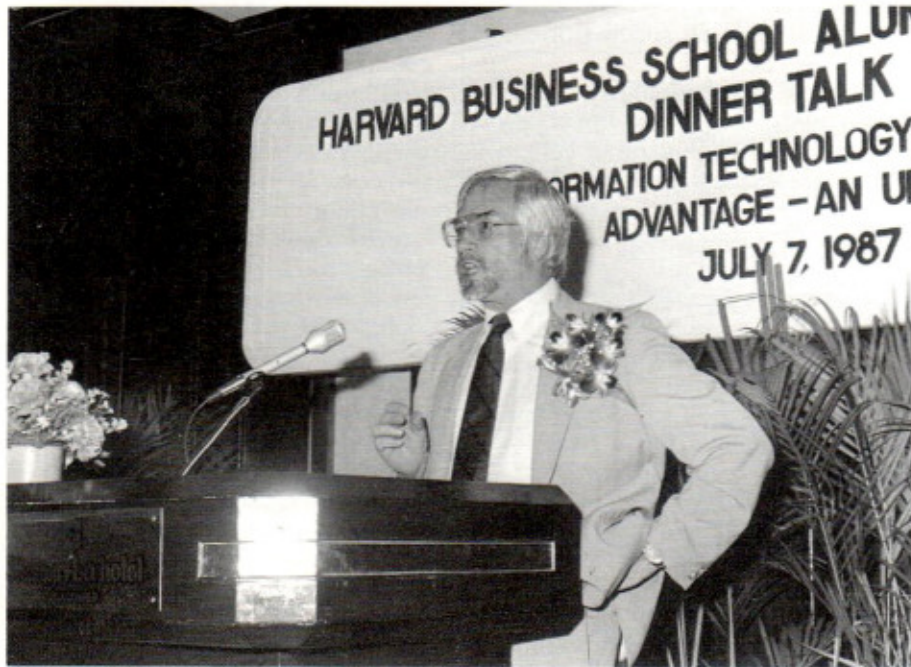
One of the ways to prevent further collapse of banks and financial institutions in this country is to expose such institutions especially smaller local commercial banks to a greater degree of public share holding, so that shareholder pressure on management could be maintained.

CONCLUSION

White collar crime is not exclusive to any nation and, like a virulent disease, it is widespread in many countries. Malaysia is not immune to the infection. On the contrary, our recent times were characterised with an inordinate spate of white collar crimes, too numerous and close for our liking.

The exponents of white collar crime will still be the losers even if they are lucky to escape conviction in a court of law, for their careers are shattered, their friends shun them and I cannot see how they can ever hope to regain their self-respect under the circumstances.

INFORMATION TECHNOLOGY AND COMPETITIVE ADVANTAGE – an update



We had the privilege of having Dr Arthur Lee Gilbert who is presently on assignment in Singapore to give a talk. Dr Gilbert spoke on "Information Technology and Competitive Advantage". The talk was held at the Shangri-La Hotel on the 7th July, 1987.

Dr Gilbert started by introducing the audience to some emerging trends such as the globalization of the economy, the pervasiveness of technology, business progress integration and the increasing benefits of lead time.

Dr Gilbert quoted some examples in airlines, banks and other services. He also elaborated on how the American Hospital Supplier originally started with an order entry system intended to make customer's ordering function easier and how the system eventually become a competitive weapon by grabbing significant market share.

Dr Gilbert then touched on the Value Chain concept described in

Michael E Porter's book "Competitive Advantage". A company's value chain is a system of inter-dependent activities which are connected by linkages. Linkages exist when the way in which one of the activity affects

the cost or effectiveness of other activities. Linkages often create trade-offs in performing different activities that should be optimised. For example a more costly design and more expensive raw materials can reduce after-sales service costs.

He then went on to explain about telecommunications as the key to competitiveness and emphasized the need to have a good and reliable telecommunications network. He elaborated how telecommunication can cut paperwork and how we should learn from the success of others, for example adopting available standards to be set and the need to develop information infrastructures and systems.

Finally, he provided a management agenda on the need to move fast to compete effectively, building 'highways' for information, learn enough of the new technology to make decisions, accept imperfect technology and the need to change if necessary the way we do business.



FINANCING FOR DEVELOPMENT – EXTERNAL DEBTS VERSUS FOREIGN INVESTMENT

by Tuan Haji Abu Bakar bin Sulaiman

When the Harvard Business School Alumni Club of Malaysia (HBSACM) selected Tan Sri Khoo Kay Peng as Second Manager of the year 1985, he donated his prize of \$10,000 to the Institute of Strategic and International Studies (ISIS) Malaysia to conduct a study on "Financing for Development – external Debts versus Direct Foreign Investments" (with special reference to Malaysia).

Following the completion of the study, a panel discussion was held on 27th April, 1987. The panel was made up of Professor Dr Kamal Salih, Dr Anuwar Ali, Encik Ghazali Yusof and Dr R. Thillainathan. The Guest of Honour was YM Raja Tan Sri Mohar bin Raja Badiozaman.

The following is a summary of the study:-

The problems of debt are almost worldwide and have reached such a position that they are threatening the world economy.

The oil boom and high inflation in the seventies resulted in huge transfers of financial resources from the oil importers. Jumbo loans were given to developing countries and the lending boom was on.

The Less Developed Countries (LDCs) are getting deeper and deeper into the recession to a large extent caused by the trade policies of the developed countries; subsidising the developed countries through cheaper and cheaper commodities.

Following the steep rise in the Third World debts in the seventies, Malaysia also capitalised on the sudden opportunity of relatively easy loans pumped into the financial systems from oil rich countries.

Since 1980, the deficit burgeoned as the Malaysian Government tried to spend its way out of a recession it believed could not last long. However, it was wrong and in 1985, Malaysia had been struck

with an external debt problem of over \$40b and by the end of 1986, this had grown \$51b.

There is increasing evidence that a significant portion of the government's external and domestic loan have been utilised in projects which may not yield sufficient revenue to repay the loans through their own operations. Much of the requirements for development expenditure in the 1970s and 1980s can be traced to the various SEDC's and NFPEs or off. Budget Agencies (OBAS) which are wholly or partly owned by the Government.

Malaysia's external debt servicing is still manageable but it is precariously edging towards the IMP 20% critical limit. As an alternative to external borrowing Malaysia is turning to direct foreign investment (DFI) as the main catalyst for growth.

However, the flow of DFI into Malaysia suffered a big set-back in 1986, the drop was from \$190.83m in 1985 to \$102m.

Malaysia would have to resort more and more to the balancing effects of DFI, the main difficulty would be the extent of the longer term possibilities for substitution between DFI and external borrowing. If Malaysia's overtures for more DFI fail, then Malaysia would inevitably be forced to step up its external borrowing as its domestic sector is yet unable to provide the alternative engine for growth.

In spite of some inherent weaknesses of DFI, the government has deemed it more prudent to shift emphasis to DFI as a necessary alternative for growth because of domestic capital shortage and an already high external debt burden. However, no matter how much emphasis the government places on DFI, it would be unable to fully substitute for external

borrowing nor would this be even the government policy.

It is apparent that for a long time to come DFI and external debts would have to co-exist in Malaysia's plan for growth but in the long run it is domestic investments that would determine whether Malaysia can build up the economic resilience that can better withstand domestic and global economic fluctuations.

EXTERNAL DEBTS VS DFI

Dr Anuwar Ali felt that foreign debts and DFI are complementary. In certain areas we need foreign debts and in certain areas we need DFI.

According to Encik Ghazali Yusof, there is no harm if we borrow a lot of money within the prescribed limits provided that the borrowings are utilised effectively.

Dr R Thillainathan gave his reasons for favouring DFI. They are as follows.

For external borrowings, not only must the principal be repaid but interests must also be serviced regularly irrespective of the economic situation whereas with DFI, as long as the business environment remains conducive, repatriation of foreign capital can be minimised.

For DFI, dividends will only be paid if profits are made but external borrowings, interest have to be paid whether the times are good or bad.

For all investments that are financed out of borrowing the risk of business failure will be borne by the domestic economy. However, for investments which are undertaken through foreign enterprise, the risk of business failure rests with the foreign enterprises.

The host country will enjoy the benefits of DFI in the form of additional employment, higher spending on locally produced goods and services and more taxes collected.

EXTERNAL DEBTS VS DFI (WITH REFERENCE TO MALAYSIA)

YM Raja Tan Sri Mohar bin Raja Badiozaman gave the following views.

After Malaysia gained independence, Malaysia adopted a liberal investments and trade

policies welcoming foreign investments and technologies.

The government's role in national development is to provide the necessary incentives and infrastructure so as to create a conducive environment to attract foreign investments into the country.

For infrastructural and social development, the government uses external debts but for the industrialisation of the country and the development of particular sectors of the economy, eg. petroleum, the government relies on direct investments from both domestic and foreign sources.

Dr Anuwar Ali

There is a shift in development strategy in Malaysia with increasing emphasis on foreign debt financing since 1970s. The main reason given was that there is a drying in domestic resources.

The increasing need for foreign debt financing may also be due to the inefficiency in the utilisation of committed loan both by private and public sectors.

Encik Ghazali Yusof

There is a lot of criticisms on how we utilise our borrowings in Malaysia and on the NFPEs & SEDCs in this country. These are all necessary agencies created basically to secure the stability of the nation.

The Vice President of the World Bank said that there is an outflow of funds of M\$8b to M\$10b which nobody knows. Therefore, how could we convince foreigners to invest in Malaysia if the Malaysians themselves are not convinced about their destiny?

On the encouragement of foreign investments into Malaysia, we are now facing the recession and we need some hard selling. The selling now has got to be harder because we have been surrounded by very competitive economies who are better equipped to take on the opportunities than us.

Dr. R Thillainathan

In the early 70s there was a policy shift in favour of external borrowings and away from DFI. This shift was caused partly by nationalistic fervour.

After the initial uncertainty of the ICA and several amendments,

the size of DFI in Malaysia has improved. However, from 1983 onwards, the recession has led to decline in foreign investments.

While the volume of foreign investments has been undoubtedly affected by the recession, it has also been adversely influenced by the government's decision in the 70s and 80s to shift away foreign investments to external borrowings for nationalistic reasons.

CONCLUSION

The study highlighted the phenomenal speed at which Malaysia has accumulated its external debts since 1980.

The ensuing panel discussion also pointed out the importance of DFI in financing our development and the reasons for the lack lustre performance in the 70s and 80s; and also the inefficient utilisation of external borrowings by the public and private sectors.

Some of the remedial policies recommended by the research report and the panelist are:

Remedial Policies On External Debts

1. Review of tradeable and non-tradeable corrective measures on the recession.
2. Closer surveillance of the NFPEs and state agencies.
3. Launching of a strategic initiative to reduce national expenditure and currency outflows.
4. Launching of a strategy to promote national thrift.
5. Continuing the search for more opportunities towards external loans through refinancing.
6. Review of the heavy industrial policy so as to allow more room and the release of more badly needed funds to smaller and quick maturing projects until at least the economy recovers.
7. Launching, with Malaysia taking the initiative, of a ASEAN strategic initiative and response on external debts.
8. Packaging of a debt-to-equity drive for possible floatation to interested buyers.
9. Establishment of a government task force to monitor devise strategies of controlling the national debt.

Remedial Policies On External Debts Through Foreign Investments And Domestic Investments

1. De-governmentization and de-politicization of project development and in the promotion of DFI and domestic investments.
2. Liberalization and deregulation on DFI as well as on domestic investments.
3. Launching of a national strategic initiative on the promotion of DFI and domestic investments.
4. Reducing the restrictive terms and conditions of the New investment fund to facilitate and increase participation.
5. Reduction of corporation tax by at least 5%.
6. Offer of permanent residential status for approved minimum investment fund of least US\$1 million.
7. Revamping of the Trade Commissioners Service through the rationalization and merging or closure of MIDA's Overseas investment Offices and recruitment on contract basis of high calibre private sector personnel as Trade Commissioners.
8. De-ethnicising in the promotion of DFI joint ventures.
9. Making one-stop-centres really operational and implementing centres rather than centres only on advisory services.
10. Launching of a comprehensive plan for greater coordination, intergration and implementation of national policies, guidelines and systemization which would be sensitive and flexible enough to adopt to changing circumstances of DFI and domestic investments.
11. Launching of an initiative to step up quicker services at the customs, approving and licensing authorities while simultaneously instituting programmes to minimise bureaucratic procedures.
12. Upgrading information, identification and promotion of DFI and domestic investments on a more aggressive and competitive approach.



**Dato' Ahmad
Badri**
AMP 1986.



**Mr Christian
Masurel**
Regional Representative
Banque Indosuez
Representative Officer
MBA 1970



Ms Ho Yew Ling
Assistant General
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Unza Co Sdn Bhd
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**En. Wan Mohd
Fusil**
Director of
Marketing
Mesiniaga Sdn Bhd
MDP 1986



**En. Mohd Nor
Abbas**
Regional MIS
Director of Sterling
Drugs (M) Sdn Bhd
SMDP 1986



En. Ishak Ismail
Bank Negara Malaysia
SMDP 1986



Mr Song Siew Huo
General Manager
Song Pang Seng
Construction
(M) Sdn Bhd
SMDP '86



Mr Chee Ying Hai
Finance Manager
Sterling Drugs
(M) Sdn Bhd
1984



Mr Tan Lian Soon
Director
Tactment Corp.
Sdn Bhd
1984

**En. Nik Mohd
Amin Majid**
Assistant General
Manager
Perwira Habib Bank
1986

Mr Joseph Seaton
General Manager
CMCM Sdn Bhd
1984

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.C.A.L.E.N.D.A.R. OF EVENTS 1987

The 1986/87 Executive Committee are working on the following activities for 1987. We will keep you informed in more detail separately.

September: Family Day

October : Manager of the Year

November : Manager of the Year Study Report Symposium

December : Annual General Meeting

Congratulations

*Encik Adam bin Abdul Kadir
on his appointment as
Parliamentary Secretary.*

*Dato' Mustafa Md. Ali
on his conferment of Dato'-ship
from the Sultan of Perak.*

*Mr. Gnanalingam s/o Gunanathalingam
on his conferment of S.A.P.
from the Sultan of Pahang
and P.M.P. from the Sultan of Perak.*



GOLF CHAMPIONSHIPS

by Othman Yusuf



FOURTH TRI-COUNTRY HARVARD ALUMNI AND HBSACM PAST PRESIDENT'S TROPHY GOLF TOURNAMENT

Our Club organised both Tournaments simultaneously on July 2, 1987 at the Awana Golf and Country Club.

We are very grateful to our friends Mr Prachan Guna Kasem and Mr K.P. Mok from Harvard Club of Thailand and Singapore respectively who, inspite of their busy schedule, participated in the Fourth Tri-Country Harvard Alumni Tournament. Tuan Haji Abu Bakar bin Sulaiman and Raja Sharifuddin played for Singapore to be on the winning side.

The Tournament was won by Harvard Club of Singapore with

104 stableford points while our team emerged second with 103 points.

The Past President's Trophy was won by Y.M. Raja Sharifuddin Zainal Abidin, handicap (23) with 38 points.

