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# Progressive Leaders Bear a Heavy but Rewarding Responsibility

By **Fazil Irwan Som** (CEO, Penang Halal International)

**Abstract:** This article begins by providing a personal anecdotal example of leadership from a micro-case study which highlights the importance of a conducive workplace and education of the workforce as critical ingredients in maximising productivity. It brings these important ingredients to dissect Malaysia's education system and its shortcomings which have contributed to declining investment and productivity in the country. It finally highlights the importance of policy stability in ensuring FDIs in the long run, which can be achieved by adhering to the same leadership principles in the anecdotal story.

SEVERAL YEARS AGO, I was an advisor to a company whose boss complained incessantly about the apathy of his workers, about how they were not productive and how they spent their time lounging and taking frequent breaks. Understandably, this drove him up the wall.

He seemed to have a point. Which boss would tolerate a disinterested team when there is work to be done and deadlines to meet. My job was to dig deeper. After a small chat with the workers, I realised that they had actually not been given a proper picture about their work, or proper instructions on what to do.

Many of us often fail to move beyond the blame game to ask this question, "Is it really them or am I

to blame?". Chances are the answer lies in between. We often fail to understand that there is a strong connection between what "I" am doing (or failing to do), and what "they" are doing as a result.

Was there a clear picture and direction for the team to follow in the first place? If the boss is unable to inspire the team, does not empower them with leadership roles, does not treat them with respect, or does not delegate real meaningful tasks, can they be blamed for apathy? Whether we like it or not, humans act more on emotions and less on rationality.

Back to the story. And here is when things go on a downward spiral. Since the boss thinks that his workers are slacking, he imposes

military discipline on them, taking away social media access and imposing strict entry and exit times.

So rather than understanding the root causes of their apathy, the boss makes it worse by sowing more discontent, by treating the workers like kids. And this has a profound effect on their performance. Because they are treated like kids, they end up with very low self-confidence. And once they have low self-confidence, they cannot make decisions for themselves. And because they cannot make their own decisions, they rely all the more on the boss to make those decisions. And because the boss has to make all the decisions, it slows down the production process, and eventually the whole organisation. That is one way an organisation goes downhill. When too much power and authority sits at the top, with little left to leverage down below, precious time is spent on petty decision squabbles, rather than on mid- to long-term strategic goals.

The key to increased productivity in the workplace is really, however simple this may sound, through empowering people. And by empowering I mean giving the workers the liberty to make their own decisions, treating them as people with a stake in the work, appreciating their ideas and building upon them, taking the risk to push them forward, in order to represent the organisation in various events for example. Even though they may falter or fail a few times, that makes them more confident each time.

Of course, having a hierarchical relationship in the office between the boss and workers will get things done. And it's true, some parts of the work do require a hierarchical dynamic such as supply chain management and other time-sensitive, quantity-driven tasks, but if the overall business thrives on creativity and out-of-the-box solutions, bosses need to start listening more and to empower

people below them. This is because only when people feel appreciated, can they become confident of conceptualising mind-blowing ideas.

Now this is not mere theory. The majority of companies that are dominating the business world today are innovation-driven companies. Look at Tesla and Google for example. These are companies that rely on time-sensitive, quantity-driven outputs which require some semblance of hierarchy in the value chain. But before these outputs are made, the foundational part of the process is product R&D, UI/UX and product process flow, which are the critical components that determine the product's success in the marketplace. And for this part to work, we need a lot of right-brain thinking, to unleash the maximum creativity from an employee. Indeed, right-brain creativity far outweighs what left-brain discipline can achieve. And that is why, innovation-driven companies emphasise a laissez-faire workplace, providing recreational areas, free food and the likes, so that people feel comfortable and are able to produce great ideas.

As we can see, leaders play a pivotal role in changing the culture of the workplace which invariably increases its productivity. However, the quality and skills of the workforce are equally important to bring the business to the next level. Thus, relevant education and skills training are hugely important to boost the quality of the workforce, and this has a direct impact on the company's performance in the long run.

In Malaysia, productivity growth of the workforce has been lacklustre. This is in part due to a steady decrease in investments throughout the years. Investment as a share of GDP pre-Asian financial crisis was around 42-43%, but it has steadily declined to around 19% today.

But the biggest factor that affects productivity is our education system. A World Bank regional study on “Teachers and Basic Education in East Asia and the Pacific” puts the learning poverty rate of Malaysia, an upper middle-income country, to 42%.<sup>1</sup> For perspective, the learning poverty in high-income Japan, Korea and Singapore is only 3-4%. In terms of comparison between 2 income peers we can look at Malaysia and Kazakhstan. Kazakhstan has achieved a learning poverty rate of 2% as compared with Malaysia’s 42% while spending roughly two-thirds as much as Malaysia as a share of GDP.

As children progress in the education system, they need to learn various skills that prepare them for the workplace such as digital skills, soft skills of collaboration, negotiation, communication and working together. Unfortunately these skills are not emphasised in our education system, so much so that our children graduate from university with skills not relevant to the workplace. This is what contributes to the education-industry mismatch we are experiencing today. Just in 2022, 187,000 graduates were out of job, amounting to 7.4% unemployment rate.<sup>2</sup> This is in stark contrast to the 144,376 new jobs created in the same year as announced by Deputy Prime Minister Datuk Seri Fadillah Yusof in May 2022.<sup>3</sup>

Why are our graduates still unemployed when there are ample jobs in the market? The answer is, most of

these jobs are low and semi-skilled jobs, which according to Khazanah Research Institute (KRI) make up a whopping 70% of the Malaysian economy.<sup>4</sup> It is therefore clear that our problem is a lot deeper than we thought. Not only are we depriving our children of critical skills needed in the real workplace, but our business leaders continue to create low skilled jobs instead of investing in highly skilled innovative jobs needed in the digital age.

The problem with this “cutting cost” mindset is that it cannot last forever. Malaysia cannot sustain its role as the low-cost wage economy, or factory of the world, because there are other countries joining the competition. The E&E sector for example, makes up 38% of Malaysia’s total exports, and 60% of that comes from Penang.<sup>5</sup> This is indeed a remarkable feat for a small state in the federation, but Penang’s position in the global E&E sector cannot be sustained; countries like India and Vietnam have now entered the low end of the semiconductor value chain in a big way. According to Penang Institute statistics, despite its leadership in the E&E sector, Penang’s median household income ranks 6th in the country at RM6,508, coming after Kuala Lumpur, Putrajaya, Selangor, Labuan and Johor.<sup>6</sup> Kuala Lumpur’s is RM10,234 which is 61.5% higher than Penang’s. Singapore’s median household income is RM34,584 which puts the average income of Penangites in the lowest 5% of Singapore’s population.

<sup>1</sup> Fixing the Foundation: Teachers and Basic Education in East Asia and Pacific. World Bank Group. 2023: <https://openknowledge.worldbank.org/entities/publication/b7b656ce-44b1-4b20-bd4b-35c55ff7809d>.

<sup>2</sup> “Young, Schooled and Jobless”. New Straits Times 21 December 2023: <https://www.nst.com.my/opinion/leaders/2023/12/985082/nst-leader-young-schooled-and-jobless>

<sup>3</sup> “144,000 jobs created last year”. The Star. 23 May 2023: <https://www.thestar.com.my/news/nation/2023/05/23/144000-jobs-created-last-year>

<sup>4</sup> “Full report- Work in an Evolving Malaysia”. Khazanah Research Institute. 2020.

<sup>5</sup> Press Release. “Penang and Malaysia: Beyond Manufacturing Excellence”. Investpenang, 5 April 2023: [https://investpenang.gov.my/press-release-penang-malaysia-beyond-manufacturing-excellence/#:~:text=Penang%20%26%20Malaysia%3A%20Beyond%20Manufacturing%20Excellence,-Last%20year%2C%20Penang&text=Today%2C%20about%2038%25%20of%20Malaysia's,surplus%20is%20contributed%20by%20Penang](https://investpenang.gov.my/press-release-penang-malaysia-beyond-manufacturing-excellence/#:~:text=Penang%20%26%20Malaysia%3A%20Beyond%20Manufacturing%20Excellence,-Last%20year%2C%20Penang&text=Today%2C%20about%2038%25%20of%20Malaysia's,surplus%20is%20contributed%20by%20Penang)).

<sup>6</sup> Penang Monthly Household Income: <https://penanginstitute.org/resources/key-penang-statistics/visualisations-of-key-indicators/penang-household-income/>

Without doubt, the pie of the E&E sector will shrink in Penang and Malaysia if we continue down this low-cost path. Malaysia urgently needs to climb up the economic complexity ladder if it is to survive in an increasingly competitive world. And for that, we need leaders who are willing to make unsavoury adjustments for the greater good rather than focus on electability in the next election cycle.

And talking about elections, indeed we cannot run away from political change in a democratic system. And that's not why investors are taking their investments away from Malaysia. Investors are not looking for political stability, they are looking for policy stability. They want to be assured that their investments in any given period of time will not be affected by the changing of policies by subsequent governments in the election cycle. This is one of the main concerns about Malaysia at the moment.

It is evident that leadership has implications far and wide in the economy. The micro-leadership anecdote earlier in this article sheds light on the importance of leaders of organisations to empower the workforce and to harness their respective strengths to complement the bigger whole. This is a far more effective strategy than centralising decision-making in one single person, and can be applied as well in the political leadership experience where policies of previous governments can be harnessed and improved, instead of being drastically changed. In doing so, political leaders leverage on past experiences and build upon them, thereby creating a coherent policy direction; this is a critical determinant for investors to continue believing in Malaysia as a stable destination for foreign direct investments.



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